

City of Exeter

2019 Water Revenue Refunding Bonds
(Refunding of 2003 & 2004 USDA Loans)
Public Offering; No Escrow

Sources & Uses

Dated 01/09/2020 | Delivered 01/09/2020

Sources Of Funds

Par Amount of Bonds	\$4,355,000.00
Reoffering Premium	565,678.15

Total Sources	\$4,920,678.15
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Uses Of Funds

Deposit to Current Refunding Fund	4,725,676.69
Costs of Issuance	120,000.00
Gross Bond Insurance Premium (50.0 bp)	35,018.70
Total Underwriter's Discount (0.650%)	28,307.50
Reserve Surety (3%)	8,668.50
Rounding Amount	3,006.76

Total Uses	\$4,920,678.15
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City of Exeter

2019 Water Revenue Refunding Bonds

(Refunding of 2003 & 2004 USDA Loans)

Public Offering; No Escrow

Gross Debt Service Comparison

Date	Principal	Coupon	Interest	New D/S	Old D/S	Savings
10/01/2020	105,000.00	3.000%	130,890.83	235,890.83	308,302.47	72,411.64
10/01/2021	105,000.00	4.000%	176,700.00	281,700.00	308,313.57	26,613.57
10/01/2022	110,000.00	4.000%	172,500.00	282,500.00	307,775.90	25,275.90
10/01/2023	115,000.00	4.000%	168,100.00	283,100.00	308,128.93	25,028.93
10/01/2024	120,000.00	4.000%	163,500.00	283,500.00	307,878.89	24,378.89
10/01/2025	125,000.00	4.000%	158,700.00	283,700.00	307,506.58	23,806.58
10/01/2026	130,000.00	4.000%	153,700.00	283,700.00	307,509.84	23,809.84
10/01/2027	135,000.00	4.000%	148,500.00	283,500.00	307,381.15	23,881.15
10/01/2028	140,000.00	4.000%	143,100.00	283,100.00	308,542.35	25,442.35
10/01/2029	145,000.00	4.000%	137,500.00	282,500.00	307,665.15	25,165.15
10/01/2030	155,000.00	5.000%	131,700.00	286,700.00	307,099.57	20,399.57
10/01/2031	165,000.00	5.000%	123,950.00	288,950.00	307,380.74	18,430.74
10/01/2032	170,000.00	5.000%	115,700.00	285,700.00	307,854.04	22,154.04
10/01/2033	180,000.00	5.000%	107,200.00	287,200.00	307,417.81	20,217.81
10/01/2034	185,000.00	4.000%	98,200.00	283,200.00	307,173.46	23,973.46
10/01/2035	195,000.00	4.000%	90,800.00	285,800.00	306,754.54	20,954.54
10/01/2036	205,000.00	4.000%	83,000.00	288,000.00	307,416.40	19,416.40
10/01/2037	210,000.00	4.000%	74,800.00	284,800.00	307,303.48	22,503.48
10/01/2038	220,000.00	4.000%	66,400.00	286,400.00	306,272.75	19,872.75
10/01/2039	230,000.00	4.000%	57,600.00	287,600.00	307,022.05	19,422.05
10/01/2040	240,000.00	4.000%	48,400.00	288,400.00	306,702.13	18,302.13
10/01/2041	245,000.00	4.000%	38,800.00	283,800.00	306,799.22	22,999.22
10/01/2042	255,000.00	4.000%	29,000.00	284,000.00	305,827.42	21,827.42
10/01/2043	265,000.00	4.000%	18,800.00	283,800.00	305,614.47	21,814.47
10/01/2044	130,000.00	4.000%	8,200.00	138,200.00	306,162.11	167,962.11
10/01/2045	75,000.00	4.000%	3,000.00	78,000.00	85,019.70	7,019.70
Total	\$4,355,000.00	-	\$2,648,740.83	\$7,003,740.83	\$7,766,824.72	\$763,083.89

PV Analysis Summary (Gross to Gross)

Gross PV Debt Service Savings	573,301.24
Contingency or Rounding Amount	3,006.76
Net Present Value Benefit	\$576,308.00
Net PV Benefit / \$4,673,093 Refunded Principal	12.332%
Average Annual Cash Flow Savings	29,349.38

Refunding Bond Information

Refunding Dated Date	1/09/2020
Refunding Delivery Date	1/09/2020

City of Exeter

2019 Water Revenue Refunding Bonds

(Refunding of 2003 & 2004 USDA Loans)

Public Offering; No Escrow

Gross Debt Service Comparison

Date	Principal	Coupon	Interest	New D/S	Old D/S	Savings
06/30/2020	-	-	40,965.83	40,965.83	156,503.98	115,538.15
06/30/2021	105,000.00	3.000%	178,275.00	283,275.00	308,463.12	25,188.12
06/30/2022	105,000.00	4.000%	174,600.00	279,600.00	307,920.74	28,320.74
06/30/2023	110,000.00	4.000%	170,300.00	280,300.00	308,289.15	27,989.15
06/30/2024	115,000.00	4.000%	165,800.00	280,800.00	308,030.74	27,230.74
06/30/2025	120,000.00	4.000%	161,100.00	281,100.00	307,669.32	26,569.32
06/30/2026	125,000.00	4.000%	156,200.00	281,200.00	307,680.88	26,480.88
06/30/2027	130,000.00	4.000%	151,100.00	281,100.00	307,559.00	26,459.00
06/30/2028	135,000.00	4.000%	145,800.00	280,800.00	308,745.57	27,945.57
06/30/2029	140,000.00	4.000%	140,300.00	280,300.00	307,868.54	27,568.54
06/30/2030	145,000.00	4.000%	134,600.00	279,600.00	307,301.00	27,701.00
06/30/2031	155,000.00	5.000%	127,825.00	282,825.00	307,599.14	24,774.14
06/30/2032	165,000.00	5.000%	119,825.00	284,825.00	308,086.52	23,261.52
06/30/2033	170,000.00	5.000%	111,450.00	281,450.00	307,660.61	26,210.61
06/30/2034	180,000.00	5.000%	102,700.00	282,700.00	307,423.98	24,723.98
06/30/2035	185,000.00	4.000%	94,500.00	279,500.00	307,008.31	27,508.31
06/30/2036	195,000.00	4.000%	86,900.00	281,900.00	307,692.08	25,792.08
06/30/2037	205,000.00	4.000%	78,900.00	283,900.00	307,597.90	23,697.90
06/30/2038	210,000.00	4.000%	70,600.00	280,600.00	306,558.02	25,958.02
06/30/2039	220,000.00	4.000%	62,000.00	282,000.00	307,340.26	25,340.26
06/30/2040	230,000.00	4.000%	53,000.00	283,000.00	307,025.71	24,025.71
06/30/2041	240,000.00	4.000%	43,600.00	283,600.00	307,145.69	23,545.69
06/30/2042	245,000.00	4.000%	33,900.00	278,900.00	306,169.62	27,269.62
06/30/2043	255,000.00	4.000%	23,900.00	278,900.00	305,970.34	27,070.34
06/30/2044	265,000.00	4.000%	13,500.00	278,500.00	306,547.80	28,047.80
06/30/2045	130,000.00	4.000%	5,600.00	135,600.00	147,723.97	12,123.97
06/30/2046	75,000.00	4.000%	1,500.00	76,500.00	83,242.73	6,742.73
Total	\$4,355,000.00	-	\$2,648,740.83	\$7,003,740.83	\$7,766,824.72	\$763,083.89

PV Analysis Summary (Gross to Gross)

Gross PV Debt Service Savings	573,301.24
Contingency or Rounding Amount	3,006.76
Net Present Value Benefit	\$576,308.00
Net PV Benefit / \$4,673,093 Refunded Principal	12.332%
Average Annual Cash Flow Savings	29,349.38

Refunding Bond Information

Refunding Dated Date	1/09/2020
Refunding Delivery Date	1/09/2020

City of Exeter

2019 Water Revenue Refunding Bonds

(Refunding of 2003 & 2004 USDA Loans)

Public Offering; No Escrow

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
10/01/2020	105,000.00	3.000%	130,890.83	235,890.83
10/01/2021	105,000.00	4.000%	176,700.00	281,700.00
10/01/2022	110,000.00	4.000%	172,500.00	282,500.00
10/01/2023	115,000.00	4.000%	168,100.00	283,100.00
10/01/2024	120,000.00	4.000%	163,500.00	283,500.00
10/01/2025	125,000.00	4.000%	158,700.00	283,700.00
10/01/2026	130,000.00	4.000%	153,700.00	283,700.00
10/01/2027	135,000.00	4.000%	148,500.00	283,500.00
10/01/2028	140,000.00	4.000%	143,100.00	283,100.00
10/01/2029	145,000.00	4.000%	137,500.00	282,500.00
10/01/2030	155,000.00	5.000%	131,700.00	286,700.00
10/01/2031	165,000.00	5.000%	123,950.00	288,950.00
10/01/2032	170,000.00	5.000%	115,700.00	285,700.00
10/01/2033	180,000.00	5.000%	107,200.00	287,200.00
10/01/2034	185,000.00	4.000%	98,200.00	283,200.00
10/01/2035	195,000.00	4.000%	90,800.00	285,800.00
10/01/2036	205,000.00	4.000%	83,000.00	288,000.00
10/01/2037	210,000.00	4.000%	74,800.00	284,800.00
10/01/2038	220,000.00	4.000%	66,400.00	286,400.00
10/01/2039	230,000.00	4.000%	57,600.00	287,600.00
10/01/2040	240,000.00	4.000%	48,400.00	288,400.00
10/01/2041	245,000.00	4.000%	38,800.00	283,800.00
10/01/2042	255,000.00	4.000%	29,000.00	284,000.00
10/01/2043	265,000.00	4.000%	18,800.00	283,800.00
10/01/2044	130,000.00	4.000%	8,200.00	138,200.00
10/01/2045	75,000.00	4.000%	3,000.00	78,000.00
Total	\$4,355,000.00	-	\$2,648,740.83	\$7,003,740.83

Yield Statistics

Bond Year Dollars	\$64,179.47
Average Life	14.737 Years
Average Coupon	4.1270842%
Net Interest Cost (NIC)	3.2897905%
True Interest Cost (TIC)	3.0470463%
Bond Yield for Arbitrage Purposes	2.5262377%
All Inclusive Cost (AIC)	3.3606867%

IRS Form 8038

Net Interest Cost	2.8817136%
Weighted Average Maturity	14.690 Years

City of Exeter

2019 Water Revenue Refunding Bonds

(Refunding of 2003 & 2004 USDA Loans)

Public Offering; No Escrow

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
01/09/2020	-	-	-	-
04/01/2020	-	-	40,965.83	40,965.83
10/01/2020	105,000.00	3.000%	89,925.00	194,925.00
04/01/2021	-	-	88,350.00	88,350.00
10/01/2021	105,000.00	4.000%	88,350.00	193,350.00
04/01/2022	-	-	86,250.00	86,250.00
10/01/2022	110,000.00	4.000%	86,250.00	196,250.00
04/01/2023	-	-	84,050.00	84,050.00
10/01/2023	115,000.00	4.000%	84,050.00	199,050.00
04/01/2024	-	-	81,750.00	81,750.00
10/01/2024	120,000.00	4.000%	81,750.00	201,750.00
04/01/2025	-	-	79,350.00	79,350.00
10/01/2025	125,000.00	4.000%	79,350.00	204,350.00
04/01/2026	-	-	76,850.00	76,850.00
10/01/2026	130,000.00	4.000%	76,850.00	206,850.00
04/01/2027	-	-	74,250.00	74,250.00
10/01/2027	135,000.00	4.000%	74,250.00	209,250.00
04/01/2028	-	-	71,550.00	71,550.00
10/01/2028	140,000.00	4.000%	71,550.00	211,550.00
04/01/2029	-	-	68,750.00	68,750.00
10/01/2029	145,000.00	4.000%	68,750.00	213,750.00
04/01/2030	-	-	65,850.00	65,850.00
10/01/2030	155,000.00	5.000%	65,850.00	220,850.00
04/01/2031	-	-	61,975.00	61,975.00
10/01/2031	165,000.00	5.000%	61,975.00	226,975.00
04/01/2032	-	-	57,850.00	57,850.00
10/01/2032	170,000.00	5.000%	57,850.00	227,850.00
04/01/2033	-	-	53,600.00	53,600.00
10/01/2033	180,000.00	5.000%	53,600.00	233,600.00
04/01/2034	-	-	49,100.00	49,100.00
10/01/2034	185,000.00	4.000%	49,100.00	234,100.00
04/01/2035	-	-	45,400.00	45,400.00
10/01/2035	195,000.00	4.000%	45,400.00	240,400.00
04/01/2036	-	-	41,500.00	41,500.00
10/01/2036	205,000.00	4.000%	41,500.00	246,500.00
04/01/2037	-	-	37,400.00	37,400.00
10/01/2037	210,000.00	4.000%	37,400.00	247,400.00
04/01/2038	-	-	33,200.00	33,200.00
10/01/2038	220,000.00	4.000%	33,200.00	253,200.00
04/01/2039	-	-	28,800.00	28,800.00
10/01/2039	230,000.00	4.000%	28,800.00	258,800.00
04/01/2040	-	-	24,200.00	24,200.00
10/01/2040	240,000.00	4.000%	24,200.00	264,200.00
04/01/2041	-	-	19,400.00	19,400.00
10/01/2041	245,000.00	4.000%	19,400.00	264,400.00
04/01/2042	-	-	14,500.00	14,500.00
10/01/2042	255,000.00	4.000%	14,500.00	269,500.00
04/01/2043	-	-	9,400.00	9,400.00
10/01/2043	265,000.00	4.000%	9,400.00	274,400.00
04/01/2044	-	-	4,100.00	4,100.00
10/01/2044	130,000.00	4.000%	4,100.00	134,100.00
04/01/2045	-	-	1,500.00	1,500.00
10/01/2045	75,000.00	4.000%	1,500.00	76,500.00
Total	\$4,355,000.00	-	\$2,648,740.83	\$7,003,740.83

Yield Statistics

Bond Year Dollars	\$64,179.47
Average Life	14.737 Years
Average Coupon	4.1270842%
Net Interest Cost (NIC)	3.2897905%
True Interest Cost (TIC)	3.0470463%
Bond Yield for Arbitrage Purposes	2.5262377%
All Inclusive Cost (AIC)	3.3606867%

IRS Form 8038

Net Interest Cost	2.8817136%
Weighted Average Maturity	14.690 Years

2019 Water Ref. 1911104 | SINGLE PURPOSE | 11/4/2019 | 3:26 PM

City of Exeter

2019 Water Revenue Refunding Bonds

(Refunding of 2003 & 2004 USDA Loans)

Public Offering; No Escrow

Pricing Summary

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	YTM	Call Date	Call Price	Dollar Price
10/01/2020	Serial Coupon	3.000%	1.430%	105,000.00	101.131%	-	-	-	106,187.55
10/01/2021	Serial Coupon	4.000%	1.440%	105,000.00	104.351%	-	-	-	109,568.55
10/01/2022	Serial Coupon	4.000%	1.450%	110,000.00	106.794%	-	-	-	117,473.40
10/01/2023	Serial Coupon	4.000%	1.480%	115,000.00	109.104%	-	-	-	125,469.60
10/01/2024	Serial Coupon	4.000%	1.520%	120,000.00	111.270%	-	-	-	133,524.00
10/01/2025	Serial Coupon	4.000%	1.570%	125,000.00	113.259%	-	-	-	141,573.75
10/01/2026	Serial Coupon	4.000%	1.630%	130,000.00	115.041%	-	-	-	149,553.30
10/01/2027	Serial Coupon	4.000%	1.700%	135,000.00	116.587%	-	-	-	157,392.45
10/01/2028	Serial Coupon	4.000%	1.790%	140,000.00	117.781%	-	-	-	164,893.40
10/01/2029	Serial Coupon	4.000%	1.890%	145,000.00	117.788%	c 1.980%	04/01/2029	100.000%	170,792.60
10/01/2030	Serial Coupon	5.000%	2.050%	155,000.00	124.684%	c 2.379%	04/01/2029	100.000%	193,260.20
10/01/2031	Serial Coupon	5.000%	2.110%	165,000.00	124.114%	c 2.601%	04/01/2029	100.000%	204,788.10
10/01/2032	Serial Coupon	5.000%	2.200%	170,000.00	123.265%	c 2.812%	04/01/2029	100.000%	209,550.50
10/01/2033	Serial Coupon	5.000%	2.280%	180,000.00	122.516%	c 2.988%	04/01/2029	100.000%	220,528.80
10/01/2034	Serial Coupon	4.000%	2.470%	185,000.00	112.553%	c 2.943%	04/01/2029	100.000%	208,223.05
10/01/2035	Serial Coupon	4.000%	2.530%	195,000.00	112.027%	c 3.033%	04/01/2029	100.000%	218,452.65
10/01/2036	Serial Coupon	4.000%	2.600%	205,000.00	111.417%	c 3.119%	04/01/2029	100.000%	228,404.85
10/01/2037	Serial Coupon	4.000%	2.670%	210,000.00	110.811%	c 3.196%	04/01/2029	100.000%	232,703.10
10/01/2038	Serial Coupon	4.000%	2.700%	220,000.00	110.552%	c 3.244%	04/01/2029	100.000%	243,214.40
10/01/2039	Serial Coupon	4.000%	2.730%	230,000.00	110.294%	c 3.286%	04/01/2029	100.000%	253,676.20
10/01/2045	Term 1 Coupon	4.000%	2.760%	1,210,000.00	110.037%	c 3.411%	04/01/2029	100.000%	1,331,447.70
Total	-	-	-	\$4,355,000.00	-	-	-	-	\$4,920,678.15

Bid Information

Par Amount of Bonds	\$4,355,000.00
Reoffering Premium or (Discount)	565,678.15
Gross Production	\$4,920,678.15
Total Underwriter's Discount (0.650%)	\$(28,307.50)
Bid (112.339%)	4,892,370.65
Total Purchase Price	\$4,892,370.65
Bond Year Dollars	\$64,179.47
Average Life	14.737 Years
Average Coupon	4.1270842%
Net Interest Cost (NIC)	3.2897905%
True Interest Cost (TIC)	3.0470463%

City of Exeter

2019 Water Revenue Refunding Bonds

(Refunding of 2003 & 2004 USDA Loans)

Public Offering; No Escrow

Debt Service To Maturity And Call

Date	Princ. to Call	D/S To Call	Principal	Coupon	Interest	D/S To Maturity
10/01/2020	105,000.00	235,890.83	105,000.00	3.000%	130,890.83	235,890.83
10/01/2021	105,000.00	281,700.00	105,000.00	4.000%	176,700.00	281,700.00
10/01/2022	110,000.00	282,500.00	110,000.00	4.000%	172,500.00	282,500.00
10/01/2023	115,000.00	283,100.00	115,000.00	4.000%	168,100.00	283,100.00
10/01/2024	120,000.00	283,500.00	120,000.00	4.000%	163,500.00	283,500.00
10/01/2025	125,000.00	283,700.00	125,000.00	4.000%	158,700.00	283,700.00
10/01/2026	130,000.00	283,700.00	130,000.00	4.000%	153,700.00	283,700.00
10/01/2027	135,000.00	283,500.00	135,000.00	4.000%	148,500.00	283,500.00
10/01/2028	140,000.00	283,100.00	140,000.00	4.000%	143,100.00	283,100.00
10/01/2029	3,270,000.00	3,338,750.00	145,000.00	4.000%	137,500.00	282,500.00
10/01/2030	-	-	155,000.00	5.000%	131,700.00	286,700.00
10/01/2031	-	-	165,000.00	5.000%	123,950.00	288,950.00
10/01/2032	-	-	170,000.00	5.000%	115,700.00	285,700.00
10/01/2033	-	-	180,000.00	5.000%	107,200.00	287,200.00
10/01/2034	-	-	185,000.00	4.000%	98,200.00	283,200.00
10/01/2035	-	-	195,000.00	4.000%	90,800.00	285,800.00
10/01/2036	-	-	205,000.00	4.000%	83,000.00	288,000.00
10/01/2037	-	-	210,000.00	4.000%	74,800.00	284,800.00
10/01/2038	-	-	220,000.00	4.000%	66,400.00	286,400.00
10/01/2039	-	-	230,000.00	4.000%	57,600.00	287,600.00
10/01/2040	-	-	240,000.00	4.000%	48,400.00	288,400.00
10/01/2041	-	-	245,000.00	4.000%	38,800.00	283,800.00
10/01/2042	-	-	255,000.00	4.000%	29,000.00	284,000.00
10/01/2043	-	-	265,000.00	4.000%	18,800.00	283,800.00
10/01/2044	-	-	130,000.00	4.000%	8,200.00	138,200.00
10/01/2045	-	-	75,000.00	4.000%	3,000.00	78,000.00
Total	\$4,355,000.00	\$5,839,440.83	\$4,355,000.00	-	\$2,648,740.83	\$7,003,740.83

City of Exeter

2019 Water Revenue Refunding Bonds

(Refunding of 2003 & 2004 USDA Loans)

Public Offering; No Escrow

Summary Of Bonds Refunded

	Issue	Maturity	Type	of Bond	Coupon	Maturity Value	Call Date	Call Price
Dated 4/01/2019 Delivered 4/01/2019								
2003 USDA Loan (Water System Improvement)	04/01/2020	Serial	Coupon		4.375%	54,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2021	Serial	Coupon		4.375%	57,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2022	Serial	Coupon		4.375%	59,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2023	Serial	Coupon		4.375%	62,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2024	Serial	Coupon		4.375%	64,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2025	Serial	Coupon		4.375%	67,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2026	Serial	Coupon		4.375%	70,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2027	Serial	Coupon		4.375%	73,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2028	Serial	Coupon		4.375%	77,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2029	Serial	Coupon		4.375%	80,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2030	Serial	Coupon		4.375%	83,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2031	Serial	Coupon		4.375%	87,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2032	Serial	Coupon		4.375%	91,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2033	Serial	Coupon		4.375%	95,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2034	Serial	Coupon		4.375%	99,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2035	Serial	Coupon		4.375%	103,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2036	Serial	Coupon		4.375%	108,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2037	Serial	Coupon		4.375%	113,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2038	Serial	Coupon		4.375%	117,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2039	Serial	Coupon		4.375%	123,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2040	Serial	Coupon		4.375%	128,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2041	Serial	Coupon		4.375%	134,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2042	Serial	Coupon		4.375%	139,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2043	Serial	Coupon		4.375%	145,000	01/09/2020	100.000%
2003 USDA Loan (Water System Improvement)	04/01/2044	Serial	Coupon		4.375%	152,000	01/09/2020	100.000%
Subtotal	-	-	-	-	-	\$2,380,000	-	-
Dated 4/01/2019 Delivered 4/01/2019								
2004 USDA Loan (Water Well)	10/01/2020	Serial	Coupon		4.375%	50,479	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2021	Serial	Coupon		4.375%	52,687	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2022	Serial	Coupon		4.375%	54,992	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2023	Serial	Coupon		4.375%	57,398	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2024	Serial	Coupon		4.375%	59,909	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2025	Serial	Coupon		4.375%	62,530	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2026	Serial	Coupon		4.375%	65,266	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2027	Serial	Coupon		4.375%	68,121	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2028	Serial	Coupon		4.375%	71,101	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2029	Serial	Coupon		4.375%	74,212	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2030	Serial	Coupon		4.375%	77,459	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2031	Serial	Coupon		4.375%	80,848	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2032	Serial	Coupon		4.375%	84,385	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2033	Serial	Coupon		4.375%	88,077	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2034	Serial	Coupon		4.375%	91,930	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2035	Serial	Coupon		4.375%	95,952	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2036	Serial	Coupon		4.375%	100,150	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2037	Serial	Coupon		4.375%	104,531	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2038	Serial	Coupon		4.375%	109,105	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2039	Serial	Coupon		4.375%	113,878	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2040	Serial	Coupon		4.375%	118,860	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2041	Serial	Coupon		4.375%	124,060	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2042	Serial	Coupon		4.375%	129,488	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2043	Serial	Coupon		4.375%	135,153	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2044	Serial	Coupon		4.375%	141,066	01/09/2020	100.000%
2004 USDA Loan (Water Well)	10/01/2045	Serial	Coupon		4.375%	81,456	01/09/2020	100.000%
Subtotal	-	-	-	-	-	\$2,293,093	-	-
Total	-	-	-	-	-	\$4,673,093	-	-

2019 Water Ref. 1911104 | SINGLE PURPOSE | 11/ 4/2019 | 3:26 PM

City of Exeter

2019 Water Revenue Refunding Bonds

(Refunding of 2003 & 2004 USDA Loans)

Public Offering; No Escrow

Current Refunding Escrow

Date	Rate	Receipts	Disbursements	Cash Balance
01/09/2020	-	4,725,676.69	4,725,676.69	-
Total	-	\$4,725,676.69	\$4,725,676.69	-

Investment Parameters

Investment Model [PV, GIC, or Securities]	Securities
Default investment yield target	Unrestricted
Cash Deposit	4,725,676.69
Total Cost of Investments	\$4,725,676.69
Target Cost of Investments at bond yield	\$4,725,676.69
Yield to Receipt	-
Yield for Arbitrage Purposes	2.5262377%

INDENTURE OF TRUST

Dated as of January 1, 2020

By and between

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee**

and the

CITY OF EXETER

Relating to

**\$ _____
CITY OF EXETER
2020 WATER REVENUE REFUNDING BONDS**

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST is made and entered into and dated as of January 1, 2020 (the “**Indenture**”), by and between the CITY OF EXETER, a municipal corporation that is duly organized and existing under its charter and the Constitution of the State of California (the “**City**”), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association that is duly organized and existing under the laws of the United States of America, as trustee hereunder (the “**Trustee**”).

RECITALS

A. The City previously entered into a 2003 USDA – Water System Improvement Loan and issued an associated 2004 Water Revenue Bond (collectively, the “**2003 Loan**”) to finance certain capital improvements to the City’s municipal water system.

B. The City also previously entered into a 2004 USDA – Water Well Loan and issued an associated 2006 Water Revenue Bond (collectively, the “**2004 Loan**” and, together with the 2003 Loan, the “**USDA Loans**”) to finance certain capital improvements to the City’s municipal water system.

C. The City desires to prepay the USDA Loans in full, including redeeming the associated bonds in full.

D. The City is authorized pursuant to Section 4.3 of the City’s charter and Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with Section 53570) of the Government Code of the State of California to issue revenue bonds for the purposes of prepaying the USDA Loans; and.

E. In order to provide for the authentication and delivery of water revenue refunding bonds (the “**2020 Bonds**”), to establish and declare the terms and conditions upon which such 2020 Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and premium, if any, thereon, the City has authorized the execution and delivery of this Indenture.

F. The City has determined that all acts and proceedings required by law necessary to make the 2020 Bonds, when executed by the City, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special obligations of the City, and to constitute the Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized;

GRANTING CLAUSES

The City, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the mutual covenants herein contained and of the purchase and acceptance of the 2020 Bonds by the owners thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, in order to secure the payment of the principal of and the interest and premium (if any) on all 2020 Bonds at any time issued and Outstanding under the Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, does hereby assign and pledge unto, and grant a security interest in, the following (the “**Trust**

Estate”) to the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the City to the 2020 Bond Owners hereinafter set forth:

FIRST

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

SECOND

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

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

IN TRUST, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future owners of the 2020 Bonds issued under and secured by the Indenture without privilege, priority or distinction as to the lien or otherwise of any of the 2020 Bonds over any of the other 2020 Bonds;

PROVIDED, HOWEVER, that if the City, its successors or assigns shall well and truly pay, or cause to be paid, the principal of and interest and any redemption premium on the 2020 Bonds due or to become due thereon, at the times and in the manner provided in the 2020 Bonds according to the true intent and meaning thereof, and shall well and truly keep, perform and observe all of the covenants and conditions pursuant to the terms of the Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due in accordance with the terms and provisions hereof, then upon such final payments or deposits as herein provided, the Indenture and the rights hereby granted shall cease, terminate and be void; otherwise the Indenture shall remain in full force and effect.

It is expressly declared that all 2020 Bonds issued and secured hereunder are to be issued, authenticated and delivered, and all sold property, rights and interests, including, without limitation, the Revenues, hereby assigned and pledged, are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the City has agreed and covenanted and does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the 2020 Bonds, as follows:

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

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

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

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

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

Bonds. The term "Bonds" means all revenue bonds or notes of the City authorized, executed, issued and delivered by the City, the payments of which are payable from Net Revenues on a parity with the 2020 Bonds and which are secured by a pledge of and lien on Revenues as described in Section 5.01 hereof.

Bond Year. The term "Bond Year" means the period beginning on the date of issuance of the 2020 Bonds and ending on _____ 1, 2021, and each successive one year or, during the last period prior to maturity, shorter period thereafter until there are no Outstanding 2020 Bonds.

Business Day. The term "Business Day" means: (1) a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State, or in any other state in which the Office of the Trustee is located, are closed; or (2) a day on which the New York Stock Exchange is not closed.

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

City. The term "City" means the City of Exeter, a municipal corporation that is duly organized and existing under its charter and the Constitution of the State of California.

Closing Date. The term "Closing Date" means the date on which the 2020 Bonds are delivered to the original purchaser thereof.

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

Continuing Disclosure Certificate. The term “Continuing Disclosure Certificate” means the Continuing Disclosure Certificate of the City, dated the Closing Date, relating to the 2020 Bonds, as originally executed or as it may be from time to time amended or supplemented in accordance with its terms.

Contracts. The term “Contracts” means all contracts of the City previously or hereafter authorized and executed by the City, the payments under which are payable from Net Revenues on a parity with the 2020 Bonds and which are secured by a pledge and lien on Revenues as described in Section 5.01 hereof; but excluding contracts entered into for operation and maintenance of the Water System.

Costs of Issuance. The term “Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the City and related to the authorization, issuance, sale and delivery of the 2020 Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee and counsel to the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, title insurance premiums, letter of credit fees and bond insurance premiums (if any), fees and charges for preparation, execution and safekeeping of the 2020 Bonds and any other cost, charge or fee in connection with the original issuance of the 2020 Bonds.

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

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

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

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

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

(4) those portions of the Contracts required to be paid during such period, (except to the extent that the interest evidenced and represented thereby is capitalized or is reasonably anticipated to be reimbursed to the City by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program);

but less the earnings to be derived from the investment of moneys on deposit in debt service reserve funds established for Bonds or Contracts;

provided that, as to any such Bonds or Contracts bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall, for all purposes, be assumed to bear interest at a fixed rate equal to the higher of:

(i) the then current variable interest rate borne by such Bonds or Contracts plus 1%; and

(ii) the highest variable rate borne over the preceding 24 months by outstanding variable rate debt issued by the City or, if no such variable rate debt is at the time outstanding, by variable rate debt of which the interest rate is computed by reference to an index comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued;

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

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

provided further that if the Bonds or Contracts constitute Paired Obligations, the interest rate on such Bonds or Contracts shall be the resulting linked rate or the effective fixed interest rate to be paid by the City with respect to such Paired Obligations, but only if the applicable Paired Obligations satisfies the requirement set forth in Section 11.16 hereof; and

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

Depository; DTC. The term “Depository” or “DTC” means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, in its capacity as securities depository for the 2020 Bonds.

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

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

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

Fitch. The term “Fitch” means Fitch Ratings, Inc., or any successor thereto.

Generally Accepted Accounting Principles. The term “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.

Indenture. The term “Indenture” means the Indenture of Trust, dated as of January 1, 2020, by and between the City and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

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

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

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

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

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

Interest Payment Date. The term “Interest Payment Date” means April 1 and October 1 of each year, commencing [April 1, 2020].

Investment Agreement. The term “Investment Agreement” means any investment agreement (including guaranteed investment contracts, forward delivery agreements, repurchase agreements or similar obligations) with, or guaranteed by, an entity the long-term unsecured obligations or the claims paying ability of which are rated “A” or better by a nationally recognized rating agency (without regard to gradations or modifiers within such category) at the time of initial investment.

Letter of Representations. The term “Letter of Representations” means the letter of the City delivered to and accepted by the Depository on or prior to delivery of the 2020 Bonds as book entry

bonds setting forth the basis on which the Depository serves as depository for such book entry bonds, as originally executed or as it may be supplemented or revised or replaced by a letter from the City delivered to and accepted by the Depository.

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

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

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

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

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

Office. The term “Office” means with respect to the Trustee, the corporate trust office of the Trustee at 400 South Hope Street, Suite 500, Los Angeles, California 90071 Attention: Corporate Trust, Reference: City of Exeter 2020, or such other or additional offices as may be specified in writing by the Trustee to the City, except that with respect to presentation of 2020 Bonds for payment or for registration of transfer and exchange, such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

Operation and Maintenance Costs. The term “Operation and Maintenance Costs” means: (1) costs spent or incurred for maintenance and operation of the Water System calculated in accordance with Generally Accepted Accounting Principles applicable to governmental agencies, including, but not limited to, the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including administrative costs of the City that are charged directly or apportioned to the Water System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the City or charges (other than debt service payments) required to be paid by it to comply with the terms of the 2020 Bonds or of this Indenture or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds; and (2) all payments under any contract for the purchase of water; but excluding in all cases [operation and maintenance costs of any recycled water system,] depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature.

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

Outstanding. The term “Outstanding,” when used as of any particular time with reference to 2020 Bonds, means (subject to the provisions of Section 11.09) all 2020 Bonds theretofore or thereupon being authenticated and delivered by the Trustee under the Indenture except: (i) 2020 Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) 2020 Bonds with respect to which all liability of the City shall have been discharged in accordance with Section 10.02, including 2020 Bonds (or portions thereof) described in Section 11.09; and (iii) 2020 Bonds for the transfer or exchange of or in lieu of or in substitution for which other 2020 Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

Owner; 2020 Bond Owner. The term “Owner” or “2020 Bond Owner,” whenever used herein with respect to a 2020 Bond, means the person in whose name the ownership of such 2020 Bond is registered on the Registration Books.

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

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

Participants. The term “Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book entry certificates as securities depository.

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

Permitted Investments. The term “Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein. The Trustee is entitled to rely upon the written investment direction of the City as a representation that such investment constitutes a legal investment under the laws of the State.

(a) for all purposes, including but not limited to defeasance investments in refunding escrow accounts: (1) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (2) below); and (2) direct obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury, including REFCORP Interest STRIPS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America; and

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

National Mortgage Association (GNMA); U.S. Department of Housing & Urban Development (PHA's); and Federal Housing Administration; (2) bonds, notes or other evidences of indebtedness rated at least "AA-" or "Aa3" by the applicable Rating Agency issued by Fannie Mae or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years; (3) U.S. dollar denominated deposit accounts, certificates of deposit, federal funds and banker's acceptances with domestic commercial banks (including the Trustee and its affiliates) which are either insured by the Federal Deposit Insurance Corporation or have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank); (4) commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase; (5) investments in a money market fund rated "AAm", "AAm-G", "AAAm" or "AAAm-G" or better by S&P, including such funds for which the Trustee or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise; (6) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice and which are rated, based on the escrow, in the highest rating category of S&P and Moody's; (7) any Investment Agreement; and (8) the Local Agency Investment Fund.

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

[DISCUSS] Rate Stabilization Fund. The term "Rate Stabilization Fund" means the fund by that name that is established pursuant to Section 5.08.

Rating. The term "Rating" means any currently effective rating on the 2020 Bonds issued by a Rating Agency.

Rating Agencies. The term "Rating Agencies" means S&P, Moody's or Fitch, as the context dictates.

Rebate Fund. The term "Rebate Fund" means the fund by that name established pursuant to Section 5.07.

Record Date. The term "Record Date" means, with respect to any Interest Payment Date, the [fifteenth (15th) day of the calendar month preceding such Interest Payment Date], whether or not such day is a Business Day.

Redemption Date. The term "Redemption Date" means the date fixed for an optional redemption prior to maturity of the 2020 Bonds.

Redemption Fund. The term "Redemption Fund" means the fund by that name established pursuant to Section 5.05.

Redemption Price. The term "Redemption Price" means, with respect to any 2020 Bond (or portion thereof), the principal amount of such 2020 Bond (or portion) plus the interest accrued to the

applicable Redemption Date and the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such 2020 Bond and the Indenture.

Registration Books. The term “Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the 2020 Bonds pursuant to Section 2.05.

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

Revenue Fund. The term “Revenue Fund” means the Water Fund of the City and/or such other fund or account of the City in which Revenues are deposited.

Revenues. The term “Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership of or operation of the Water System, including, without limiting the generality of the foregoing: (1) all in lieu charges and groundwater augmentation charges (including investment earnings thereon) collected by or on behalf of the City; (2) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the City from the sale, furnishing and supplying of the water, drainage or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water System; and (3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, proceeds or other moneys, including City reserves, but excluding in all cases: (x) [revenues of any recycled water system]; (y) customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City; and (z) proceeds of taxes or benefit assessments restricted by law to be used by the City to pay amounts due on bonds or other obligations hereafter incurred.

“Revenues” also include all amounts transferred from the Rate Stabilization Fund to the Revenue Fund during any Fiscal Year in accordance with Section 5.08. “Revenues” do not include any amounts transferred from the Revenue Fund to the Rate Stabilization Fund during any Fiscal Year in accordance with Section 5.01(b)(iii).

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

Securities Depositories. The term “Securities Depositories” means The Depository Trust Company; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in a Written Request of the City delivered to the Trustee.

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

Supplemental Indenture. The term “Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the City and the Trustee, supplementing, modifying or

amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

Tax Certificate. The term “Tax Certificate” means the Tax Certificate dated the Closing Date, concerning certain matters pertaining to the use and investment of proceeds of the 2020 Bonds issued by the City on the date of issuance of the 2020 Bonds, including any and all exhibits attached thereto.

Term Bond. The term “Term Bond” means the 2020 Bonds maturing on October 1, 20__.

Trustee. The term “Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, or its successor as Trustee hereunder as provided in Section 8.01.

2003 Loan. The term “2003 Loan” means the 2003 USDA – Water System Improvement Loan and associated 2004 Water Revenue Bond issued to USDA to finance the 2003 Project.

2003 Project. The term “2003 Project” means the capital improvements to the Water System financed from proceeds of the 2003 Loan, as described in Exhibit B.

2004 Loan. The term “2004 Loan” means the 2004 USDA – Water Well Loan and associated 2006 Water Revenue Bond issued to USDA to finance the 2004 Project.

2004 Project. The term “2004 Project” means the capital improvements to the Water System financed from proceeds of the 2004 Loan, as described in Exhibit B.

2020 Bonds. The term “2020 Bonds” means the City of Exeter 2020 Water Revenue Refunding Bonds issued by the City and at any time Outstanding pursuant to the Indenture.

USDA. The term “USDA” means the United States of America, acting through the Rural Utilities Service.

USDA Loans. The term “USDA Loans” means, collectively, the 2003 Loan and the 2004 Loan.

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

Water System. The term “Water System” means the whole and each and every part of the waterworks system serving the City, whether owned or operated by the City or another party, including the portion thereof existing on the date hereof, and including all additions, betterments, extensions and improvements to such water system or any part thereof hereafter acquired or constructed. [Any recycled water system of the City is not part of the Water System]. [DISCUSS]

Written Consent of the City; Written Order of the City; Written Request of the City; Written Requisition of the City. The terms “Written Consent of the City,” “Written Order of the City,” “Written Request of the City” and “Written Requisition of the City” mean, respectively, a written consent, order, request or requisition signed by or on behalf of the City by an Authorized Representative of the City or by any two persons who are specifically authorized by resolution of the City to sign or execute such a document on its behalf.

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

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

Section 1.03. Interpretation.

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

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

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

ARTICLE II

THE 2020 BONDS

Section 2.01. Authorization of 2020 Bonds. The City hereby authorizes the issuance hereunder from time to time of the 2020 Bonds, which shall constitute special obligations of the City, for the purposes of prepaying the USDA Loans in full and redeeming the associated bonds in full. The 2020 Bonds are hereby designated the “City of Exeter 2020 Water Revenue Refunding Bonds” in the aggregate principal amount of \$_____. The Indenture constitutes a continuing agreement with the Owners from time to time of the 2020 Bonds to secure the full payment of the principal of and interest and premium (if any) on all the 2020 Bonds, subject to the covenants, provisions and conditions herein contained.

Section 2.02. Terms of the 2020 Bonds. The 2020 Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

The 2020 Bonds shall mature on October 1 in each of the years and in the amounts set forth below and shall bear interest on each Interest Payment Date at the rates set forth below:

<i>Maturity Date (October 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
20__	\$	%

Interest on the 2020 Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee sent by first class mail on the applicable Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books (except that in the case of an Owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such Owner’s option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the Record Date. Principal of and premium (if any) on any 2020 Bond shall be paid by check of the Trustee upon presentation and surrender thereof at maturity or upon the prior redemption thereof, at the Office of the Trustee. Both the principal of and interest and premium (if any) on the 2020 Bonds shall be payable in lawful money of the United States of America.

Each 2020 Bond shall be dated the date of initial delivery, and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) unless it is authenticated on or before March 15, 2020, in which event it shall bear interest from the date of initial delivery; provided, however, that if, as of the date of authentication of any 2020 Bond, interest thereon is in default, such 2020 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Interest on the 2020 Bonds shall be calculated on the basis of a 360 day year composed of twelve 30 day months.

Section 2.03. Transfer of 2020 Bonds. Any 2020 Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such 2020 Bond at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. The Trustee shall not be required to register the transfer of any 2020 Bond during the period in which the Trustee is selecting 2020 Bonds for redemption and any 2020 Bond that has been selected for redemption.

Whenever any 2020 Bond or 2020 Bonds shall be surrendered for transfer, the City shall execute and the Trustee shall authenticate and shall deliver a new 2020 Bond or 2020 Bonds of authorized denomination or denominations for a like series and aggregate principal amount of the same maturity. The Trustee shall require the 2020 Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2020 Bonds, the Trustee will cancel and destroy the 2020 Bonds that it has received.

Section 2.04. Exchange of 2020 Bonds. 2020 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of other authorized denominations of the same series and maturity. The Trustee shall not be required to exchange any 2020 Bond during the period in which the Trustee is selecting 2020 Bonds for redemption and any 2020 Bond that has been selected for redemption. The Trustee shall require the 2020 Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2020 Bonds, the Trustee will cancel and destroy the 2020 Bonds that it has received.

Section 2.05. Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the 2020 Bonds, which shall upon reasonable notice and at reasonable times be open to inspection during regular business hours by the City and the Owners; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the 2020 Bonds as hereinbefore provided.

The person in whose name any 2020 Bond shall be registered shall be deemed the Owner thereof for all purposes hereof, and payment of or on account of the interest on and principal and Redemption Price of by such 2020 Bonds shall be made only to or upon the order in writing of such registered Owner, which payments shall be valid and effectual to satisfy and discharge liability upon such 2020 Bond to the extent of the sum or sums so paid.

Section 2.06. Form and Execution of 2020 Bonds. The 2020 Bonds shall be in substantially the form set forth in Exhibit A hereto. The 2020 Bonds shall be executed in the name and on behalf of the City with the manual or facsimile signature of its Mayor. The 2020 Bonds may carry a seal, and

such seal may be in the form of a facsimile of the City's seal and may be reproduced, imprinted or impressed on the 2020 Bonds. The 2020 Bonds shall then be delivered to the Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the 2020 Bonds shall cease to be such officer or officers of the City before the 2020 Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the City, such 2020 Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the City as though those who signed and attested the same had continued to be such officers of the City, and also any 2020 Bonds may be signed and attested on behalf of the City by such persons as at the actual date of execution of such 2020 Bonds shall be the proper officers of the City although at the nominal date of such 2020 Bonds any such person shall not have been such officer of the City.

Only such of the 2020 Bonds as shall bear thereon a certificate of authentication substantially in the form set forth in Exhibit A hereto, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of the Indenture, and such certificate of or on behalf of the Trustee shall be conclusive evidence that the 2020 Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of the Indenture.

Section 2.07. 2020 Bonds Mutilated, Lost, Destroyed or Stolen. If any 2020 Bond shall become mutilated, the City, at the expense of the Owner of said 2020 Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2020 Bond of like tenor, series and authorized denomination in exchange and substitution for the 2020 Bonds so mutilated, but only upon surrender to the Trustee of the 2020 Bond so mutilated. Every mutilated 2020 Bond so surrendered to the Trustee shall be canceled by it and upon the Written Request of the City delivered to, or upon the order of, the City. If any 2020 Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the City, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2020 Bond of like tenor, series and authorized denomination in lieu of and in substitution for the 2020 Bond so lost, destroyed or stolen (or if any such 2020 Bond shall have matured or shall be about to mature, instead of issuing a substitute 2020 Bond, the Trustee may pay the same without surrender thereof). The City may require payment by the Owner of a sum not exceeding the actual cost of preparing each new 2020 Bond issued under this Section and of the expenses which may be incurred by the City and the Trustee in the premises. Any 2020 Bond issued under the provisions of this Section in lieu of any 2020 Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the 2020 Bond so alleged to be lost, destroyed, or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of the Indenture with all other 2020 Bonds secured by the Indenture. Notwithstanding any other provision of this Section, in lieu of delivering a new 2020 Bond for a 2020 Bond which has been mutilated, lost, destroyed or stolen and which has matured or has been selected for redemption, the Trustee may make payment of such 2020 Bond upon receipt of indemnity satisfactory to the Trustee.

Section 2.08. Book Entry System.

(a) Election of Book Entry System. Prior to the issuance of the 2020 Bonds, the City may provide that such 2020 Bonds shall be initially issued as book entry 2020 Bonds. If the City shall elect to deliver any 2020 Bonds in book entry form, then the City shall cause the delivery of a separate single fully registered bond (which may be typewritten) for each maturity date of such 2020 Bonds in an authorized denomination corresponding to that total principal amount of the 2020 Bonds

designated to mature on such date. Upon initial issuance, the ownership of each such 2020 Bond shall be registered in the 2020 Bond Registration Books in the name of the Nominee, as nominee of the Depository, and ownership of the 2020 Bonds, or any portion thereof may not thereafter be transferred except as provided in Section 2.08(e).

With respect to book entry 2020 Bonds, the City and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book entry 2020 Bonds. Without limiting the immediately preceding sentence, the City and the Trustee shall have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book entry 2020 Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the 2020 Bond Registration Books, of any notice with respect to book entry 2020 Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book entry 2020 Bonds to be redeemed in the event that the City redeems the 2020 Bonds in part; or (iv) the payment by the Depository or any Participant or any other person, of any amount of principal of, premium, if any, or interest on book entry 2020 Bonds. The City and the Trustee may treat and consider the person in whose name each book entry 2020 Bond is registered in the 2020 Bond Registration Books as the absolute Owner of such book entry 2020 Bond for the purpose of payment of principal of, premium and interest on such 2020 Bond, for the purpose of giving notices of redemption and other matters with respect to such 2020 Bond, for the purpose of registering transfers with respect to such 2020 Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the 2020 Bonds only to or upon the order of the respective Owner, as shown in the 2020 Bond Registration Books, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City's obligations with respect to payment of principal of, premium, if any, and interest on the 2020 Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the 2020 Bond Registration Books, shall receive a 2020 Bond evidencing the obligation to make payments of principal of, premium, if any, and interest on the 2020 Bonds. Upon delivery by the Depository to the City and the Trustee, of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in the Indenture shall refer to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book entry 2020 Bonds for the Depository's book entry system, the City and the Trustee (if required by the Depository) shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the City or the Trustee any obligation whatsoever with respect to persons having interests in such book entry 2020 Bonds other than the Owners, as shown on the 2020 Bond Registration Books. By executing a Letter of Representations, the Trustee shall agree to take all action necessary at all times so that the Trustee will be in compliance with all representations of the Trustee in such Letter of Representations. In addition to the execution and delivery of a Letter of Representations, the City and the Trustee shall take such other actions, not inconsistent with the Indenture, as are reasonably necessary to qualify book entry 2020 Bonds for the Depository's book entry program.

(c) Selection of Depository. In the event that: (i) the Depository determines not to continue to act as securities depository for book entry 2020 Bonds; or (ii) the City determines that continuation of the book entry system is not in the best interest of the beneficial owners of the 2020 Bonds or the City, then the City will discontinue the book entry system with the Depository. If the City determines to replace the Depository with another qualified securities depository, the City shall

prepare or direct the preparation of a new single, separate, fully registered 2020 Bond for each of the maturity dates of such book entry 2020 Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (e) hereof. If the City fails to identify another qualified securities depository to replace the Depository, then the 2020 Bonds shall no longer be restricted to being registered in such 2020 Bond Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such 2020 Bonds shall designate, in accordance with the provisions of Sections 2.03 and 2.04 hereof.

(d) Payments To Depository. Notwithstanding any other provision of the Indenture to the contrary, so long as all Outstanding 2020 Bonds are held in book entry form and registered in the name of the Nominee, all payments of principal of, redemption premium, if any, and interest on such 2020 Bond and all notices with respect to such 2020 Bond shall be made and given, respectively to the Nominee, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions herein.

(e) Transfer of 2020 Bonds to Substitute Depository.

(i) The 2020 Bonds shall be initially issued as provided in Section 2.01 hereof. Registered ownership of such 2020 Bonds, or any portions thereof, may not thereafter be transferred except:

(A) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to clause (B) of subsection (i) of this Section 2.08(e) (a “**Substitute Depository**”); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(B) to any Substitute Depository, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the City that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(C) to any person as provided below, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the City that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(ii) In the case of any transfer pursuant to clauses (A) or (B) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding 2020 Bonds by the Trustee, together with a Written Request of the City to the Trustee designating the Substitute Depository, a single new 2020 Bond, which the City shall prepare or cause to be prepared, shall be issued for each maturity of 2020 Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such Written Request of the City. In the case of any transfer pursuant to clause (C) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding 2020 Bonds by the Trustee, together with a Written Request of the City to the Trustee, new 2020 Bonds, which the City shall prepare or cause to be prepared, shall be issued in such denominations and registered in the names of such persons as are requested in such Written Request of the City, subject to the limitations of Section 2.01 hereof, provided that the Trustee shall not be

required to deliver such new 2020 Bonds within a period of less than sixty (60) days from the date of receipt of such Written Request from the City.

(iii) In the case of a partial redemption or an advance refunding of any 2020 Bonds evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such 2020 Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee shall not be liable for such Depository's failure to make such notations or errors in making such notations and the records of the Trustee as to the Outstanding principal amount of such 2020 Bonds shall be controlling.

(iv) The City and the Trustee shall be entitled to treat the person in whose name any 2020 Bond is registered as the Owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the City; and the City and the Trustee shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the 2020 Bonds. Neither the City nor the Trustee shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any 2020 Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the 2020 Bonds.

ARTICLE III

ISSUANCE OF 2020 BONDS; APPLICATION OF PROCEEDS

Section 3.01. Issuance of the 2020 Bonds. At any time after the execution of the Indenture, the City may execute and the Trustee shall authenticate and, upon Written Request of the City, deliver the 2020 Bonds in the aggregate principal amount of \$_____.

Section 3.02. Application of Proceeds of the 2020 Bonds. The proceeds of the sale of the 2020 Bonds in the amount of \$_____ shall be delivered to the Trustee, who shall:

(a) transfer \$_____ to USDA to prepay the 2003 Loan in accordance with separate instructions provided to the Trustee and USDA;

(b) transfer \$_____ to USDA to prepay the 2004 Loan in accordance with separate instructions provided to the Trustee and USDA; and

(c) deposit \$_____ into the Costs of Issuance Fund.

The Trustee may establish temporary funds or accounts in its records to record and facilitate such deposits.

Section 3.03. Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon submission of Written Requisitions of the City stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred, that such payment is proper charge against said fund and that payment for such charge has not previously been made.

Each such Written Requisition of the City shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On the six month anniversary of the issuance of the 2020 Bonds, or upon the earlier Written Request of the City, all amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Interest Account and the Costs of Issuance Fund shall be closed. Investment earnings on amounts on deposit in the Costs of Issuance Fund shall be applied in accordance with Section 5.06 hereof.

Section 3.04. Validity of 2020 Bonds. The validity of the authorization and issuance of the 2020 Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the City or the Trustee with respect to any other agreement. The recital contained in the 2020 Bonds that the same are issued pursuant to the Constitution and laws of the State shall be conclusive evidence of the validity and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF 2020 BONDS

Section 4.01. Terms of Redemption.

(a) The 2020 Bonds with stated maturities on or after October 1, 20__, shall be subject to redemption prior to their respective stated maturities, as a whole or in part on October 1, 20__, or any date thereafter, as directed by the City in a Written Request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) and by lot within each maturity in integral multiples of \$5,000, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

(b) The Term Bonds with stated maturities on October 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on October 1, 20__ and each October 1 thereafter, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date</i> <i>(October 1)</i>	<i>Principal</i> <i>Amount</i>
20__	\$

*

* Maturity.

If some but not all of the Term Bonds are redeemed pursuant to subsections (a) or (b) above, the principal amount of the applicable Term Bonds to be redeemed pursuant to this subsection (c) on any subsequent October 1 will be reduced, by \$5,000 or an integral multiple thereof, as designated by the City in a Written Order of the City filed with the Trustee; provided, however, that the aggregate amount of such reductions shall not exceed the aggregate amount of the applicable Term Bonds redeemed pursuant to subsections (a) or (b) above.

Section 4.02. Selection of 2020 Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the 2020 Bonds, the Trustee shall select the 2020 Bonds for redemption as a whole or in part on any date as directed by the City and by lot within each maturity in integral multiples of \$5,000 in accordance with Section 4.01 hereof. The Trustee will promptly notify the City in writing of the numbers of the 2020 Bonds or portions thereof so selected for redemption.

Section 4.03. Notice of Redemption. Notice of redemption shall be mailed by first class mail at least twenty (20) days but not more than sixty (60) days before any Redemption Date, to the respective Owners of any 2020 Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and to the Information Services. Each notice of redemption shall state the date of the notice, the Redemption Date, the place or places of redemption, the Redemption Price, the maturities, CUSIP numbers, if any, and, in the case of 2020 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the Redemption Date there will become due and payable on each of said 2020 Bonds or parts thereof designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2020 Bond to be redeemed in part only, together with interest accrued thereon to the Redemption Date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such Redemption Date interest thereon shall cease to accrue, and shall require that such 2020 Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any 2020 Bond. Notice of redemption of 2020 Bonds shall be given by the Trustee, at the expense of the City, for and on behalf of the City.

With respect to any notice of optional redemption of 2020 Bonds, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such 2020 Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the Trustee shall not be required to redeem such 2020 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Section 4.04. Partial Redemption of 2020 Bonds. Upon surrender of any 2020 Bond redeemed in part only, the City shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the City, a new 2020 Bond or 2020 Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the 2020 Bonds surrendered and of the same series, interest rate and maturity.

Section 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price of, together with interest accrued to the date fixed for redemption on, the 2020 Bonds (or portions thereof) so called for redemption being held by the Trustee, on the Redemption Date designated in such notice, the 2020 Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the 2020 Bonds so called for redemption shall cease to accrue, said 2020 Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said 2020 Bonds shall have no rights in respect thereof except to receive payment of the Redemption Price thereof. The Trustee shall, upon surrender for payment of any of the 2020 Bonds to be redeemed on their Redemption Dates, pay such 2020 Bonds at the Redemption Price.

All 2020 Bonds redeemed pursuant to the provisions of this Article shall be canceled and destroyed upon surrender thereof to the Trustee.

ARTICLE V

REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

Section 5.01. Pledge and Assignment; Revenue Fund.

(a) All of the Revenues, all amounts held in the Revenue Fund described in subsection (b) below, all amounts that are transferred from the Rate Stabilization Fund to the Revenue Fund as described in Section 5.08, and any other amounts (including proceeds of the sale of the 2020 Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund and the Rate Stabilization Fund (other than those amounts which are transferred by the City from the Rate Stabilization Fund to the Revenue Fund)) are hereby irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the 2020 Bonds in accordance with their terms and the provisions of the Indenture, and the Revenues shall not be used for any other purpose while the 2020 Bonds remain Outstanding; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted herein. Said pledge, together with the pledge created by all other Contracts and Bonds, shall constitute a first lien on and security interest on Revenues and, subject to application of Revenues and all amounts on deposit therein as permitted herein, the Revenue Fund and other funds and accounts created hereunder for the payment of the principal of and interest, and the premium, if any, on the 2020 Bonds and all Contracts and Debt Service on Bonds in accordance with the terms hereof, and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such parties have notice hereof.

(b) In order to carry out and effectuate the pledge and lien contained herein, the City agrees and covenants that all Revenues shall be received by the City in trust hereunder and shall be deposited when and as received in the Revenue Fund, which fund the City agrees and covenants to maintain and to hold separate and apart from other funds so long as the 2020 Bonds and any Contracts or Debt Service on Bonds remain unpaid. Moneys in the Revenue Fund shall be used and applied by the City as provided herein. All moneys in the Revenue Fund shall be held in trust and shall be applied, used and withdrawn for the purposes set forth in this Section.

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

(i) Interest and Principal Payments. Not later than the Business Day prior to each Interest Payment Date, the City shall, from the moneys in the Revenue Fund, transfer to the Trustee for deposit in the Payment Fund or the Redemption Fund the payments of interest and principal or mandatory sinking fund payments, as applicable, on the 2020 Bonds due and payable on such Interest Payment Date. The City shall also, from the moneys in the Revenue Fund, transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the

event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of any Bond or Contract.

(ii) Reserve Funds. [DISCUSS] [The City will not establish a debt service reserve account for the 2020 Bonds.] However, the City may establish a debt service reserve account for one or more series of Bonds or Contracts. After making the payments, allocations or transfers provided for in subsection (i) above, the City shall, from the remaining moneys in the Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for such reserve funds and/or accounts, if any, as may have been established in connection with Bonds or Contracts, that sum, if any, necessary to restore such funds or accounts to an amount equal to the reserve requirement with respect thereto.

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

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

Section 5.02. Allocation of Revenues. There is hereby established with the Trustee the Payment Fund, which the Trustee covenants to maintain and hold in trust separate and apart from other funds held by it so long as any principal of and interest on the 2020 Bonds remain unpaid. Except as directed herein, all payments of interest and principal on the 2020 Bonds received by the Trustee pursuant to Section 5.01(b) shall be promptly deposited by the Trustee upon receipt thereof into the Payment Fund; except that all moneys received by the Trustee and required hereunder to be deposited in the Redemption Fund shall be promptly deposited therein. All payments of interest and principal on the 2020 Bonds deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee shall also establish and hold an Interest Account and a Principal Account within the Payment Fund.

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

(a) Not later than the Business Day preceding each Interest Payment Date, the Trustee shall deposit in the Interest Account that sum, if any, required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all 2020 Bonds then Outstanding. No deposit need be made into the Interest Account so long as there shall be in such fund moneys sufficient to pay the interest becoming due and payable on such date on all 2020 Bonds then Outstanding.

(b) Not later than the Business Day preceding each date on which the principal of the 2020 Bonds shall become due and payable hereunder, the Trustee shall deposit in the Principal Account that sum, if any, required to cause the aggregate amount on deposit in the Principal Account

to equal the principal amount of the 2020 Bonds coming due and payable on such date. No deposit need be made into the Principal Account so long as there shall be in such fund moneys sufficient to pay the principal becoming due and payable on such date on all 2020 Bonds then Outstanding.

Section 5.03. Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2020 Bonds as it shall become due and payable (including accrued interest on any 2020 Bonds purchased or accelerated prior to maturity pursuant to the Indenture).

Section 5.04. Application of Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the 2020 Bonds at maturity, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such 2020 Bonds, upon written direction of the City, the Trustee shall apply such amounts to the purchase of 2020 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the City, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2020 Bonds.

Section 5.05. Application of Redemption Fund. There is hereby established with the Trustee a special fund designated as the "Redemption Fund." All amounts in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the Redemption Price of the 2020 Bonds to be redeemed on any Redemption Date pursuant to Section 4.01; provided, however, that at any time prior to selection for redemption of any such 2020 Bonds, upon written direction of the City, the Trustee shall apply such amounts to the purchase of 2020 Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the City, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2020 Bonds.

Section 5.06. Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the City pursuant to a Written Request of the City filed with the Trustee at least two (2) Business Days in advance of the making of such investments (which directions shall be promptly confirmed to the Trustee in writing). In the absence of any such directions from the City, the Trustee shall invest any such moneys in Permitted Investments described in clause (b)(5) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction from the City specifying a specific money market fund and, if no such written direction from the City is so received, the Trustee shall hold such moneys uninvested. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the Interest Account unless otherwise provided in the Indenture. For purposes of acquiring any investments hereunder, the Trustee may commingle funds (other than the Rebate Fund) held by it hereunder upon the Written Request of the City. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section 5.06.

The City acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law. The City further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request at no additional cost and other trade confirmations may be obtained from the applicable broker. The Trustee will furnish the City with periodic cash transaction statements which shall include detail for all investment transactions effected by the Trustee hereunder. Upon the City's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request.

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

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

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

Section 5.07. Rebate Fund.

(a) Establishment. The Trustee shall establish a fund for the 2020 Bonds designated the "Rebate Fund" when required in accordance herewith. Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2020 Bonds will not be adversely affected, the City shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund for the 2020 Bonds shall be governed by this Section and the Tax Certificate, unless and to the extent that the City delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2020 Bonds will not be adversely affected if such requirements are not satisfied. Notwithstanding anything to the contrary contained herein or in the Tax Certificate, the Trustee: (i) shall be deemed conclusively to have complied with the provisions thereof if it follows all Requests of the City; (ii) shall have no liability or responsibility to enforce compliance by the City with the terms of the Tax Certificate; (iii) may rely conclusively on the City's calculations and determinations and certifications relating to rebate matters; and (iv) shall have no responsibility to independently make any calculations or determinations or to review the City's calculations or determinations thereunder.

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

the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the “**Rebatable Arbitrage**”). The City shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

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

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

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

(B) Not later than 60 days after the payment of all of the 2020 Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code and Section 1.148-3 of the Treasury Regulations.

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

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment of the 2020 Bonds and the payments described in subsection (a) above being made may be withdrawn by the City and utilized in any manner by the City.

(c) Survival of Defeasance. Notwithstanding anything in this Section to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance or payment in full of the 2020 Bonds.

Section 5.08. Establishment and Application of Rate Stabilization Fund. The City shall establish, maintain and hold in trust a special fund designated as the “Rate Stabilization Fund.” The City agrees and covenants to maintain and to hold such fund separate and apart from other funds so long as the 2020 Bonds or any other Contracts or Bonds remain unpaid. Money transferred by the City from the Revenue Fund to the Rate Stabilization Fund in accordance with Section 5.01(b)(iii) will be held in the Rate Stabilization Fund and applied in accordance herewith.

The City may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with Section 5.01 or, in the event that all or a portion of the 2020 Bonds are discharged in accordance with Article X, transfer all or any portion of such amounts for application in accordance with Article X. Any such amounts transferred from the Rate Stabilization Fund to the Revenue Fund in accordance with the Indenture constitute pledged Revenues.

Section 5.09. Application of Funds and Accounts When No 2020 Bonds are Outstanding. On the date on which all 2020 Bonds shall be retired hereunder or provision made therefor pursuant to Article X and after payment of all amounts due the Trustee hereunder, all moneys then on deposit in any of the funds or accounts (other than the Rebate Fund) established with the Trustee pursuant to the Indenture shall be withdrawn by the Trustee and paid to the City for use by the City at any time for any purpose permitted by law.

ARTICLE VI

PARTICULAR COVENANTS

Section 6.01. Punctual Payment. The City shall punctually pay or cause to be paid the principal and interest to become due in respect of all of the 2020 Bonds, in strict conformity with the terms of the 2020 Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Net Revenues and other assets pledged for such payment as provided in the Indenture.

Section 6.02. Extension of Payment of 2020 Bonds. The City shall not directly or indirectly extend or assent to the extension of the maturity of any of the 2020 Bonds or the time of payment of any claims for interest by the purchase of such 2020 Bonds or by any other arrangement, and in case the maturity of any of the 2020 Bonds or the time of payment of any such claims for interest shall be extended, such 2020 Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of the Indenture, except subject to the prior payment in full of the principal of all of the 2020 Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the City to issue Bonds for the purpose of refunding any Outstanding 2020 Bonds, and such issuance shall not be deemed to constitute an extension of maturity of 2020 Bonds.

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

Section 6.04. Power to Issue 2020 Bonds and Make Pledge and Assignment. The City is duly authorized pursuant to law to issue the 2020 Bonds, to enter into the Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned under the Indenture in the manner and to the extent provided in the Indenture. The 2020 Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the City in accordance with their terms, and the City and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues

and other assets and all the rights of the 2020 Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Section 6.05. Accounting Records and Financial Statements.

(a) The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of 2020 Bonds and all funds and accounts established by it pursuant to the Indenture. Such books of record and account shall be available for inspection by the City upon reasonable prior notice during business hours and under reasonable circumstances.

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

(c) The City will prepare and file with the Trustee annually within two hundred seventy (270) days of each Fiscal Year (commencing with the Fiscal Year ended June 30, 2019) financial statements of the City for the preceding Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant's Report thereon. The Trustee shall have no duty to review such financial statements.

Section 6.06. Tax Covenants. Notwithstanding any other provision of the Indenture, absent an opinion of Bond Counsel that the exclusion from gross income of the portion of interest on the 2020 Bonds will not be adversely affected for federal income tax purposes, the City covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income with respect to the 2020 Bonds and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The City will take no action, refrain from taking any action and make no use of the proceeds of the 2020 Bonds or of any other moneys or property which would cause the 2020 Bonds to be "private activity bonds" within the meaning of Section 141 of the Code;

(b) Arbitrage. The City will make no use of the proceeds of the 2020 Bonds or of any other amounts or property, regardless of the source, and will take no action and refrain from taking any action which will cause the 2020 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code;

(c) Federal Guarantee. The City will make no use of the proceeds of the 2020 Bonds and will not take or omit to take any action that would cause the 2020 Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The City will take or cause to be taken all necessary action to comply with the informational reporting requirement of Section 149(e) of the Code necessary to preserve the exclusion of interest on the 2020 Bonds pursuant to Section 103(a) of the Code;

(e) Hedge Bonds. The City will make no use of the proceeds of the 2020 Bonds or any other amounts or property, regardless of the source, and will not take any action or refrain from

taking any action that would cause the 2020 Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the City takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2020 Bonds for federal income tax purposes; and

(f) Miscellaneous. The City will take no action and refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed by the City in connection with the issuance of the 2020 Bonds and will comply with the covenants and requirements stated therein and incorporated by reference herein.

This Section and the covenants set forth herein shall not be applicable to, and nothing contained herein shall be deemed to prevent the City from causing the Trustee to issue revenue bonds or to execute and deliver contracts payable on a parity with the 2020 Bonds, the interest with respect to which has been determined by Bond Counsel to be subject to federal income taxation.

Section 6.07. Waiver of Laws. The City shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the 2020 Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the City to the extent permitted by law.

Section 6.08. Further Assurances. The City will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the 2020 Bonds of the rights and benefits provided in the Indenture.

Section 6.09. Budgets. On or prior to the fifteenth day of each Fiscal Year, the City shall certify to the Trustee that the amounts budgeted for payment of the principal of and interest on the 2020 Bonds are fully adequate for the payment of all such payments for such Fiscal Year. If the amounts so budgeted are not adequate for the payment of the principal of and interest on the 2020 Bonds due under the Indenture, the City will take such action as may be necessary to cause such annual budget to be amended, corrected or augmented so as to include therein the amounts required to be raised by the City in the then ensuing Fiscal Year for the payment of the principal of and interest on the 2020 Bonds due under the Indenture and will notify the Trustee of the proceedings then taken or proposed to be taken by the City.

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

Section 6.11. Compliance with Contracts. The City will neither take nor omit to take any action under any contract if the effect of such act or failure to act would in any manner impair or adversely affect the ability of the City to pay principal of or interest on the 2020 Bonds; and the City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express

or implied, required to be performed by it contained in all other contracts affecting or involving the Water System, to the extent that the City is a party thereto.

Section 6.12. Prosecution and Defense of Suits. The City shall promptly, upon request of the Trustee or any 2020 Bond Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Water System or any part thereof, whether now existing or hereafter developing, shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trustee (including all of its employees, officers and directors), the Trustee and every 2020 Bond Owner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

The City shall defend against every suit, action or proceeding at any time brought against the Trustee (including all of its employees, officers and directors) or any 2020 Bond Owner upon any claim arising out of the receipt, application or disbursement of any of the payments of principal of or interest on the 2020 Bonds or involving the rights of the Trustee or any 2020 Bond Owner under the Indenture; provided that the Trustee or any 2020 Bond Owner at such party's election may appear in and defend any such suit, action or proceeding. The City shall indemnify and hold harmless the Trustee and the 2020 Bond Owners against any and all liability claimed or asserted by any person, arising out of such receipt, application or disbursement, and shall indemnify and hold harmless the 2020 Bond Owners against any attorneys' fees or other expenses which any of them may incur in connection with any litigation (including pre-litigation activities) to which any of them may become a party by reason of ownership of 2020 Bonds. The City shall promptly reimburse any 2020 Bond Owner in the full amount of any attorneys' fees or other expenses which such Owner may incur in litigation or otherwise in order to enforce such party's rights under the Indenture or the 2020 Bonds, provided that such litigation shall be concluded favorably to such party's contentions therein.

Section 6.13. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Certificate to be executed and delivered by the City in connection with the issuance of the 2020 Bonds. Notwithstanding any other provision of the Indenture, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Section. For purposes of this Section, "**Beneficial Owner**" means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any 2020 Bonds (including persons holding 2020 Bonds through nominees, depositories or other intermediaries).

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

(a) The Net Revenues for the last audited Fiscal Year of the City, or for any consecutive twelve calendar month period during the eighteen calendar month period, preceding the date of adoption by the City Council of the City of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the City, shall have produced a sum equal to at least one hundred fifteen percent (115%) of the Debt Service for such Fiscal Year or other twelve month period. When calculated for purposes of this subsection, Net Revenues do not include amounts transferred from the Rate Stabilization Fund

to the Revenue Fund pursuant to Section 5.08 that are in excess of fifteen percent (15%) of Debt Service for such Fiscal Year; and

(b) The Net Revenues for the last audited Fiscal Year of the City, or for any consecutive twelve calendar month period during the eighteen calendar month period, preceding the date of adoption by the City Council of the City of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, including adjustments to give effect as of the first day of such twelve month period to increases or decreases in rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the City, shall have produced a sum equal to at least one hundred fifteen percent (115%) of the Debt Service for such Fiscal Year or other twelve month period, plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year or other twelve month period, assuming that such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year or other twelve month period, plus the Debt Service which would have accrued had such proposed additional Contract been executed or proposed additional Bonds been issued at the beginning of such Fiscal Year or other twelve month period. When calculated for purposes of this subsection, Net Revenues do not include amounts transferred from the Rate Stabilization Fund, if established, to the Revenue Fund pursuant to Section 5.08 that are in excess of fifteen percent (15%) of Debt Service for such Fiscal Year.

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or prepay Contracts may be delivered without satisfying the conditions set forth above if total Debt Service after the issuance of such refunding Bonds or execution of such refunding Contracts executed is not greater than total Debt Service would have been prior to the issuance of such Bonds or execution of such Contracts.

Section 6.15. Against Sale or Other Disposition of Property. The City will not enter into any agreement or lease which impairs the operation of the Water System or any part thereof necessary to secure adequate Revenues for the payment of the principal of and interest on the 2020 Bonds, or which would otherwise impair the operation of the Water System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the City to pay the principal of and interest on the 2020 Bonds and if the proceeds of such sale are deposited in the Revenue Fund.

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

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

Section 6.17. Maintenance and Operation of the Water System. The City will maintain and preserve the Water System in good repair and working order at all times and will operate the Water

System in an efficient and economical manner and will pay all Operation and Maintenance Costs as they become due and payable.

Section 6.18. Payment of Claims. The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or the funds or accounts created hereunder or on any funds in the hands of the City pledged to pay the principal of or interest on the 2020 Bonds or to the Owners prior or superior to the lien under the Indenture.

Section 6.19. Insurance.

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

In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System. The City shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and liens.

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement portion of the Water System, and/or the cost of the construction of additions, betterments, extensions or improvements to the Water System, then the excess Net Proceeds may be applied in part to defeasance of 2020 Bonds and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of 2020 Bonds then bears to the aggregate unpaid principal amount of such Bonds and Contracts. If such Net Proceeds are sufficient to enable the City to retire the entire obligation evidenced hereby prior to the final due date of the 2020 Bonds as well as the entire obligations evidenced by Bonds and Contracts then remaining unpaid prior to their final respective due dates, the City may elect not to reconstruct, repair or replace the damaged or destroyed portion of the Water System, and/or not to construct other additions, betterments, extensions or improvements to the Water System; and thereupon such Net Proceeds shall be applied to the retirement of 2020 Bonds and to the retirement of such Bonds and Contracts.

(b) The City will procure and maintain such other insurance as it shall deem advisable or necessary to protect its interests and the interests of the 2020 Bond Owners, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal water systems similar to the Water System.

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

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

Section 6.21. Amount of Rates and Charges.

(a) In any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is less than the payments of principal of and interest on the 2020 Bonds payable in such Fiscal Year, to the fullest extent permitted by law, the City will fix and prescribe, at the commencement of each such Fiscal Year, rates and charges for the Water Service which are reasonably expected, at the commencement of such Fiscal Year, to be at least sufficient to yield during such Fiscal Year Net Revenues equal to one hundred fifteen percent (115%) of Debt Service for such Fiscal Year. When calculated for purposes of this subsection, Net Revenues do not include amounts which are transferred from the Rate Stabilization Fund pursuant to Section 5.08 that are in excess of fifteen percent (15%) of Debt Service for such Fiscal Year.

(b) In any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is at least equal to the payments of principal of and interest on the 2020 Bonds payable in such Fiscal Year, to the fullest extent permitted by law, the City will fix and prescribe, at the commencement of each such Fiscal Year, rates and charges for the Water Service which are reasonably expected, at the commencement of such Fiscal Year, to be at least sufficient to yield during such Fiscal Year Revenues equal to one hundred fifteen percent (15%) of the Operation and Maintenance Costs for such Fiscal Year. When calculated for purposes of this subsection, Revenues do not include any amounts which are transferred from the Rate Stabilization Fund pursuant to Section 5.08.

(c) The City may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this Section.

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

Section 6.23. Eminent Domain Proceeds. If all or any part of the Water System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If: (1) the City files with the Trustee a certificate showing: (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the City by reason of such eminent domain proceedings; (ii) a general description of the additions, betterments, extensions or improvements to the Water System proposed to be acquired and constructed by the City from such Net Proceeds; and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements; and (2) the City, on the basis of such certificate filed with the Trustee,

determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the City to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the City shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the City for such purpose shall be deposited in the Revenue Fund.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the City in part to the defeasance or redemption of 2020 Bonds as provided herein, and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of 2020 Bonds then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 6.24. Enforcement of Contracts. The City will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into if such rescission or amendment would in any manner impair or adversely affect the ability of the City to pay principal of and interest on the 2020 Bonds.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF 2020 BOND OWNERS

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

(a) Default by the City in the due and punctual payment of the principal of any 2020 Bonds, the principal of any Bonds or the principal with respect to any Contract, when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by acceleration, or otherwise.

(b) Default by the City in the due and punctual payment of any installment of interest on any 2020 Bonds, any installment of interest on any Bond or any installment of interest with respect to any Contract, when and as the same shall become due and payable.

(c) Default by the City in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the 2020 Bonds, or required by any Bond or indenture relating thereto or by any Contract, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the City by the Trustee or by the Owners of not less than a majority in aggregate principal amount of 2020 Bonds Outstanding, a majority in principal amount of such Bond outstanding, or a majority in principal amount outstanding with respect to such Contract, as applicable; provided, however, that if in the reasonable opinion of the City the default stated in the notice can be corrected, but not within such sixty (60) day period, and corrective action is instituted by the City within such sixty (60) day period and diligently pursued in good faith until the default is corrected, such default shall not be an Event of Default hereunder.

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

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

Section 7.02. Remedies Upon Event of Default. If any Event of Default specified in Section 7.01(d) or (e) shall occur and be continuing, the Trustee shall, and for any other Event of Default, the Trustee may, and, at the written direction of the Owners of not less than a majority in aggregate principal amount of the 2020 Bonds at the time Outstanding, shall, in each case, upon notice in writing to the City, declare the principal of all of the 2020 Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration, the same shall become and shall be immediately due and payable, anything in the Indenture or in the 2020 Bonds contained to the contrary notwithstanding.

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

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall deposit with the Trustee a sum sufficient to pay all the principal of and installments of interest on the 2020 Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective 2020 Bonds to the extent permitted by law, and the reasonable fees, disbursements and expenses of the Trustee, or shall deposit with the applicable trustee with respect to any Contract a sum sufficient to pay all the principal and installments of interest with respect to such Contract payment of which is overdue, with interest on such overdue principal at the rate borne by such Contract to the extent permitted by law, and the reasonable charges and expenses of the applicable trustee with respect to such Contract, or shall deposit with the applicable trustee with respect to any Bond a sum sufficient to pay all the principal of and installment of interest on such Bond payment of which is overdue, with interest on such overdue principal at the rate borne by such Bonds to the extent permitted by law, and the reasonable charges and expenses of the applicable trustee with respect to such Bonds, and any and all other Events of Default known to the Trustee or the applicable trustee with respect to such Contract or Bonds (other than in the payment of principal of and interest on the 2020 Bonds, payment of principal and interest with respect to such Contract or payment of principal and interest on such Bond, as applicable, due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Trustee shall on behalf of the Owners of all of the 2020 Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Section 7.03. Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues held or thereafter received by the Trustee and any other

funds then held or thereafter received by the Trustee under any of the provisions of the Indenture (other than amounts held in the Rebate Fund) shall be applied in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the 2020 Bonds, Contract or Bonds and payment of reasonable fees 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 the Indenture;

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

(c) To the payment of the principal of and interest then due on the 2020 Bonds (upon presentation of the 2020 Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid), in accordance with the provisions of the Indenture, the payment of the principal and interest then due with respect to such Contract in accordance with the provisions thereof and the payment of the principal of and interest then due on such Bonds in accordance with the provisions thereof and of any indenture related thereto, in the following order of priority:

First: To the payment to the persons entitled thereto of all installments of interest then due on the 2020 Bonds, with respect to such Contract or on such Bonds, as applicable, in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any 2020 Bonds, principal with respect to such Contract or principal of any Bonds, as applicable, which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of eight percent (8%) per annum, and, if the amount available shall not be sufficient to pay in full all the 2020 Bonds, all amounts due under such Contract or all the Bonds, as applicable, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

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

Section 7.04. Trustee to Represent 2020 Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the 2020 Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney in fact of the Owners of the 2020 Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the 2020 Bonds or the Indenture and applicable provisions of law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the 2020 Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the 2020 Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement

contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the 2020 Bonds or the Indenture or any law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the 2020 Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the 2020 Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such 2020 Bonds, subject to the provisions of the Indenture.

Section 7.05. 2020 Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the 2020 Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction to direct the method of conduct in all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to 2020 Bond Owners not parties to such direction.

Section 7.06. Suit by Owners. No Owner of any 2020 Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture with respect to such 2020 Bonds, unless: (a) such Owners shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than fifty percent (50%) in aggregate principal amount of the 2020 Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the 2020 Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of 2020 Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of 2020 Bonds shall have any right in any manner whatever by their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of 2020 Bonds, or to enforce any right under the 2020 Bonds, the Indenture, or applicable law with respect to the 2020 Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding 2020 Bonds, subject to the provisions of the Indenture.

Section 7.07. Absolute Obligation of the City. Nothing in this Section 7.07 or in any other provision of the Indenture or in the 2020 Bonds shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal of and interest on the 2020 Bonds to the respective Owners of the 2020 Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the

right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the 2020 Bonds.

Section 7.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the 2020 Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.09. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the 2020 Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein.

ARTICLE VIII

THE TRUSTEE

Section 8.01. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture, and no implied covenants or duties shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) The City may remove the Trustee at any time upon thirty days' prior notice, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the 2020 Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon shall promptly appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the City and by giving the 2020 Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books. Upon receiving such notice of resignation, the City shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the resigning Trustee or any 2020 Bond Owner (on behalf of such 2020 Bond Owner and all other 2020 Bond Owners) may petition any

court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all of the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the City or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all of the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the City shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the City shall mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the 2020 Bonds and to the 2020 Bond Owners at the addresses shown on the Registration Books. If the City fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the City.

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

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

Section 8.03. Liability of Trustee.

(a) The recitals of facts herein and in the 2020 Bonds shall be taken as statements of the City, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture or the 2020 Bonds, nor shall the

Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the 2020 Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the 2020 Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of 2020 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 2020 Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the 2020 Bonds then Outstanding.

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

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority (or such other percentage provided for herein) in aggregate principal amount of the 2020 Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

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

(e) The Trustee shall not be deemed to have knowledge of any default or Event of Default hereunder or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder unless and until a Responsible Officer of the Trustee shall have actual knowledge of such event or the Trustee shall have been notified in writing, in accordance with Section 11.07, of such event by the City or the Owners of not less than fifty percent (50%) of the 2020 Bonds then Outstanding. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the City of any of the terms, conditions, covenants or agreements herein of any of the documents executed in connection with the 2020 Bonds, or as to the existence of an Event of Default thereunder or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default thereunder. The Trustee shall not be responsible for the validity, effectiveness or priority of any collateral given to or held by it.

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

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

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

(i) The Trustee shall have no responsibility or liability with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the 2020 Bonds.

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

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

(l) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Water System, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(m) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“**Instructions**”) given pursuant to this Indenture and delivered using Electronic Means (“**Electronic Means**” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the City shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“**Authorized Officers**”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the City whenever a person is to be added or deleted from the listing. If the City elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The City understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The City shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the City and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the City. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The City agrees: (i) to assume all risks arising out of the use of Electronic Means to

submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the City; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

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

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

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

The Trustee may treat the Owners of the 2020 Bonds appearing in the Trustee's Registration Books as the absolute owners of the 2020 Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

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

Section 8.05. Preservation and Inspection of Documents. All documents that are received by the Trustee under the provisions of the Indenture shall be retained in its possession during the term hereof in accordance with applicable document retention policies and shall be subject at all reasonable times to the inspection of the City and any 2020 Bond Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

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

The City shall indemnify, defend and hold harmless the Trustee, its officers, employees, directors and agents from and against any loss, costs, claims, liability or expense (including fees and expenses of its attorneys and advisors) incurred without negligence or bad faith on its part, arising out of or in connection with the execution of the Indenture, acceptance or administration of this trust, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. The rights of the Trustee and the obligations of the City under this Section 8.06 shall survive removal or resignation of the Trustee hereunder or the discharge of the 2020 Bonds and the Indenture.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THE INDENTURE

Section 9.01. Amendments Permitted.

(a) The Indenture and the rights and obligations of the City and of the Owners of the 2020 Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the City and the Trustee may enter into when the written consent of the Owners of a majority in aggregate principal amount of all 2020 Bonds then Outstanding, exclusive of 2020 Bonds disqualified as provided in Section 11.09 hereof, shall have been filed with the Trustee. No such modification or amendment shall: (1) extend the fixed maturity of any 2020 Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the rate of interest or the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each 2020 Bond so affected; or (2) reduce the aforesaid percentage of 2020 Bonds the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted herein, or deprive the Owners of the 2020 Bonds of the lien created by the Indenture on such Revenues and other assets except as permitted herein, without the consent of the Owners of all of the 2020 Bonds then Outstanding. It shall not be necessary for the consent of the 2020 Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the City and the Trustee of any Supplemental Indenture pursuant to this subsection (a), the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to each Rating Agency and the Owners of the 2020 Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b) The Indenture and the rights and obligations of the City, the Trustee and the Owners of the 2020 Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the City and the Trustee may enter into without the consent of any 2020 Bond Owners, if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Outstanding 2020 Bonds, including, without limitation, for any one or more of the following purposes:

(1) to add to the covenants and agreements of the City contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional

security for the 2020 Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the City;

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

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

(4) to modify, amend or supplement the Indenture in such manner as to cause interest on the 2020 Bonds to remain excludable from gross income under the Code.

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

(d) Prior to the Trustee entering into any Supplemental Indenture hereunder, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion of interest on the 2020 Bonds from federal income taxation and from state income taxation.

Section 9.02. Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the City, the Trustee and all Owners of 2020 Bonds Outstanding shall thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Section 9.03. Endorsement of 2020 Bonds; Preparation of New 2020 Bonds. 2020 Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the City and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any 2020 Bonds Outstanding at the time of such execution and presentation of his or her 2020 Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such 2020 Bonds. If the Supplemental Indenture shall so provide, new 2020 Bonds so modified as to conform, in the opinion of the City and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the City and authenticated by the Trustee, and upon demand on the Owners of any 2020 Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any 2020 Bond Owner, for 2020 Bonds then Outstanding, upon surrender for cancellation of such 2020 Bonds, in equal aggregate principal amount of the same maturity.

Section 9.04. Amendment of Particular 2020 Bonds. The provisions of this Article shall not prevent any 2020 Bond Owner from accepting any amendment as to the particular 2020 Bonds held by such Owner.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Indenture. The 2020 Bonds may be paid by the City in any of the following ways, provided that the City also pays or causes to be paid any other sums payable hereunder by the City:

- (a) by paying or causing to be paid the principal of and interest and redemption premiums (if any) on the 2020 Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem all 2020 Bonds then Outstanding; or
- (c) by delivering to the Trustee, for cancellation by it, all of the 2020 Bonds then Outstanding.

If the City shall also pay or cause to be paid all other sums payable hereunder by the City, then and in that case, at the election of the City (as evidenced by a Certificate of the City, filed with the Trustee, signifying the intention of the City to discharge all such indebtedness and the Indenture), and notwithstanding that any 2020 Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the City under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the City, the Trustee shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of 2020 Bonds not theretofore surrendered for such payment or redemption to the City.

Section 10.02. Discharge of Liability on 2020 Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding 2020 Bonds (whether upon or prior to the maturity or the Redemption Date of such 2020 Bonds), provided that, if such Outstanding 2020 Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the City in respect of such 2020 Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject however, to the provisions of Section 10.04.

The City may at any time surrender to the Trustee for cancellation by it any 2020 Bonds previously issued and delivered, which the City may have acquired in any manner whatsoever, and such 2020 Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 10.03. Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any 2020 Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) lawful money of the United States of America in an amount equal to the principal amount of such 2020 Bonds and all unpaid interest thereon to maturity, except that, in the case of 2020 Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such 2020 Bonds and all unpaid interest and premium, if any, thereon to the Redemption Date; or

(b) Federal Securities the principal of and interest on which when due will, in the written opinion of an Independent Certified Public Accountant or Independent Financial Consultant filed with the City and the Trustee, provide money sufficient to pay the principal of and all unpaid interest to maturity, or to the Redemption Date (with premium, if any), as the case may be, on the 2020 Bonds to be paid or redeemed, as such principal, interest and premium, if any, become due, provided that in the case of 2020 Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that: (i) the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Written Request of the City) to apply such money to the payment of such principal, interest and premium, if any, with respect to such 2020 Bonds; and (ii) the City shall have delivered to the Trustee an opinion of Bond Counsel addressed to the City and the Trustee to the effect that such 2020 Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Independent Certified Public Accountant's or Independent Financial Consultant's opinion referred to above).

Section 10.04. Payment of 2020 Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any 2020 Bonds and remaining unclaimed for two (2) years after the principal of all of the 2020 Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the 2020 Bonds became due and payable, shall be repaid to the City free from the trusts created by the Indenture upon receipt of an indemnification agreement acceptable to the City and the Trustee indemnifying the Trustee with respect to claims of Owners of 2020 Bonds which have not yet been paid, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the City as aforesaid, the Trustee shall at the written direction of the City (at the cost of the City) first mail to the Owners of 2020 Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the 2020 Bonds so payable and not presented and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Liability of City Limited to Revenues. Notwithstanding anything in the Indenture or the 2020 Bonds, but subject to the priority of payment with respect to Operation and Maintenance Costs, the City shall not be required to advance any moneys derived from any source other than the Revenues, the Revenue Fund and other moneys pledged under the Indenture for any of the purposes mentioned in the Indenture, whether for the payment of the principal of or interest on the 2020 Bonds or for any other purpose of the Indenture. Nevertheless, the City may, but shall not be required to, advance for any of the purposes hereof any funds of the City which may be made available to it for such purposes.

The obligation of the City to pay interest and principal on the 2020 Bonds is a special obligation of the City payable solely from the Net Revenues, and does not constitute a debt of the City or of the State of California or of any political subdivision thereof (other than the City) in contravention of any constitutional or statutory debt limitation or restriction.

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

Section 11.03. Limitation of Rights to Parties and 2020 Bond Owners. Nothing in the Indenture or in the 2020 Bonds expressed or implied is intended or shall be construed to give to any person other than the City, the Trustee and the Owners of the 2020 Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the City, the Trustee and the Owners of the 2020 Bonds.

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

Section 11.05. Destruction of 2020 Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the City of any 2020 Bonds, the Trustee shall destroy such 2020 Bonds as may be allowed by law, and deliver a certificate of such destruction to the City.

Section 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in the Indenture or in the 2020 Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in the Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of the Indenture, and the Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The City hereby declares that it would have entered into the Indenture and each and every other Section, paragraph, sentence, clause

or phrase hereof and authorized the issuance of the 2020 Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of the Indenture may be held illegal, invalid or unenforceable.

Section 11.07. Notices. Any notice to or demand upon the City or the Trustee shall be deemed to have been sufficiently given or served for all purposes by being sent by facsimile, electronic mail, overnight mail or courier, or by being deposited, first class mail, postage prepaid, in a post office letter box, addressed, as the case may be, to the City at City of Exeter, 137 North F Street, Exeter, California 93221, Attention: City Administrator (or such other address as may have been filed in writing by the City with the Trustee), or to the Trustee at its Office. Notwithstanding the foregoing provisions of this Section 11.07, the Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of, any notice unless and until the Trustee actually receives such notice.

Section 11.08. Evidence of Rights of 2020 Bond Owners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by 2020 Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such 2020 Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of 2020 Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and the City if made in the manner provided in this Section.

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

The Ownership of 2020 Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any 2020 Bond shall bind every future Owner of the same 2020 Bond and the Owner of every 2020 Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the City in accordance therewith or reliance thereon.

Section 11.09. Disqualified 2020 Bonds. In determining whether the Owners of the requisite aggregate principal amount of 2020 Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, 2020 Bonds which are known by the Trustee to be owned or held by or for the account of the City, or by any other obligor on the 2020 Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City or any other obligor on the 2020 Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. 2020 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 2020 Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City or any other obligor on the 2020 Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request, the City shall

certify to the Trustee those 2020 Bonds that are disqualified pursuant to this Section 11.09 and the Trustee may conclusively rely on such certificate.

Section 11.10. Money Held for Particular 2020 Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular 2020 Bonds (or portions of 2020 Bonds in the case of registered 2020 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 2020 Bonds entitled thereto, subject, however, to the provisions of Section 10.04 hereof but without any liability for interest thereon.

Section 11.11. Funds and Accounts. Any fund or account required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of Section 6.05(a) and for the protection of the security of the 2020 Bonds and the rights of every Owner thereof.

Section 11.12. Waiver of Personal Liability. No member, officer, agent, employee, consultant or attorney of the City shall be individually or personally liable for the payment of the principal of or premium or interest on the 2020 Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent, employee, consultant or attorney from the performance of any official duty provided by law or by the Indenture.

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

Section 11.14. CUSIP Numbers. Neither the Trustee nor the City shall be liable for any defect or inaccuracy in the CUSIP number that appears on any 2020 Bond or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the 2020 Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the 2020 Bondholders and that neither the City nor the Trustee shall be liable for any inaccuracies in such numbers.

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

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

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

(b) So long as the long-term rating of the Paired Obligation Provider is not reduced below Baa2 by S&P or BBB by Moody's, the interest rate of such Paired Obligation shall be deemed

to be equal to the irrevocable fixed interest rate attributable thereto for purposes of Sections 6.14 and 6.21.

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

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

CITY OF EXETER

By: _____
Its: _____

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By: _____
Its: Authorized Officer

EXHIBIT A

FORM OF 2020 BOND

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

CITY OF EXETER
2020 WATER REVENUE REFUNDING BONDS

INTEREST RATE	MATURITY DATE	ORIGINAL ISSUE DATE	CUSIP
_____%	October 1, 20__	January __, 2020	_____

REGISTERED OWNER CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The CITY OF EXETER, a municipal corporation that is duly organized and existing under its charter and the Constitution of the State of California (the "City"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond (unless: (i) this Bond is authenticated after the [fifteenth] day of the calendar month preceding an interest payment date, whether or not such day is a business day, and on or before the following interest payment date, in which event it shall bear interest from such interest payment date; or (ii) this Bond is authenticated on or before March 15, 2020, in which event it shall bear interest from the Original Issue Date identified above; provided, however, that if as of the date of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on this Bond), at the Interest Rate per annum specified above, payable on April 1 and October 1 of each year, commencing April 1, 2020, calculated on the basis of a 360 day year composed of twelve 30 day months. Principal hereof and premium, if any, upon early redemption hereof are payable by check of the Trustee upon presentation and surrender hereof at the Office (as defined in the hereinafter described Indenture) of The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Interest hereon is payable by check of the Trustee sent by first class mail on the applicable interest payment date to the

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

This Bond is not a debt of the State of California, or any of its political subdivisions (other than the City), and neither the State, nor any of its political subdivisions (other than the City), is liable hereon, nor in any event shall this Bond be payable out of any funds or properties of the City other than the Net Revenues (as such term is defined in the Indenture of Trust, dated as of January 1, 2020 (the "Indenture"), by and between the City and the Trustee) and other moneys pledged therefor under the Indenture. The obligation of the City to make payments in accordance with the Indenture is a limited obligation of the City as set forth in the Indenture and the City shall have no liability or obligation in connection herewith except with respect to such payments to be made pursuant to the Indenture. This Bond does not constitute an indebtedness of the City in contravention of any constitutional or statutory debt limitation or restriction.

This Bond is one of a duly authorized issue of bonds of the City designated as the "City of Exeter 2020 Water Revenue Refunding Bonds" (the "2020 Bonds"), of an aggregate principal amount of ____ Million ____ Thousand Dollars (\$ ____), all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers or interest rates) and all issued pursuant to the provisions of Section 4.3 of the City's charter and Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with Section 53570) of the Government Code of the State of California, and pursuant to the Indenture and the resolution authorizing the issuance of the 2020 Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the City) and all supplements thereto for a description of the terms on which the 2020 Bonds are issued, the provisions with regard to the nature and extent of the Net Revenues, and the rights thereunder of the Owners of the 2020 Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the City hereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees. The 2020 Bonds have been issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

The 2020 Bonds have been issued by the City for the purpose of prepaying certain obligations to the United States of America, Rural Utilities Service.

This Bond and the interest, premium, if any, hereon and all other 2020 Bonds and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are special obligations of the City, secured by a pledge and lien on the Revenues and any other amounts on deposit in certain funds and accounts created under the Indenture, and payable from the Net Revenues. As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on this Bond.

The Indenture and the rights and obligations of the City and the Owners of the 2020 Bonds and the Trustee may be modified or amended from time to time and at any time with the written consent of the Owners of a majority in aggregate principal amount of all 2020 Bonds then Outstanding, exclusive of Bonds disqualified as set forth in the Indenture, in the manner, to the extent and upon the

terms provided in the Indenture, but no such modification or amendment shall: (i) extend the fixed maturity of any 2020 Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each 2020 Bond so affected; or (ii) reduce the aforesaid percentage of 2020 Bonds the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or deprive the Owners of the 2020 Bonds of the lien created by the Indenture on such Revenues and other assets, except as expressly provided in the Indenture, without the consent of the Owners of all of the 2020 Bonds then Outstanding.

The Indenture and the rights and obligations of the City, of the Trustee and the Owners of the 2020 Bonds may also be modified or amended for certain purposes described more fully in the Indenture at any time in the manner, to the extent and upon the terms provided in the Indenture by a supplemental indenture, which the City and the Trustee may enter into without the consent of any 2020 Bond Owners, if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such supplemental indenture will not materially adversely affect the interests of the Owners of the Outstanding 2020 Bonds.

The 2020 Bonds with stated maturities on or after October 1, 20__, are subject to redemption prior to their respective stated maturities, as a whole or in part on October 1, 20__, or any date thereafter, as directed by the City in a Written Request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) and by lot within each maturity in integral multiples of \$5,000, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

The Term Bonds with stated maturities on October 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on October 1, 20__ and each October 1 thereafter, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date (October 1)</i>	<i>Principal Amount</i>
20__	\$

*

* Maturity.

If some but not all of the Term Bonds are redeemed pursuant to the optional or extraordinary redemption provisions of the Indenture, as described above, the principal amount of the applicable Term Bonds to be redeemed on any subsequent October 1 will be reduced, by \$5,000 or an integral multiple thereof, as designated by the City in a Written Order of the City filed with the Trustee; provided, however, that the aggregate amount of such reductions shall not exceed the aggregate amount of the applicable Term Bonds redeemed pursuant to the optional or extraordinary redemption provisions of the Indenture.

As provided in the Indenture, notice of redemption shall be mailed by the Trustee by first class mail at least 20 days but not more than 60 days prior to the date fixed for redemption to the respective Owners of any 2020 Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither the failure to receive such notice nor any defect in the notice or the mailing thereof shall affect the validity of the redemption.

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

If an Event of Default, as defined in the Indenture, shall occur, the principal of all of the 2020 Bonds and the interest accrued thereon may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by his or her duly authorized attorney in writing, at the office of the Trustee but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new 2020 Bond or 2020 Bonds of the same series, of authorized denomination or denominations, for the same aggregate principal amount of the same maturity will be issued to the transferee in exchange therefor.

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

The Trustee shall not be required to register the transfer or exchange of this Bond during the period in which the Trustee is selecting 2020 Bonds for redemption or if this Bond has been selected for redemption.

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

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Indenture and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the City, does not exceed any limit under any laws of the State of California, and is not in excess of the amount of 2020 Bonds permitted to be issued under the Indenture.

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

IN WITNESS WHEREOF, the City has caused this Bond to be executed in its name and on its behalf with the manual or facsimile signature of its Mayor as of this ____ day of January, 2020.

CITY OF EXETER

By: _____
Its: Mayor

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

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

Dated: January __, 2020

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee

By: _____
Its: Authorized Signatory

[FORM OF ASSIGNMENT]

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

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

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

Dated: _____

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

Signature Guaranteed:

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

EXHIBIT B

DESCRIPTION OF 2003 PROJECT AND 2004 PROJECT

2003 Project

<i>Component</i>	<i>Capital Cost</i>
Increased Water Storage Capacity	
Distribution Mains	
Valves	
Fittings	
Pumps	
TOTAL	\$3,000,000

2004 Project

<i>Component</i>	<i>Capital Cost</i>
Water Treatment System Expansion	\$3,005,000

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Exeter (the “City”) in connection with the execution and delivery of the \$_____ City of Exeter 2020 Water Revenue Refunding Bonds (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of January 1, 2020 (the “Indenture of Trust”), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The City covenants and agrees as follows:

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

2. Definitions. In addition to the definitions that are set forth in the Indenture of Trust, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report. The term “Annual Report” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

Beneficial Owner. The term “Beneficial Owner” means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

EMMA. The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

Financial Obligation. The term “Financial Obligation” means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Fiscal Year. The term “Fiscal Year” means the period from July 1 of each year through June 30 of the following year, or any other twelve-month period that is selected and designated as the official Fiscal Year of the City. In the event of additional changes in the City’s Fiscal Year, the City shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

Holder. The term “Holder” means a registered owner of the Bonds.

Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

Official Statement. The term “Official Statement” means the Official Statement of the City dated December __, 2019 delivered in connection with the issuance of the Bonds.

Participating Underwriter. The term “Participating Underwriter” means the original

underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

3. Provision of Annual Reports.

(a) The City shall provide to EMMA not later than each April 1 following the end of its Fiscal Year (commencing with the Annual Report that will be due April 1, 2020) an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate; provided that such initial Annual Report shall consist solely of the Official Statement and the City’s audited financial statements for Fiscal Year 2018-19. Each such Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the City is unable to provide to EMMA an Annual Report by the date required in subsection (a), the City in a timely manner shall send to EMMA a notice in substantially the manner prescribed by the Municipal Securities Rulemaking Board.

4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Principal amount of the Bonds outstanding.

(c) An update of the information for the most recent Fiscal Year substantially in the form of the following tables under the caption “THE WATER SYSTEM” in the Official Statement:

1. Historical Water System Production;
2. Historical Service Connections;
3. Historical Water Usage in Millions of Gallons; and
4. Ten Largest Water System Customers.

(d) An update of the information substantially in the form of the table entitled Historical Operating Results (Fiscal Year Ended June 30) under the caption entitled “FINANCIAL INFORMATION” in the Official Statement.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been

submitted to EMMA or the Securities and Exchange Commission; provided that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further that the City shall clearly identify each such document so included by reference.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability or Notices of Proposed Issue (IRS Form 5701-TEB);
6. tender offers;
7. defeasances;
8. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in Section 5(a)(5), other notices or determinations by

the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;

2. modifications to the rights of Bondholders;

3. optional, unscheduled or contingent Bond calls;

4. release, substitution or sale of property securing repayment of the Bonds;

5. non-payment related defaults;

6. the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and

7. appointment of a successor or additional trustee or the change of the name of a trustee.

8. Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material.

(c) If the City determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the City shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

6. Customarily Prepared and Public Information. Upon request, the City shall provide to any person financial information and operating data regarding the City which is customarily prepared by the City and is publicly available.

7. Termination of Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that in the opinion of nationally recognized bond counsel: (i) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the City or its business; (ii) this Disclosure Certificate, as amended, would have complied with the requirements of the Rule at the time of the initial issuance of the Bonds, after taking into account amendments and interpretations of the Rule and changes in circumstances; and (iii) the amendment does not materially impair the interests of Holders or Beneficial Owners of the Bonds or the amendment is approved by a majority vote of the Holders.

9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any notice of occurrence of a Listed

Event in addition to that which is specifically required by this Disclosure Certificate, the City shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

10. Default. In the event of a failure of the City to file an annual report under Section 4 or to file a report of a Listed Event under Section 5, any Holders or Beneficial Owners of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture of Trust, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

No Holder or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the City satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the City shall have refused to comply therewith within a reasonable time.

11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

12. Filings with the MSRB. All financial information, operating data, financial statements, notices, and other documents provided to the Municipal Securities Rulemaking Board in accordance with this Disclosure Certificate shall be provided in an electronic format prescribed by the Municipal Securities Rulemaking Board and shall be accompanied by identifying information as prescribed by the Municipal Securities Rulemaking Board.

Dated: January __, 2020

CITY OF EXETER

By: _____
Its: _____

§[PARA]
CITY OF EXETER
2020 WATER REVENUE REFUNDING BONDS

BOND PURCHASE AGREEMENT

[____], 2020

City of Exeter
137 North F Street
Exeter, CA 93221

Ladies and Gentlemen:

The undersigned (the “**Underwriter**”) hereby offers to enter into this Bond Purchase Agreement (the “**Purchase Agreement**”) with you, the City of Exeter (the “**City**”), for the purchase by the Underwriter and the delivery by the City of the Bonds specified below. The proceeds of the Bonds will be used to: (i) prepay certain outstanding obligations of the City payable to the United States of America, Rural Utilities Service (the “**Prior Water Obligations**”); and (ii) to pay costs of issuance of the Bonds. This offer is subject to your acceptance prior to 11:59 p.m., Los Angeles time, on the date hereof and if not so accepted will be subject to withdrawal by the Underwriter upon written notice delivered to the City at any time prior to the acceptance thereof by the City. Upon such acceptance, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon you and the Underwriter. All terms not defined herein shall have the meanings set forth in the Indenture and Official Statement (each as defined below).

The City acknowledges and agrees that: (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm’s length commercial transaction among the City and the Underwriter in which the Underwriter is acting solely as a principal and not as an agent of the City and the Underwriter is not acting as a municipal advisor, financial advisor or fiduciary to the City; (ii) the Underwriter has not assumed any advisory or fiduciary responsibility to the City with respect to the transaction contemplated by the Purchase Agreement and the discussions, undertakings or procedures leading thereto (irrespective of whether the Underwriter, or any affiliate of the Underwriter, have provided other services or are currently providing other services to the City on other matters); (iii) the only obligations the Underwriter has to the City with respect to the transaction contemplated by this Purchase Agreement are expressly set forth in this Purchase Agreement; and (iv) the City has consulted its own financial and/or municipal legal, accounting, tax and other advisors, as applicable, to the extent the City has deemed appropriate. The City acknowledges that it has previously provided the Underwriter with an acknowledgement of receipt of the required Underwriter disclosure under Rule G-17 of the Municipal Securities Rulemaking Board (the “**MSRB**”).

1. Upon the terms and conditions and upon the basis of the representations herein set forth, the Underwriter hereby agrees to purchase from the City for offering to the public, and the City hereby agrees to sell and deliver to the Underwriter, all (but not less than all) of the \$_____ aggregate principal amount of the City of Exeter 2020 Water Revenue Refunding Bonds (the “**Bonds**”) at a price of \$[_____], being the principal amount of the Bonds, [plus/minus] a [net] original issue [premium/discount] of \$[_____], less an Underwriter’s discount of \$[_____].

The Bonds shall mature in the amounts and on the dates, and bear interest at the rates, set forth in Exhibit A hereto.

The Bonds shall be as described in and shall be secured under and pursuant to an Indenture of Trust, dated as of January 1, 2020 (the “**Indenture**”) between the City and [_____], as trustee (the “**Trustee**”), substantially in the form previously submitted to the Underwriter with only such changes therein as shall be mutually agreed upon by the City, the Trustee and the Underwriter.

The obligation of the City to pay the principal of and interest on the Bonds is a special obligation of the City, payable solely from Net Revenues (as defined in the applicable Indenture) of the City’s water system (the “**Water System**”) and certain other amounts held under the Indenture. The principal of and interest on the Bonds are not required to be paid from any other funds of the City, including any proceeds of any taxes, and does not constitute a debt or pledge of the faith and credit of the City or the State of California (the “**State**”) or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

The City hereby ratifies the use by the Underwriter of the Preliminary Official Statement, dated December __, 2019 relating to the Bonds (together with the cover page and all appendices thereto, and any supplements thereof, the “**Preliminary Official Statement**”), and authorizes the Underwriter to use and distribute the Preliminary Official Statement, the Official Statement (as defined below), the Indenture, the Continuing Disclosure Certificate as required by Securities and Exchange Commission Rule 15c2-12, as amended (“**Rule 15c2-12**”), and substantially in the form attached as an appendix to the Official Statement (the “**Continuing Disclosure Certificate**”) and this Purchase Agreement, and all information contained therein, and all other documents, certificates and statements furnished by the City to the Underwriter in connection with the offer and sale of the Bonds by the Underwriter. The City has heretofore “deemed final” the Preliminary Official Statement within the meaning of Rule 15c2-12.

The City will undertake pursuant to the Continuing Disclosure Certificate to provide certain annual financial and operating information and notices of the occurrence of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement. This undertaking will be entered into in order to assist the Underwriter in complying with Rule 15c2-12.

2. The Underwriter agrees to offer all the Bonds to the public initially at the prices (or yields) set forth on the inside front cover page of the Official Statement of the City pertaining to the Bonds, dated December __, 2019 (together with all appendices thereto, and with such changes therein and supplements thereto and as are consented to in writing by the Underwriter, and with the Preliminary Official Statement, are herein called the “**Official Statement**”). Subsequent to the initial public offering of the Bonds, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds subject to Section 5 hereof. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. “Public Offering” shall include an offering to a representative number of institutional investors or registered investment companies, regardless of the number of such investors to which the Bonds are sold. The Underwriter agrees that prior to the time the final Official Statement relating to the Bonds is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail or electronic distribution (or other equally prompt means) not later than the first business day following the date upon which each such request is received.

3. The City shall also deliver a sufficient number of copies of the Official Statement to enable the Underwriter to distribute a single copy of each Official Statement to any potential customer of the Underwriter requesting an Official Statement during the time period beginning when the Official Statement becomes available and ending on the End Date (defined below). The City shall deliver these copies to the Underwriter no later than the earlier of (i) seven (7) business days after the execution of this Purchase Agreement or (ii) one (1) business day prior to the Closing Date in order to permit the Underwriter to comply with Rule 15c2-12, and the applicable rules of the MSRB, with respect to distribution of the Official Statement. The City shall prepare the Official Statement, including any amendments thereto, in word-searchable PDF format as described in the MSRB's Rule G-32 and shall provide the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriter no later than one (1) business day prior to the Closing Date to enable the Underwriter to comply with MSRB Rule G-32. The Underwriter covenants to file, or cause to be filed, the Official Statement (and any supplement and amendment thereof furnished to the Underwriter pursuant to this Section 3), with the MSRB's Electronic Municipal Market Access database ("**EMMA**").

The Official Statement, as of its date, as of the Closing Date and as of the date of any update, amendment or supplement thereto as required hereby subsequent to the Closing, up to and including the date which is twenty-five (25) days following the end (the "**End Date**") of the Underwriting Period (as hereinafter defined), will be correct and complete in all material respects and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. For the purposes herein, "Underwriting Period" shall mean the period beginning on the dated date hereof and ending: (i) in the absence of written notice by the Underwriter to the City before the Closing Date, the Closing Date, or (ii) such other date as specified by the Underwriter a written notice delivered to the City before the Closing Date.

If, after the date of this Purchase Agreement and until the earlier of (i) ninety (90) days after the end of the Underwriting Period, or (ii) twenty-five (25) days following the end of the Underwriting Period if the Official Statement is timely filed on EMMA, any event shall occur or circumstance shall exist of which the City has knowledge that would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City, shall notify the Underwriter (and for the purpose of this Section provide the Underwriter with such information as it may from time to time reasonably request), and, if in the opinion of the City or the Underwriter such event or circumstance requires the preparation and publication of a supplement or amendment to the Official Statement, the City will prepare such a supplement or amendment, at the City's expense, so that the Official Statement as then supplemented or amended, will not contain an untrue statement of a material fact or to omit to state a material fact that is required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and furnish to the Underwriter a reasonable number of copies of such supplement or amendment provided that the Underwriter promptly agrees that it will notify the City of the end of the Underwriting Period.

4. At 8:30 a.m., Pacific Time, on January __, 2020, or at such other time or date as shall be agreed upon by the Underwriter and the City (such time and date being herein referred to as the "**Closing Date**"), the City shall deliver, or cause to be delivered, to the Trustee the Bonds in definitive form, registered in the name of Cede & Co., as the nominee of The Depository Trust Company, New York, New York ("**DTC**") (so that the Bonds may be authenticated by the Trustee and credited to the account that is specified by the Underwriter under DTC's FAST procedures). On or before such

Closing Date, the City shall deliver, at the offices of Stradling Yocca Carlson & Rauth, a Professional Corporation (“**Bond Counsel**”) in Newport Beach, California, or at such other place as is mutually agreed upon by the Underwriter and the City, the other documents that are described in this Purchase Agreement. On the date of the Closing, the Underwriter shall pay the purchase price of each series of Bonds as set forth in Section 1 of this Purchase Agreement in immediately available funds to the order of the Trustee. The delivery and payment described above is referred to as the “**Closing**”).

5. (a) The Underwriter agrees to assist the City in establishing the issue price of the Bonds and shall execute and deliver to the City at Closing an “issue price” or similar certificate for each series of Bonds, together with the supporting pricing wires or equivalent communications, substantially in the forms attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the City and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of each series of Bonds.

(b) Except as otherwise set forth in Exhibit A attached hereto, with respect to the Bonds, the City will treat the first price at which 10% of each maturity of the Bonds (the “**10% test**”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Agreement, the Underwriter shall report to the City the price or prices at which it has sold to the public each maturity of Bonds. With respect to the Bonds, if at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the City the prices at which it sells the unsold Bonds of that maturity to the public. With respect to the Bonds, that reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) the Underwriter has sold all Bonds of that maturity or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the City or Bond Counsel. For purposes of this Section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

(c) The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Purchase Agreement at the offering price or prices (the “**initial offering price**”), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Exhibit A also sets forth, as of the date of this Purchase Agreement, the maturities, if any, of the Bonds for which the Underwriter represents that (i) the 10% test has been satisfied (assuming orders are confirmed by the close of the business day immediately following the date of this Purchase Agreement) and (ii) the 10% test has not been satisfied and for which the City and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the City to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “**hold-the-offering-price rule**”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- (1) the close of the fifth (5th) business day after the sale date; or
- (2) the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the City promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

(d) The Underwriter confirms that:

(i) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold Bonds of each maturity of a series allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be reasonable periodic intervals or otherwise upon request of the Underwriter and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(B) to promptly notify the Underwriter of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity of a series allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

(e) The City acknowledges that, in making the representation set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party

distribution agreement and the related pricing wires. The City further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

(f) The Underwriter acknowledges that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

(1) “public” means any person other than an underwriter or a related party;

(2) “underwriter” means (A) any person that agrees pursuant to a written contract with the City (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public);

(3) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

(4) “sale date” means the date of execution of this Purchase Agreement by all parties hereto.

6. The Underwriter represents to and agrees with the City that, as of the date hereof and as of the Closing Date:

(i) The Underwriter is duly authorized to execute this Purchase Agreement and to take any action under this Purchase Agreement required to be taken by it;

(ii) The Underwriter is in compliance with MSRB Rule G-37 with respect to the City, and is not prohibited thereby from acting as the underwriter with respect to securities of the City; and

(iii) The Underwriter has, and has had, no financial advisory relationship, as that term is defined in California Government Code Section 53590 (c) or MSRB Rule G-32, with

the City with respect to the Bonds, and no investment firm controlling, controlled by or under common control with the Underwriter has or has had any such financial advisory relationship.

7. The City represents, warrants and covenants to the Underwriter that:

(a) The City is a charter city and a municipal corporation duly organized and existing under the laws of the State of California, and has all necessary power and authority to enter into and perform its duties under the Indenture, the Continuing Disclosure Certificate, and this Purchase Agreement (collectively, the “**City Documents**”) and, when executed and delivered by the respective parties thereto, the City Documents will constitute the legal, valid and binding obligations of the City in accordance with their respective terms.

(b) Neither the execution and delivery of the City Documents, or the approval and execution of the Official Statement, and compliance with the provisions on the City’s part contained therein, nor the consummation of any other of the transactions herein and therein contemplated, nor the fulfillment of the terms hereof and thereof, in any material way conflicts with or constitutes a breach of or default under nor contravenes any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, nor does any such execution, delivery, adoption or compliance result in the security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the City under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the City Documents.

(c) Except as may be required under blue sky or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the City required for the execution and delivery of the Bonds or the consummation by the City of the other transactions contemplated by the Official Statement and this Purchase Agreement.

(d) To the best of the knowledge of the City, and except as disclosed in the Official Statement, there is, and on the Closing there will be, no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the City to restrain or enjoin the delivery of any of the Bonds, or the payments to be made pursuant to the Indenture, or in any way contesting or affecting the validity of the City Documents or the authority of the City to approve this Purchase Agreement, or enter into the City Documents, or in any way questioning or challenging the tax status of the Bonds.

(e) As of its date and as of the date hereof, the information relating to the City, the Bonds and the Water System contained in the Preliminary Official Statement is true and correct in all material respects and such information does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that no representation is made with respect to information relating to DTC, DTC’s book-entry system or any information therein provided by or pertaining to the Underwriter). As of the date thereof and at all times subsequent thereto up to and including the End Date, such information relating to the City, the Bonds and the Water System contained in the Official Statement will be complete and will not contain any untrue or misleading statement of a material fact or omit to state any material fact (unless an event occurs of the

nature described in Section 7(j) below) necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) The City agrees to cooperate with the Underwriter in endeavoring to qualify the Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Underwriter may request; provided, however, that the City will not be required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business as a foreign agency in any jurisdiction where it is not so qualified. The Underwriter shall be responsible for all costs relating to such determination and qualification of the Bonds under blue sky or similar laws.

(g) By official action of the City prior to or concurrently with the execution hereof, the City has duly approved the distribution of the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in the City Documents and the consummation by it of all other transactions contemplated by the Official Statement and this Purchase Agreement.

(h) The City is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party or is otherwise subject, which breach or default would have a material adverse effect on the pledge of Revenues under the Indenture or the City's performance under the City Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument.

(i) To the best knowledge of the City, the City is not in default, nor has been in default in the last ten years, as to the payment of principal or interest with respect to an obligation issued by the City or successor of the City or with respect to an obligation guaranteed by the City as guarantor or successor of a guarantor.

(j) If between the date of this Purchase Agreement and the End Date an event occurs, of which the City has knowledge, which might or would cause the information relating to the City, the Water System or the City's functions, duties and responsibilities contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the City will notify the Underwriter, and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will cooperate with the Underwriter in the preparation of an amendment or supplement to the Official Statement in accordance with the last paragraph of Section 3, provided all expenses thereby incurred will be paid for by the City.

(k) If the information relating to the Water System, the City, its functions, duties and responsibilities contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subsection, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subsection) at all times subsequent thereto up to and including the date of the Closing, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated

therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading.

(l) The City covenants that it will comply with all tax covenants relating to it in the City Documents and the Tax Certificate of the City.

(m) No consent, approval, authorization or other action by an governmental or regulatory agency that has not been obtained is or will be required of the City for the delivery and sale of the Bonds or the consummation of the other transactions contemplated by this Purchase Agreement and the Official Statement, except for such licenses, certificates, approvals, variances or permits which may be necessary for the construction or operation of the Water System which the City has applied for (or will apply for in the ordinary course of business) and expects to receive, and except as may be required under the state securities or blue sky laws in connection with the sale of the Bonds by the Underwriter.

(n) Substantially all the proceeds from the sale of the Bonds (after deducting the expenses of issuance and sale of the Bonds) will be used to finance the prepayment of the Prior Water Obligations, and the City will not take or omit to take any action which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided in the Indenture, as amended from time to time.

(o) The City will deliver all opinions, certificates, letters and other instruments and documents reasonably required by the Underwriter and this Purchase Agreement.

(p) Any certificate of the City delivered to the Underwriter shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein.

(q) Other than as described in the Official Statement, as of the time of acceptance hereof and as of the Closing, the City does not and will not have outstanding any indebtedness which is secured by a lien on Revenues superior to or on a parity with the with the lien established by the Indenture.

(r) Between the date of this Purchase Agreement and the Closing Date, the City will not, without the prior written consent of the Underwriter, and except as disclosed in the Official Statement, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities, direct or contingent payable from Net Revenues.

(s) The City is not presently and as a result of the execution of the City Documents and the sale of the Bonds will not be in violation of any debt limitation, appropriation limitation or any other provision of the California Constitution or statutes or any additional debt or similar provision of any bond, note, contract or other evidence of indebtedness to which the City is a party or to which the City is bound.

(t) The financial statements of, and other financial information regarding the City and the Water System in the Official Statement fairly present the financial position and results of the operations of the City, the Water System as of the dates and for the periods therein set forth and the audited financial statements have been prepared in accordance with generally accepted accounting principles applicable to cities.

(u) The City has not, in the last five years, failed to comply in any material respect in its obligations under any continuing disclosure undertaking entered into pursuant to Rule 15c2-12 except as disclosed in the Official Statement. The City will undertake, pursuant to the Continuing Disclosure Certificate to provide annual reports and notices of certain events in accordance with the requirements of Rule 15c2-12.

8. The Underwriter has entered into this Purchase Agreement in reliance upon the representations, warranties and agreements of the City contained herein, and the opinions of Bond Counsel, Counsel to the Trustee and the City Attorney required hereby. The Underwriter's obligations under this Purchase Agreement are and shall be subject to the following further conditions:

(a) At the time of Closing, the City Documents shall be in full force and effect as valid and binding agreements between or among the various parties thereto and the Official Statement shall not have been amended, modified or supplemented except as in accordance with this Purchase Agreement, and there shall be in full force and effect such resolutions as, in the opinion of Bond Counsel, shall be necessary in connection with the transactions contemplated hereby.

(b) At or prior to the Closing, the Underwriter shall receive the following documents, in each case satisfactory in form and substance to them:

(1) The unqualified approving opinion of Bond Counsel, dated the Closing Date, addressed to the City and the Underwriter (or reliance letter to the Underwriter), in substantially the form attached as APPENDIX C to the Official Statement;

(2) A supplemental opinion or opinions of Bond Counsel dated the Closing Date, addressed to the Underwriter, in form and substance to the effect that:

(a) The statements and information contained in the Official Statement under the captions "INTRODUCTION," "THE 2020 BONDS," "SECURITY FOR THE 2020 BONDS," "TAX MATTERS" and APPENDIX B and APPENDIX C, to the extent they purport to summarize information concerning the Bonds and certain provisions of the City Documents and the opinion of such counsel, present a fair and accurate summary of such information and such provisions;

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

(c) The City Documents and the Official Statement have been duly authorized, executed and delivered by the City, and, assuming due authorization, execution and delivery by the other parties thereto, the City Documents constitute legal, valid and binding agreements of the City enforceable against the City in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and equitable remedies if equitable remedies are sought, and except no opinion need be expressed as to the enforceability of the indemnification, waiver, choice of law or contributions provisions contained in the City Documents.

(3) The opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Disclosure Counsel, dated the Closing Date and addressed to the City and the Underwriter, to the effect that, based upon their participation in conferences in the course of preparation of the Official Statement, and in reliance on such conferences and on the certificates, opinions and other documents mentioned in such opinion, no facts came to the attention of the attorneys in such firm rendering legal services in connection with such representation which caused them to believe that the Official Statement as of its date and as of the Closing Date (except for any CUSIP numbers, financial, accounting, statistical or economic or engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any information about feasibility, valuation, appraisals, technology, real estate or environmental matters, the appendices thereto or any information about the Underwriter, underwriting, The Depository Trust Company or the Book-Entry System included or referred to therein, which such firm expressly excludes from the scope of this section and as to which such firm need express no opinion or view) contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(4) An opinion of McCormick Kabot Jenner & Lew, City Attorney, dated the Closing Date, in form and substance satisfactory to the Underwriter and Bond Counsel, addressed to the Underwriter, to the effect that:

(i) the City is a charter city and a municipal corporation duly created and existing in accordance with the laws of the State of California;

(ii) the preparation and distribution of the Official Statement and the City Documents have been duly approved by the City;

(iii) the resolution of the City Council approving and authorizing the City's execution and delivery of the Official Statement and the City Documents has been duly adopted at a meeting of the governing body of the City which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout;

(iv) except as disclosed in the Official Statement, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to the best knowledge of such counsel, threatened against or affecting the City, which would adversely impact the City's ability to complete the transactions described in and contemplated by the Official Statement, to restrain or enjoin the payments under, or in any way contesting or affecting the validity of the City Documents, or the transactions described and defined in the Official Statement wherein an unfavorable decision, ruling or finding would adversely affect the validity and enforceability of the City Documents;

(v) the execution and delivery of the City Documents and the approval of the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, do not and will not

in any material respect conflict with or constitute on the part of the City a breach of or default under any agreement or other instrument to which the City is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the City is subject;

(vi) no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California is required for the valid authorization, execution and delivery of the City Documents and the approval of the Official Statement; and

(vii) the charges and fees of the Water System were duly approved and adopted by the City, and are valid and enforceable at the current levels levied by the City.

(5) The opinion of counsel to the Trustee, dated the Closing Date in form and substance satisfactory to the Underwriter and Bond Counsel, and addressed to the City and the Underwriter, to the effect that:

(i) The Trustee is a national banking association duly organized and validly existing under the laws of the United States.

(ii) The Trustee has duly authorized the execution and delivery of the Indenture and has duly authenticated the Bonds.

(iii) The Indenture has been duly entered into and delivered by the Trustee and assuming due, valid and binding authorization, execution and delivery by the City, constitutes the legal, valid and binding obligation of the Trustee enforceable against the Trustee in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally, or by general principles of equity.

(iv) Acceptance by the Trustee of the duties and obligations under the Indenture and compliance with provisions thereof will not conflict with or constitute a breach of or default under any law or administrative regulation to which the Trustee is subject.

(v) All approvals, consents and orders of any governmental authority or agency having jurisdiction in the matter which would constitute a condition precedent to the performance by the Trustee of its duties and obligations under the Indenture have been obtained and are in full force and effect.

(6) An opinion, dated the Closing Date and addressed to the Underwriter, of Kutak Rock LLP, counsel to the Underwriter ("**Underwriter's Counsel**"), in such form as may be acceptable to the Underwriter.

(7) A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the City satisfactory in form and substance to the Underwriter

and Bond Counsel, (a) confirming as of such date the representations and warranties of the City contained in this Purchase Agreement; (b) certifying that the City has complied with in all material respects all agreements, covenants and conditions to be complied with by the City at or prior to the Closing under the City Documents; (c) certifying that to the best of such official's knowledge, no event affecting the City has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing the statements or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect; (d) certifying that no consent is required to be obtained for the inclusion of the City's audited financial statements, including the accompanying accountant's letter, for Fiscal Year 20[18/19] in the Official Statement.

(8) A certificate, dated the date of the Preliminary Official Statement, signed by a duly authorized official of the City deeming the Preliminary Official Statement "final" for purposes of Rule 15c2-12.

(9) An executed copy of the City Documents.

(10) One counterpart original or copy certified by a duly authorized officer of the City of a complete transcript of all proceedings of the City relating to the approval of the City Documents and the authorization, issuance, sale and delivery of the Bonds.

(11) An executed copy of the Official Statement.

(12) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of documents such as the Bonds and the Indenture.

(13) Copies of the resolution adopted by the City Council and certified by the City Clerk, authorizing the execution and delivery of the City Documents and the Official Statement.

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

(15) A Certificate of the Trustee, dated the Closing Date to the effect that:

(i) The Trustee is duly organized and existing as a national banking association in good standing under the laws of the United States, having the full power and authority to accept and perform its duties under the Indenture;

(ii) Subject to the provisions of the Indenture, the Trustee will apply the proceeds from the Bonds to the purposes specified in the Indenture; and

(iii) The Trustee has duly authorized and executed the Indenture.

(16) Evidence that the Bonds have been rated as set forth in the Official Statement and that such ratings continue in effect as of the Closing.

(17) Evidence that a federal tax information form 8038-G has been prepared for filing with respect to the Bonds.

(18) Acknowledgement of prepayment of the Prior Water Obligations executed by the United States of America, Rural Utilities Service.

(19) A copy of the executed Blanket Letter of Representations by and between the City and The Depository Trust Company, New York, New York, relating to the book-entry system for the Bonds.

(20) A copy of the Notice of Final Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 8855 of the California Government Code which may be delivered after the issuance of the Bonds.

(21) Such additional legal opinions, certificates, proceedings, instruments and other documents as Bond Counsel, the Underwriter and Underwriter Counsel may reasonably request to evidence compliance with legal requirements, the truth and accuracy, as of the time of Closing, of the representations contained herein and in the Official Statement and the due performance or satisfaction by the Trustee and the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

(c) All matters relating to this Purchase Agreement, the Bonds and the sale thereof, the City Documents and the consummation of the transactions contemplated by this Purchase Agreement shall have been approved by the Underwriter, such approval not to be unreasonably withheld.

If the conditions to the Underwriter's obligations contained in this Purchase Agreement are not satisfied or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and neither the Underwriter nor the City shall have any further obligation hereunder.

9. The Underwriter shall have the right to terminate this Purchase Agreement, without liability therefor, by written notification to the City if at any time at or prior to the Closing in the Underwriter's reasonable judgment any of the following events shall occur:

(a) The market price or marketability of the Bonds, or the ability of the Underwriter to enforce contracts for the sale of the Bonds, shall be materially adversely affected by any of the following events:

(i) Legislation shall be enacted by or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court

shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to alter, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds, or the interest on the Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions contemplated herein; or

(ii) There shall have occurred any (1) new material outbreak of hostilities (including, without limitation, an act of terrorism) or (2) new material other national or international calamity or crisis, or any material adverse change in the financial, political or economic conditions affecting the United States, including, but not limited to, an escalation of hostilities that existed prior to the date hereto; or

(iii) Legislation enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering, or sale of obligations of the general character of the Bonds, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect; or

(iv) A general suspension of trading in securities on the New York Stock Exchange or any other national securities exchange, the establishment of minimum or maximum prices on any such national securities exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, or any material increase of restrictions now in force (including, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter); or

(v) Except as disclosed in or contemplated by the Official Statement, any material adverse change in the affairs of the City shall have occurred; or

(vi) Any rating of the Bonds or other obligations of the City by a national rating agency shall have been withdrawn or downgraded or placed on credit watch with negative outlook; or

(b) A general banking moratorium shall have been established by federal, State of New York or California authorities; or

(c) Any amendment to the federal or California Constitution or action by any federal or California court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the City, its property, income or securities (or interest thereon), or the ability of the City to execute the Indenture or the City to issue the Bonds and pledge the Revenues as contemplated by the Indenture and the Official Statement; or

(d) Establishment of any new restrictions in securities materially affecting the free market for securities of the same nature as the Bonds (including the imposition of any limitations on interest rates) or the charge to the net capital requirements of the Underwriter established by the New York Stock Exchange, the Securities and Exchange Commission, any other Federal or state agency or the Congress of the United States, or by Executive Order; or

(e) Any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Preliminary Official Statement or the Official Statement, or results in the Preliminary Official Statement or the Official Statement containing any untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; or

(f) A material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred; or

(g) An event described in Section 7(j) hereof shall have occurred which, in the reasonable professional judgment of the Underwriter, requires the preparation and publication of a supplement or amendment to the Official Statement; or

(h) A decision by a court of the United States shall be rendered, or a stop order, release, regulation or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made, to the effect that the issuance, offering or sale of the Bonds, including the underlying obligations as contemplated by this Purchase Agreement or by the Official Statement, or any document relating to the issuance, offering or sale of the Bonds, is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act of 1933, as amended, the Exchange Act of 1934, as amended and the Trust Indenture Act of 1939, as amended.

10. Performance by the City of its respective obligations under this Purchase Agreement is conditioned upon (i) performance by the Underwriter of its obligations hereunder, and (ii) receipt by the Underwriter of all opinions and certificates to be delivered at Closing by persons and entities other than the City.

11. (a) The Underwriter shall be under no obligation to pay, and the City shall pay or cause to be paid out of the proceeds of the Bonds, all expenses incident to the performance of the City's obligations hereunder, including but not limited to: the cost of photocopying and delivering the Bonds to the Underwriter; the cost of preparing, printing (and/or word processing and reproducing), distributing and delivering the City Documents and the cost of printing, distributing and delivering the Preliminary Official Statement and the Official Statement in such reasonable quantities as requested

by the Underwriter; and the fees and disbursements of Bond Counsel, Disclosure Counsel, any accountants, financial advisors or other engineers or experts or consultants the City have retained in connection with the Bonds and expenses (included in the expense component of the Underwriter's spread) incurred on behalf of the City officers or employees which are incidental to implementing this Purchase Agreement, including, but not limited to, meals, transportation, lodging, and entertainment of those officers or employees.

(b) Whether or not the Bonds are delivered to the Underwriter as set forth herein, the City shall be under no obligation to pay, and the City shall not pay, any expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds (except those specifically enumerated in subsection (a) of this section), including any advertising expenses and the fees of the California Debt and Investment Advisory Commission, CUSIP services bureau charges, regulatory fees imposed on the Underwriter for new security issues, the cost of preparation of any "blue sky" or legal investment memoranda and the fees and disbursements of Underwriter's Counsel.

12. Any notice or other communication to be given to the Underwriter may be given by delivering the same to Brandis Tallman LLC, 22 Battery Street, Suite 500, San Francisco, California, 94111 Attention: Rick Brandis. Any notice or other communication to be given to the City may be given by delivering the same to addresses initially provided herein, Attention: City Manager. The approval of the Underwriter when required hereunder or the determination of satisfaction as to any document referred to herein shall be in writing signed by the Underwriter and delivered to you.

13. This Purchase Agreement is made solely for the benefit of the City and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof.

14. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which such counterparts shall together constitute but one and the same instrument.

15. The representations and warranties of the City set forth in or made pursuant to this Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Agreement and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and warranties of the City and regardless of delivery of and payment for the Bonds.

16. The primary role of the Underwriter, as underwriter, is to purchase the Bonds for resale to investors in an arms-length commercial transaction among the City and the Underwriter. The Underwriter has financial and other interests that differ from those of the City.

17. This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the City and the Underwriter and shall be valid and enforceable as of the time of such acceptance.

18. This Purchase Agreement shall be governed by the laws of the State of California. This Purchase Agreement shall not be assigned by either party hereto.

19. This Purchase Agreement supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the sale of Bonds by the City and represents the entire agreement of the parties as to the subject matter herein.

20. Any provision of this Purchase Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Purchase Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

21. This Purchase Agreement shall be governed by the laws of the State of California.

BRANDIS TALLMAN LLC

By: _____

Title: _____

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

CITY OF EXETER

By: _____
Authorized Officer

Time of Execution: _____ p.m. California time

**[SIGNATURE PAGE OF BOND PURCHASE AGREEMENT – CITY OF
EXETER 2020 WATER REVENUE REFUNDING BONDS]**

EXHIBIT A

\$ _____

CITY OF EXETER

2020 WATER REVENUE REFUNDING BONDS

<u>Maturity</u> <u>(_____ 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>10% Test</u> <u>Satisfied*</u>	<u>10% Test</u> <u>Not</u> <u>Satisfied</u>	<u>Subject to</u> <u>Hold-The-</u> <u>Offering-</u> <u>Price Rule</u>
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(T) Term Bond.

* At the time of execution of this Purchase Agreement and assuming orders are confirmed by the close of the business day immediately following the date of this Purchase Agreement.

EXHIBIT B

**§ _____
CITY OF EXETER
2020 WATER REVENUE REFUNDING BONDS**

FORM OF ISSUE PRICE CERTIFICATE

[TO COME FROM BOND COUNSEL]

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER __, 2019

NEW ISSUE – BOOK ENTRY ONLY

RATING: S&P: __
See the caption “RATING”

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the 2020 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2020 Bonds is exempt from State of California personal income tax. See the caption “TAX MATTERS.”

\$ _____
CITY OF EXETER
2020 WATER REVENUE REFUNDING BONDS

Dated: Date of Issuance

Due: October 1, as set forth on the inside front cover page

The 2020 Bonds are being issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Purchasers of the 2020 Bonds will not receive securities representing their beneficial ownership in the 2020 Bonds purchased. Interest on the 2020 Bonds is payable on April 1 and October 1 of each year, commencing April 1, 2020, until the maturity of the 2020 Bonds. The principal of and interest on the 2020 Bonds are payable by the Trustee to Cede & Co. and such interest and principal payments are to be disbursed to the Beneficial Owners of the 2020 Bonds through their nominees.

The 2020 Bonds are subject to optional and mandatory sinking fund redemption as more fully described in this Official Statement.

The 2020 Bonds are being issued to provide funds: (i) to prepay certain outstanding obligations of the City payable to the United States of America, Rural Utilities Service; and (ii) to pay costs of issuance of the 2020 Bonds, all as more fully described in this Official Statement.

The 2020 Bonds are being issued pursuant to the Indenture of Trust, dated as of January 1, 2020, by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee. The 2020 Bonds are limited obligations of the City payable solely from Net Revenues, which consist of Revenues of the City's Water System remaining after payment of Operation and Maintenance Costs, and from amounts on deposit in certain funds and accounts created under the Indenture.

[No reserve fund will be established for the 2020 Bonds.]

The City may incur additional obligations payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2020 Bonds, subject to the terms and conditions of the Indenture, as more fully described in this Official Statement.

THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2020 BONDS PURSUANT TO THE INDENTURE DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY GENERAL TAXES OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY GENERAL TAXES. THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2020 BONDS IS A SPECIAL OBLIGATION OF THE CITY PAYABLE SOLELY FROM NET REVENUES, AND DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS ARE ADVISED TO READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

MATURITY SCHEDULE – See Inside Front Cover Page

The 2020 Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of the valid, legal and binding nature of the 2020 Bonds by Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and by McCormick Kobot Jenner & Lew, City Attorney, for the Underwriter by its counsel, Kutak Rock LLP, and for the Trustee by its counsel. It is anticipated that the 2020 Bonds will be available for delivery through the facilities of The Depository Trust Company on or about January __, 2020.


BRANDIS TALLMAN LLC
INVESTMENT BANKING FOR CALIFORNIA COMMUNITIES

Dated: December __, 2019

* Preliminary; subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

\$ _____ *

CITY OF EXETER
2020 WATER REVENUE REFUNDING BONDS

MATURITY SCHEDULE

BASE CUSIP®† _____

<i>Maturity Date</i> <i>(October 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>	<i>Yield</i>	<i>Price</i>	<i>CUSIP®†</i> <i>Suffix</i>
	\$	%	%		

\$ _____ % Term Bonds Due October 1, 20__ Yield: _____ % Price: _____ CUSIP®† Suffix _____

* Preliminary; subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2019 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the City nor the Underwriter takes any responsibility for the accuracy of such numbers.

**CITY OF EXETER
COUNTY OF TULARE
STATE OF CALIFORNIA**

CITY COUNCIL

Mary Waterman-Philpot, Mayor and Council Member, District D
Barbara Sally, Mayor Pro Tem and Council Member, District B
Frankie Alves, Council Member, District C
Dave Hails, Council Member, District A
Jeremy Petty, Council Member, District E

STAFF

Adam Ennis, City Administrator
Chris Tavarez, Finance Director/Treasurer
Daymon Qualls, Public Works Director

SPECIAL SERVICES

City Attorney

McCormick Kabot Jenner & Lew
Visalia, California

Bond Counsel and Disclosure Counsel

Stradling Yocca Carlson & Rauth, a Professional Corporation
Newport Beach, California

Municipal Advisor

NHA Advisors, LLC
San Rafael, California

Trustee

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

No dealer, broker, salesperson or other person has been authorized by the City or the Underwriter to give any information or to make any representations other than those contained in this Official Statement in connection with the offering made hereby and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the 2020 Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the 2020 Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information set forth herein has been obtained from official sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness and is not to be construed as a representation by the Underwriter. The information and expression of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City since the date hereof.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2020 BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE 2020 BONDS TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED ON THE COVER PAGE HEREOF AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.

CERTAIN STATEMENTS CONTAINED IN THIS OFFICIAL STATEMENT REFLECT NOT HISTORICAL FACTS BUT FORECASTS AND "FORWARD-LOOKING STATEMENTS." NO ASSURANCE CAN BE GIVEN THAT THE FUTURE RESULTS DISCUSSED HEREIN WILL BE ACHIEVED, AND ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THE FORECASTS DESCRIBED HEREIN. IN THIS RESPECT, THE WORDS "ESTIMATE," "PROJECT," "ANTICIPATE," "EXPECT," "INTEND," "BELIEVE" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS WITHIN THE MEANING OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995, SECTION 21E OF THE UNITED STATES SECURITIES EXCHANGE ACT OF 1934, AS AMENDED, AND SECTION 27A OF THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED. ALL PROJECTIONS, FORECASTS, ASSUMPTIONS, EXPRESSIONS OF OPINIONS, ESTIMATES AND OTHER FORWARD-LOOKING STATEMENTS ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

The 2020 Bonds have not been registered under the Securities Act of 1933, as amended, in reliance upon an exemption contained in such act. The 2020 Bonds have not been registered or qualified under the securities laws of any state. The Indenture has not been qualified under the Trust Indenture Act of 1939, as amended, in reliance upon an exemption contained in such act.

The City maintains a website. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the 2020 Bonds.

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information contained in this Official Statement, and the offering of the 2020 Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms that are used and not otherwise defined in this Summary Statement have the meanings ascribed to them in this Official Statement.

Purpose. The 2020 Bonds are being issued to provide funds: (i) to prepay certain outstanding obligations of the City payable to the United States of America, Rural Utilities Service; and (ii) to pay costs of issuance of the 2020 Bonds, all as more fully described herein. See the captions “PLAN OF FINANCE.”

Security for the 2020 Bonds. The 2020 Bonds are limited obligations of the City payable solely from Net Revenues, which consist of Revenues of the City’s Water System remaining after payment of Operation and Maintenance Costs, and from amounts on deposit in certain funds and accounts created under the Indenture.

THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2020 BONDS PURSUANT TO THE INDENTURE DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY GENERAL TAXES OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY GENERAL TAXES. THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2020 BONDS IS A SPECIAL OBLIGATION OF THE CITY PAYABLE SOLELY FROM NET REVENUES, AND DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

See the caption “SECURITY FOR THE 2020 BONDS.”

The Refunding Plan. A portion of the proceeds of the 2020 Bonds will be transferred to the United States of America, Rural Utilities Service on the date of issuance of the 2020 Bonds. The amount transferred will be applied on or about the date of issuance of the 2020 Bonds, to redeem \$4,673,093 principal amount of outstanding obligations payable to the United States of America, Rural Utilities Service, plus accrued interest with respect thereto. See the caption “PLAN OF FINANCE—Refunding Plan.”

[DISCUSS] **Rate Stabilization Fund.** The City will establish, maintain and hold in trust under the Indenture a special fund designated as the “Rate Stabilization Fund.” The City will maintain and hold such fund separate and apart from other funds so long as the 2020 Bonds or any other Contracts or Bonds remain unpaid. Money transferred by the City from the Revenue Fund to the Rate Stabilization Fund in accordance with the Indenture will be held in the Rate Stabilization Fund and applied in accordance with the Indenture.

The City may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with the Indenture or, in the event that all or a portion of the 2020 Bonds are discharged in accordance with the Indenture, transfer all or any portion of such amounts for application in accordance with the Indenture. Any such amounts transferred from the Rate Stabilization Fund to the Revenue Fund in accordance with the Indenture constitute pledged Revenues.

Rate Covenant. In any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is less than the payments of principal of and interest on the 2020 Bonds payable in such Fiscal Year, to the fullest extent permitted by law, the City will fix and prescribe, at the commencement of each such Fiscal Year, rates and charges for the Water Service which are reasonably expected, at the commencement of such Fiscal Year, to be at least sufficient to yield during such Fiscal Year Net Revenues equal to 115% of Debt Service for such Fiscal Year. When calculated for the foregoing purposes, Net Revenues do

not include amounts which are transferred from the Rate Stabilization Fund pursuant to the Indenture that are in excess of 15% of Debt Service for such Fiscal Year.

In any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is at least equal to the payments of principal of and interest on the 2020 Bonds payable in such Fiscal Year, to the fullest extent permitted by law, the City will fix and prescribe, at the commencement of each such Fiscal Year, rates and charges for the Water Service which are reasonably expected, at the commencement of such Fiscal Year, to be at least sufficient to yield during such Fiscal Year Revenues equal to 115% of the Operation and Maintenance Costs for such Fiscal Year. When calculated for purposes of this subsection, Revenues do not include any amounts which are transferred from the Rate Stabilization Fund pursuant to the Indenture.

The City may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the foregoing requirements.

See the caption “SECURITY FOR THE 2020 BONDS—Rate Covenant.”

Additional Contracts and Bonds. The Indenture permits the City to execute additional Contracts or to issue additional Bonds on a parity with the obligation to pay principal of and interest on the 2020 Bonds, provided that certain conditions are satisfied as described herein. See the caption “SECURITY FOR THE 2020 BONDS—Additional Indebtedness.” The Indenture also permits the City to execute or issue obligations payable on a subordinate basis to the 2020 Bonds.

No Reserve Fund. No reserve fund has been established in connection with the issuance of the 2020 Bonds.

Redemption. The 2020 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See the caption “THE 2020 BONDS—Redemption of the 2020 Bonds.”

The City and the Water System. [TO COME]. See the caption “THE CITY” and Appendix A.

[TO COME]. See the caption “THE WATER SYSTEM.”

§ _____ *

CITY OF EXETER
2020 WATER REVENUE REFUNDING BONDS

INTRODUCTION

This Official Statement, including the front cover page, the inside front cover page and all appendices, provides certain information concerning the sale and delivery of the City of Exeter 2020 Water Revenue Refunding Bonds (the “**2020 Bonds**”). The 2020 Bonds are being issued pursuant to an Indenture of Trust, dated as of January 1, 2020 (the “**Indenture**”), by and between the City of Exeter (the “**City**”) and The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the “**Trustee**”).

The 2020 Bonds are being issued to provide funds: (i) to prepay: (1) the City’s 2003 USDA – Water System Improvement Loan entered into with the United States of America, Rural Utilities Service (“**USDA**”), and an associated 2004 Water Revenue Bond (collectively, the “**2003 Loan**”), which is currently outstanding in the aggregate principal amount of \$2,380,000; and (2) the City’s 2004 USDA – Water Well Loan entered into with USDA and an associated 2006 Water Revenue Bond (collectively, the “**2004 Loan**” and, together with the 2003 Loan, the “**USDA Loans**”), which is currently outstanding in the aggregate principal amount of \$2,293,093; and (ii) to pay costs of issuance of the 2020 Bonds. See the caption “PLAN OF FINANCE.”

The 2020 Bonds are limited obligations of the City payable solely from Net Revenues, which consist of Revenues of the City’s Water System (the “**Water System**”) remaining after payment of Operation and Maintenance Costs of the Water System, as such terms are defined in Appendix B, and from amounts on deposit in certain funds and accounts created under the Indenture.

The City may incur additional obligations payable on a parity with the obligation to pay principal of and interest on the 2020 Bonds in the future as described under the caption “SECURITY FOR THE 2020 BONDS—Additional Indebtedness.”

The 2020 Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See the caption “THE 2020 BONDS—Redemption of the 2020 Bonds.”

The summaries and references to the Indenture and all documents, statutes, reports and other instruments that are referred to herein do not purport to be complete, comprehensive or definitive, and each such summary or reference is qualified in its entirety by reference to the full Indenture or the respective document, statute, report or instrument, copies of which are available for inspection at the offices of the City in Exeter, California or from the Trustee upon request and payment of duplication cost. The capitalization of any word that is not conventionally capitalized or otherwise defined herein indicates that such word is defined in the Indenture and, as used herein, has the meaning that is given to it in the Indenture. See Appendix B for a summary of the Indenture. Unless otherwise indicated, all financial and statistical information herein has been provided by the City.

The City regularly prepares a variety of reports, including audits, budgets and related documents. Any registered owner of the 2020 Bonds may obtain a copy of such reports, as available, from the Trustee or the City. Additional information regarding the Official Statement may be obtained by contacting the Trustee or the City of Exeter, 137 North F Street, Exeter, California 93221, Attention: Finance Department.

The City has also undertaken to provide annual reports to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System (“**EMMA**”) pursuant to a continuing disclosure certificate. See the caption “CONTINUING DISCLOSURE” and Appendix E.

* Preliminary; subject to change.

PLAN OF FINANCE

Refunding Plan

The City entered into the USDA Loans to finance certain capital improvements to the Water System. The City plans to apply a portion of the proceeds of the 2020 Bonds to pay on or about the date of issuance of the 2020 Bonds (for the purposes of this caption, the “**Prepayment Date**”) all outstanding amounts due on the USDA Loans at a redemption price equal to the aggregate outstanding principal amount thereof, plus accrued interest with respect thereto, without premium (the “**Prepayment Price**”).

In order to prepay the USDA Loans, the City will cause to be delivered a portion of the proceeds of the 2020 Bonds to USDA on or about the date of issuance of the 2020 Bonds. USDA will apply such moneys to pay the Prepayment Price on the Prepayment Date.

As a result of the application of such moneys, the USDA Loans will be defeased and prepaid pursuant to the provisions thereof as of the date of issuance of the 2020 Bonds.

The portion of the proceeds of the 2020 Bonds in connection with the USDA Loans are pledged solely to the payment of the Prepayment Price and will not be available for the payments of principal of and interest on the 2020 Bonds.

Estimated Sources And Uses Of Funds

The following table sets forth the estimated sources and uses of funds:

Sources⁽¹⁾:

Principal Amount	\$
Plus/Less Net Original Issue Premium/Discount	
[Additional Moneys] ⁽²⁾	
Total Sources	<u>\$</u>

Uses⁽¹⁾:

Prepayment of 2003 Loan	\$
Prepayment of 2004 Loan	
Costs of Issuance ⁽³⁾	
Total Uses	<u>\$</u>

⁽¹⁾ All amounts rounded to the nearest dollar. Totals may not add due to rounding.

⁽²⁾ Reflects moneys held in funds and accounts established in connection with the USDA Loans.

⁽³⁾ Includes Underwriter's discount and certain legal, municipal advisory, rating agency, printing, and other financing-related costs.

THE 2020 BONDS

General Provisions

The 2020 Bonds will be issued in the aggregate principal amount of \$_____.* The 2020 Bonds will be dated as of their date of initial issuance, will bear interest from such date at the rates per annum set forth on the inside front cover page hereof, payable on April 1 and October 1 of each year, commencing April 1, 2020

* Preliminary; subject to change.

(each, an “**Interest Payment Date**”), and will mature on the dates set forth on the inside front cover page hereof. Interest on the 2020 Bonds will be computed on the basis of a 360 day year composed of twelve 30 day months.

The 2020 Bonds will be issued only in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“**DTC**”). DTC will act as securities depository for the 2020 Bonds. Ownership interests in the 2020 Bonds may be purchased in book entry form, in any integral multiple of \$5,000. See the caption “—Book Entry Only System” below and Appendix D.

In the event that the book entry only system that is described below is discontinued, the principal of and redemption premium (if any) on the 2020 Bonds are payable by check or draft of the Trustee upon presentation and surrender thereof at maturity or upon prior redemption at the office of the Trustee in Los Angeles, California (the “**Office of the Trustee**”). Interest on the 2020 Bonds is payable on each Interest Payment Date to the person whose name appears on the registration books maintained by the Trustee (the “**Registration Books**”) as the Owner thereof as of the close of business on the fifteenth day of the calendar month preceding the Interest Payment Date (the “**Record Date**”), such interest to be paid by check of the Trustee sent by first class mail on the applicable Interest Payment Date to the Owner at such Owner’s address as it appears on the Registration Books. An Owner of \$1,000,000 or more in principal amount of 2020 Bonds may, at such Owner’s option, be paid by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the applicable Record Date. The principal of and interest and premium, if any, on the 2020 Bonds will be payable in lawful money of the United States.

Each 2020 Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date; or (b) unless it is authenticated on or before March 15, 2020, in which event it will bear interest from its date of issuance; provided, however, that if, as of the date of authentication of any 2020 Bond, interest thereon is in default, such 2020 Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Transfers and Exchanges Upon Termination of Book Entry Only System

In the event that the book entry system that is described herein is abandoned, the 2020 Bonds will be printed and delivered as provided in the Indenture. Thereafter, any 2020 Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such 2020 Bond at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. The Trustee is not required to register the transfer of any 2020 Bond during the period in which the Trustee is selecting 2020 Bonds for redemption and any 2020 Bond that has been selected for redemption.

Whenever any 2020 Bond or 2020 Bonds are surrendered for transfer, the City will execute and the Trustee will authenticate and deliver a new 2020 Bond or 2020 Bonds of authorized denomination or denominations for a like series and aggregate principal amount of the same maturity. The Trustee will require the 2020 Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of 2020 Bonds, the Trustee will cancel and destroy the 2020 Bonds that it has received.

2020 Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of other authorized denominations of the same series and maturity. The Trustee is not required to exchange any 2020 Bond during the period in which the Trustee is selecting 2020 Bonds for redemption and any 2020 Bond that has been selected for redemption. The Trustee will require the 2020 Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of 2020 Bonds, the Trustee will cancel and destroy the 2020 Bonds that it has received.

Redemption of the 2020 Bonds

Optional Redemption.* The 2020 Bonds with stated maturities on or after October 1, 20__, are subject to redemption prior to their respective stated maturities, as a whole or in part on ____ 1, 20__, or any date thereafter, as directed by the City in a Written Request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) and by lot within each maturity in integral multiples of \$5,000, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the Redemption Date, without premium.

Mandatory Sinking Fund Redemption.* The 2020 Bonds maturing on October 1, 20__ (the “**Term Bonds**”) with stated maturities on October 1, 20__ are subject to mandatory sinking fund redemption in part (by lot) on October 1, 20__ and each October 1 thereafter, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date (October 1)</i>	<i>Principal Amount</i>
20__	\$

†

† Maturity.

If some but not all of the Term Bonds are redeemed pursuant to the optional redemption provisions of the Indenture (as described under the subcaption “—Optional Redemption,” the principal amount of the applicable Term Bonds to be redeemed pursuant to the Indenture on any subsequent October 1 will be reduced, by \$5,000 or an integral multiple thereof, as designated by the City in a Written Order of the City filed with the Trustee; provided, however, that the aggregate amount of such reductions may not exceed the aggregate amount of the applicable Term Bonds redeemed pursuant to optional redemption provisions of the Indenture.

Notice of Redemption

Notice of redemption will be mailed by first class mail at least 20 days but not more than 60 days before any Redemption Date, to the respective Owners of any 2020 Bonds designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and to the Information Services. Each notice of redemption will state the date of notice, the Redemption Date, the place or places of redemption, the Redemption Price, will designate the maturities, CUSIP numbers, if any, and, in the case of 2020 Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the Redemption Date there will become due and payable on each of said 2020 Bonds or parts thereof designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a 2020 Bond to be redeemed in part only, together with interest accrued thereon to the Redemption Date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such Redemption Date interest thereon will cease to accrue, and will require that such 2020 Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any 2020 Bond. Notice of redemption of 2020 Bonds will be given by the Trustee, at the expense of the City, for and on behalf of the City.

With respect to any notice of optional redemption of 2020 Bonds, such notice may state that such redemption will be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption

* Preliminary; subject to change.

of moneys sufficient to pay the principal of, premium, if any, and interest on such 2020 Bonds to be redeemed and that, if such moneys have not been so received, said notice will be of no force and effect and the Trustee will not be required to redeem such 2020 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Book Entry Only System

One fully-registered 2020 Bond of each maturity will be issued in the principal amount of the 2020 Bonds of such maturity. Such 2020 Bond will be registered in the name of Cede & Co. and will be deposited with DTC. As long as the ownership of the 2020 Bonds is registered in the name of Cede & Co., the term “**Owner**” as used in this Official Statement will refer to Cede & Co. and not to the actual purchasers of the 2020 Bonds (the “**Beneficial Owners**”).

The City may decide to discontinue use of the system of book entry transfers through DTC (or a successor securities depository). In that event, the 2020 Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer. See the caption “—Transfers and Exchanges Upon Termination of Book Entry Only System.”

The City cannot and does not give any assurances that DTC Participants or others will distribute payments of principal of and interest on the 2020 Bonds received by DTC or its Nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners (as such term is defined in Appendix D), or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See Appendix D for additional information concerning DTC.

DEBT SERVICE PAYMENT SCHEDULE

Set forth below is an annualized schedule of principal of and interest on the 2020 Bonds for the period ending June 30 in each of the years indicated, assuming no optional redemptions of the 2020 Bonds.

<i>Period Ending June 30</i>	<i>2020 Bonds Principal</i>	<i>2020 Bonds Interest</i>	<i>2020 Bonds Total Debt Service</i>
2020	\$	\$	\$
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
TOTAL:			

Source: Underwriter.

SECURITY FOR THE 2020 BONDS

Limited Obligations Payable From Net Revenues

General. The City is obligated to make payments of principal of and interest on the 2020 Bonds solely from Net Revenues. The term “**Net Revenues**” means, for any period, the Revenues of the Water System for such period less the Operation and Maintenance Costs of the Water System for such period. See Appendix B for detailed definitions of “Revenues” and “Operation and Maintenance Costs.” When held by the Trustee in any funds or accounts established under the Indenture, Net Revenues will include all interest or gain derived from the investment of amounts in any of such funds or accounts.

THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2020 BONDS PURSUANT TO THE INDENTURE DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY GENERAL TAXES OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY GENERAL TAXES. THE OBLIGATION OF THE CITY TO PAY PRINCIPAL OF AND INTEREST ON THE 2020 BONDS IS A SPECIAL OBLIGATION OF THE CITY PAYABLE SOLELY FROM NET REVENUES, AND DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

Pledge and Assignment; Revenue Fund. All of the Revenues, all amounts held in the Revenue Fund, all amounts that are transferred from the Rate Stabilization Fund to the Revenue Fund as described in the Indenture, and any other amounts (including proceeds of the sale of the 2020 Bonds) held in any fund or account established pursuant to the Indenture (except the Rebate Fund and the Rate Stabilization Fund (other than those amounts which are transferred by the City from the Rate Stabilization Fund to the Revenue Fund)) have been irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the 2020 Bonds in accordance with their terms and the provisions of the Indenture, and the Revenues may not be used for any other purpose while the 2020 Bonds remain Outstanding; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted in the Indenture. Said pledge, together with the pledge created by all other Contracts and Bonds, constitutes a first lien on and security interest on Revenues and, subject to application of Revenues and all amounts on deposit therein as permitted herein, the Revenue Fund and other funds and accounts created under the Indenture for the payment of the principal of and interest, and the premium, if any, on the 2020 Bonds and all Contracts and Debt Service on Bonds in accordance with the terms of the Indenture, and will attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and will be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such parties have notice of the Indenture.

In order to carry out and effectuate the pledge and lien contained in the Indenture, the City has agreed and covenanted that all Revenues will be received by the City in trust under the Indenture and will be deposited when and as received in the Revenue Fund, which fund the City has agreed and covenanted to maintain and to hold separate and apart from other funds so long as the 2020 Bonds and any Contracts or Debt Service on Bonds remain unpaid. Moneys in the Revenue Fund will be used and applied by the City as provided in the Indenture. All moneys in the Revenue Fund will be held in trust and will be applied, used and withdrawn for the purposes set forth below.

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

(i) Interest and Principal Payments. Not later than the Business Day prior to each Interest Payment Date, the City will, from the moneys in the Revenue Fund, transfer to the Trustee for deposit in the Payment Fund or the Redemption Fund the payments of interest and principal or mandatory sinking fund payments, as applicable, on the 2020 Bonds due and payable on such Interest Payment Date. The City will also, from the moneys in the Revenue Fund, transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of any Bond or Contract.

(ii) Reserve Funds. The City did not establish a debt service reserve account for the 2020 Bonds. However, the City may establish a debt service reserve account for one or more series of Bonds or Contracts. After making the payments, allocations or transfers provided for in subsection (i) above, the City shall, from the

remaining moneys in the Revenue Fund, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for such reserve funds and/or accounts, if any, as may have been established in connection with Bonds or Contracts, that sum, if any, necessary to restore such funds or accounts to an amount equal to the reserve requirement with respect thereto.

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

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

Allocation of Revenues. There has been established with the Trustee the Payment Fund, which the Trustee has covenanted to maintain and hold in trust separate and apart from other funds held by it so long as any principal of and interest on the 2020 Bonds remain unpaid. Except as directed in the Indenture, all payments of interest and principal on the 2020 Bonds received by the Trustee as described above under the subcaption “—Pledge and Assignment; Revenue Fund” will be promptly deposited by the Trustee upon receipt thereof into the Payment Fund; except that all moneys received by the Trustee and required under the Indenture to be deposited in the Redemption Fund will be promptly deposited therein. All payments of interest and principal on the 2020 Bonds deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee will also establish and hold an Interest Account and a Principal Account within the Payment Fund.

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

(a) Not later than the Business Day preceding each Interest Payment Date, the Trustee will deposit in the Interest Account that sum, if any, required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all 2020 Bonds then Outstanding. No deposit need be made into the Interest Account so long as there is in such fund moneys sufficient to pay the interest becoming due and payable on such date on all 2020 Bonds then Outstanding.

All amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the 2020 Bonds as it becomes due and payable (including accrued interest on any 2020 Bonds purchased or accelerated prior to maturity pursuant to the Indenture).

(b) Not later than the Business Day preceding each date on which the principal of the 2020 Bonds becomes due and payable under the Indenture, the Trustee will deposit in the Principal Account that sum, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the 2020 Bonds coming due and payable on such date. No deposit need be made into the Principal Account so long as there is in such fund moneys sufficient to pay the principal becoming due and payable on such date on all 2020 Bonds then Outstanding.

All amounts in the Principal Account will be used and withdrawn by the Trustee solely to pay the principal amount of the 2020 Bonds at maturity, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such 2020 Bonds, upon written direction of the City, the Trustee will apply such amounts to the purchase of 2020 Bonds at public or private sale, as and when and at such prices

(including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as directed pursuant to a Written Request of the City, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the 2020 Bonds.

Rate Stabilization Fund

The City will establish, maintain and hold in trust under the Indenture a special fund designated as the "Rate Stabilization Fund." The City will maintain and hold such fund separate and apart from other funds so long as the 2020 Bonds or any other Contracts or Bonds remain unpaid. Money transferred by the City from the Revenue Fund to the Rate Stabilization Fund in accordance with the Indenture will be held in the Rate Stabilization Fund and applied in accordance with the Indenture.

The City may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with the Indenture or, in the event that all or a portion of the 2020 Bonds are discharged in accordance with the Indenture, transfer all or any portion of such amounts for application in accordance with the Indenture. Any such amounts transferred from the Rate Stabilization Fund to the Revenue Fund in accordance with the Indenture constitute pledged Revenues.

[The City does not intend to deposit any moneys in the Rate Stabilization Fund at the time the 2020 Bonds are issued; however, as noted above,] the City retains the right to deposit and withdraw moneys from the Rate Stabilization Fund from time to time and apply such moneys in accordance with the Indenture. No assurance can be made that moneys will, in fact, be deposited into the Rate Stabilization Fund or that moneys will be on deposit in the Rate Stabilization Fund to pay debt service on the 2020 Bonds in the event that Net Revenues are insufficient for this purpose.

Rate Covenant

In any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is less than the payments of principal of and interest on the 2020 Bonds payable in such Fiscal Year, to the fullest extent permitted by law, the City will fix and prescribe, at the commencement of each such Fiscal Year, rates and charges for the Water Service which are reasonably expected, at the commencement of such Fiscal Year, to be at least sufficient to yield during such Fiscal Year Net Revenues equal to 115% of Debt Service for such Fiscal Year. When calculated for the foregoing purposes, Net Revenues do not include amounts which are transferred from the Rate Stabilization Fund pursuant to the Indenture that are in excess of 15% of Debt Service for such Fiscal Year.

In any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is at least equal to the payments of principal of and interest on the 2020 Bonds payable in such Fiscal Year, to the fullest extent permitted by law, the City will fix and prescribe, at the commencement of each such Fiscal Year, rates and charges for the Water Service which are reasonably expected, at the commencement of such Fiscal Year, to be at least sufficient to yield during such Fiscal Year Revenues equal to 115% of the Operation and Maintenance Costs for such Fiscal Year. When calculated for purposes of this subsection, Revenues do not include any amounts which are transferred from the Rate Stabilization Fund pursuant to the Indenture.

The City may make or permit to be made adjustments from time to time in such rates, fees and charges and may make or permit to be made such classification thereof as it deems necessary, but shall not reduce or permit to be reduced such rates, fees and charges below those then in effect unless the Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the foregoing requirements.

Additional Indebtedness

Pursuant to the Indenture, the City may at any time execute any Contracts or issue any Bonds payable from Net Revenues on a parity with the obligation to pay principal of and interest on the 2020 Bonds provided that the following conditions are satisfied:

(a) The Net Revenues for the last audited Fiscal Year of the City, or for any consecutive twelve calendar month period during the eighteen calendar month period, preceding the date of adoption by the City Council of the City of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the City, produce a sum equal to at least 115% of the Debt Service for such Fiscal Year or other twelve month period. When calculated for purposes of the foregoing test, Net Revenues do not include amounts transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to the Indenture that are in excess of 15% of Debt Service for such Fiscal Year; and

(b) The Net Revenues for the last audited Fiscal Year of the City, or for any consecutive twelve calendar month period during the eighteen calendar month period, preceding the date of adoption by the City Council of the City of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, including adjustments to give effect as of the first day of such twelve month period to increases or decreases in rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the City, produce a sum equal to at least 115% of the Debt Service for such Fiscal Year or other twelve month period, plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year or other twelve month period, assuming that such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year or other twelve month period, plus the Debt Service which would have accrued had such proposed additional Contract been executed or proposed additional Bonds been issued at the beginning of such Fiscal Year or other twelve month period. When calculated for purposes of the foregoing test, Net Revenues do not include amounts transferred from the Rate Stabilization Fund, if established, to the Revenue Fund pursuant to the Indenture that are in excess of 15% of Debt Service for such Fiscal Year.

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or prepay Contracts may be delivered without satisfying the conditions set forth above if total Debt Service after the issuance of such refunding Bonds or execution of such refunding Contracts executed is not greater than total Debt Service would have been prior to the issuance of such Bonds or execution of such Contracts.

No Reserve Fund

No reserve fund has been established in connection with the issuance of the 2020 Bonds.

THE CITY

General

The City was incorporated in 1911 under the general laws of the State of California (the “State”). In 1998, City voters approved a charter and the City became a charter city. The City has a land area of approximately 2.5 square miles and an estimated population of 11,000 people as of January 1, 2019. Land use in the City is primarily residential, with areas of commercial, industrial and public development. See the caption “—Land Use and Service Area.” The City provides a wide range of services, such as public works (including water and wastewater services), police, library, parks and recreation and land and building development.

The City is located in the County of Tulare (the “County”), near the southern end of the San Joaquin Valley, approximately 12 miles southeast of Visalia, the County seat, 175 miles north of Los Angeles and 240

miles southeast of San Francisco. The City is situated near the confluence of State Routes 65 and 198, approximately 15 miles east of State Route 99, the major artery through the San Joaquin Valley. The City has diversified from its origins as an agricultural center for the surrounding citrus and cattle farms and major employers include Waterman Industries (a manufacturer of valves and other control devices for agricultural, water system and wastewater system uses), Svenhard's Swedish Bakery (a pastry bakery and distributor) and Sonoco Products Company (a manufacturer of consumer and industrial packaging products).

The City provides water service to approximately 2,900 residential and 300 commercial, industrial and other customers as of June 30, 2019. The City's Water System includes approximately 47 miles of water mains and one elevated storage tank which provides total operational storage of approximately 100,000 gallons. The City's water supply consists of groundwater extracted from six active City-owned wells. The Water System is capable of producing and delivering approximately 6.6 million gallons of water per day ("mgd"). The City's wells are located within a portion of the Kaweah Groundwater Sub-basin (the "**Kaweah Basin**"), which is managed by the Greater Kaweah Groundwater Sustainability Agency (the "**GKGS**A").

Land Use and Service Area

The Water System provides water to all residents within City limits. The service area is largely built out and encompasses single family residences as well as areas of commercial, industrial and public land uses. In Fiscal Year 2019, the latest date for which information is available, single family residential customers consumed approximately 79% of the water served by the City and commercial, industrial and other customers consumed approximately 21% of the water served by the City.

The City assumes that undeveloped land within its boundaries will continue to be developed and that the estimated residential population within the Water System's service area at buildout in the year 2030 will be approximately 15,062.

Seismic Considerations

The City is located in a seismically active region. Significant faults are located within 100 miles of the City, including the Garlock and San Andreas Faults. There is potential for destructive ground shaking during the occurrence of a major seismic event. In addition, land along fault lines may be subject to liquefaction during the occurrence of such an event. In the event of a severe earthquake, there may be significant damage to both property and infrastructure within the City, including the Water System. The City has an emergency response plan that would be implemented under such circumstances.

Newer Water System facilities are designed to withstand earthquakes with minimal damage, as earthquake loads are taken into consideration in the design of project structures. The impact of lesser magnitude events is expected by the City to be temporary, localized and repairable. The Water System has never sustained major damage to its facilities or experienced extended incidences of service interruptions as a result of seismic disturbances. All facilities have been designed and constructed in compliance with the City's construction standards.

The City does not maintain earthquake insurance on Water System facilities. See the captions "—City Insurance" and "CERTAIN RISKS TO BONDHOLDERS—Natural Disasters."]

Governance and Management

General. The City is governed by a five-member City Council, the members of which are elected by district for staggered four year terms. The City Council appoints a Mayor and Mayor Pro Tem from among the City Council members for one-year terms. The current City Council members and the expiration dates of their terms are set forth below.

CITY OF EXETER
Mayor and City Council Members

<i>Name and Title</i>	<i>Expiration of Term</i>
Mary Waterman-Philpot, <i>Mayor and Council Member, District D</i>	[December] 2022
Barbara Sally, <i>Mayor Pro Tem and Council Member, District B</i>	[December] 2020
Frankie Alves, <i>Council Member, District C</i>	[December] 2022
Dave Hails, <i>Council Member, District A</i>	[December] 2020
Jeremy Petty, <i>Council Member, District E</i>	[December] 2020

The City Administrator, who is appointed by the City Council, serves as the City's chief executive officer and is responsible for overseeing the daily operations of City departments. The City Administrator serves as an advisor to the City Council on policy matters, supports the informational and policymaking needs of the City Council, implements City Council decisions and prepares, manages and implements the City's annual budget and capital improvement program.

Adam Ennis has served as the City Administrator since June 2018. Prior to coming to the City, Mr. Ennis served the City of Visalia in various capacities, including as Public Works Director. Mr. Ennis also previously worked as a civil engineer in the private sector. Mr. Ennis obtained a Bachelor's degree in Civil Engineering from California State University, Fresno, and is a registered professional engineer.

Other key personnel responsible for management of the Water System include the Finance Director and the Public Works Director.

Chris Tavarez is the Finance Director and Treasurer of the City. Mr. Tavarez has been with the City since 2017. Prior to coming to the City, Mr. Tavarez served the City of Visalia in various capacities, including as Administrative Manager. Mr. Tavarez also previously worked as an Assistant Controller for San Joaquin Valley College. Mr. Tavarez obtained a Bachelor's degree from Fresno Pacific University and is a certified public accountant.

Daymon Qualls is the Public Works Director of the City. Mr. Qualls has been with the City since 2005, previously serving as Assistant Director of Public Works until his appointment as Public Works Director in 2010.

Management Policies. The City has adopted several policies designed to ensure the prudent and effective management of City operations, including an investment policy, reserve policies and a debt management policy. Further information about each such policy is set forth below.

Investment Policy. The City invests its funds in accordance with the City's investment policy (the "**Investment Policy**"), which was most recently amended in 2014. The Investment Policy sets forth the policies and procedures that are applicable to the investment of City funds and designates eligible investments. The Investment Policy also sets forth stated objectives, including the assurance of the safety of invested funds by limiting credit and market risks, the maintenance of sufficient liquidity, compliance with law and the attainment of the best yield or returns on investments. Funds are invested in the following order of priority:

- Safety of Principal;
- Liquidity; and
- Yield.

The City Council has delegated the authority to invest funds of the City to the City Treasurer, who must invest City funds in accordance with the prudent person standard under California Civil Code § 2261 *et seq.*

The Investment Policy provides a number of permitted investment categories, including: (i) the State of California Local Agency Investment Fund; (ii) United States Treasury securities and other federal government securities with a maximum maturity of five years; (iii) money market mutual funds (limited to 20% of the portfolio); (iv) certificates of deposit with a maximum maturity of five years (limited to 30% of the portfolio if negotiable); (v) local agency bonds with a maximum maturity of five years; and (vi) repurchase agreements with a maximum maturity of one year.

As of June 30, 2019, the City had total moneys invested in the amount of approximately \$6.2 million in permitted investments under the Investment Policy. Of such amounts, approximately 16.5% were allocated to the Water System.

The City Treasurer is required to provide a quarterly report to the City Administrator and the City Council detailing the City's investments, dates of maturity, amounts invested, current market value, rate of interest and other such information as may be required by the City Council. For additional information relating to the Investment Policy, see Note [4] to the City's audited financial statements set forth in Appendix A.

Reserve Policies. The City has adopted a policy governing budget reserves. The City seeks to maintain reserves (consisting of uncommitted funds) equal to at least 10% of expenses for each City fund. The reserves will be funded from revenues in excess of expenditures or from one-time revenues. If a reserve falls below the 10% target, it will be noted in the next budget adoption and the City will seek to replenish the reserve through the budget process. As of June 30, 2019, the City maintains a reserve for the Water Fund equal to 10% of Water Fund expenses. Other City funds, such as the General Fund and the Sewer and Sanitation Fund, do not currently hold moneys in their respective budget reserves equal to 10% of expenses for such funds; the City continues to build up such reserves and expects to meet the 10% target for such reserves in the future.

Debt Management Policy. The City's debt management policy addresses the matters that are required by California Government Code § 8855(i), including: (i) the purposes for which debt proceeds may be used; (ii) the types of debt that may be issued; (iii) the relationship of the debt to, and integration with, the City's capital improvement program or budget; (iv) policy goals related to the City's planning goals and objectives; and (v) the internal control procedures which ensure that the proceeds of each debt issuance are directed to their intended use. The debt management policy also includes policies and procedures governing the City's continuing disclosure compliance. See the caption "CONTINUING DISCLOSURE."

Employees and Employee Benefits

Employees. As of June 30, 2019, the City had approximately 38 full-time equivalent employees, of whom approximately 6 worked on behalf of the Water System and 4 worked in the Finance Department. Certain employees of the Public Works Department and the Finance Department are represented by the California League of City Employee Associations ("CLOCEA"). Relations between the City and the CLOCEA are governed by a memorandum of understanding which expires on June 30, 2020. Certain management, supervisory and professional employees are unrepresented. The City has never experienced a strike, slowdown or work stoppage.

Pension Obligations. Accounting and financial reporting by state and local government employers for defined benefit pension plans is governed by Governmental Accounting Standards Board ("GASB") Statement No. 68 ("GASB 68"). GASB 68 governs the accounting treatment of defined benefit pension plans, including how expenses and liabilities are calculated and reported by state and local government employers in their financial statements. GASB 68 includes the following components: (i) unfunded pension liabilities are included on the employer's balance sheet; (ii) pension expense incorporates rapid recognition of actuarial experience and investment returns and is not based on the employer's actual contribution amounts; (iii) lower actuarial discount rates are required to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns will be recognized

over a closed five-year smoothing period. GASB 68 affects the City's accounting and reporting requirements, but it does not change the City's pension plan funding obligations.

The City participates in a Miscellaneous plan to fund pension benefits for employees who operate the Water System. The City's Miscellaneous plan is administered by the California Public Employees Retirement System ("CalPERS"). CalPERS administers an agent multiple-employer public employee defined benefit pension plan for all of the City's full-time and certain part-time employees. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries and acts as a common investment and administrative agent for participating public entities within the State, including the City. CalPERS plan benefit provisions and all other requirements are established by State statute and the City Council.

City employees are subject to different benefit levels based on their hire date. Current benefit provisions for City employees are set forth below.

CITY OF EXETER
CalPERS Miscellaneous Pension Plan – Summary of Benefit Provisions

	<i>Employees Hired Before January 1, 2013</i>	<i>Employees Hired On and After January 1, 2013 (Not Prior CalPERS Members)</i>
Benefit Formula	3.0% @ age 60	2.0% @ age 62
Benefit Vesting Schedule	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Minimum Retirement Age	60	62
Monthly Benefits as % of Eligible Compensation	2.0%	2.0%
Employee Normal Cost	8.0% ⁽¹⁾	6.25% ⁽²⁾
Employer Normal Cost Rate	13.692%	6.985% ⁽³⁾

⁽¹⁾ Employees who were hired before January 1, 2013 are required to make the full employee contribution.

⁽²⁾ Employees who were hired on and after January 1, 2013 are required to make the full employee contribution.

⁽³⁾ Employees who were hired on and after January 1, 2013 are required to make a contribution of 3% of the employer normal cost rate (i.e., 42.95% of the dollar amount of the employer normal cost rate).

Source: City.

City employees who were hired on and after January 1, 2013 and who were not previously CalPERS members receive benefits based on a 2.0% at age 62 formula; such employees are required to make the full amount of required employee contributions themselves under the California Public Employees' Pension Reform Act of 2013 ("AB 340"), which was signed by the State Governor on September 12, 2012. AB 340 established a new pension tier: the 2.0% at age 62 formula, with a maximum benefit formula of 2.5% at age 67. Benefits for such participants are calculated on the highest average annual compensation over a consecutive 36 month period. Employees are required to pay at least 50% of the total normal cost rate. AB 340 also caps pensionable income for 2019 as noted below. Amounts are set annually, subject to Consumer Price Index increases, and retroactive benefits increases are prohibited, as are contribution holidays and purchases of additional non-qualified service credit.

CITY OF EXETER
Pensionable Income Caps for Calendar Year 2019 (AB 340 and Non-AB 340 Employees)

	<i>Employees Hired Before January 1, 2013 (Non-AB 340 Employees)</i>	<i>Employees Hired On and After January 1, 2013 (AB 340 Employees)</i>
Maximum Pensionable Income	\$280,000	\$149,016
Maximum Pensionable Income if also Participating in Social Security	N/A	\$124,180

Source: City.

CalPERS estimates savings for local agency plans as a result of AB 340 of approximately \$1.653 billion to \$2.355 billion over the 30-year period after its adoption, primarily due to increased employee contributions and, as the workforce turns over, lower benefit formulas that will gradually reduce normal costs. Savings specific to the City have not been quantified.

Additional employee contributions, limits on pensionable compensation and higher retirement ages for new members as a result of the passage of AB 340 are expected to reduce the City's unfunded pension liability and potentially reduce City contribution levels in the long term.

The City is also required to contribute the actuarially determined remaining amounts necessary to fund benefits for its members. Required employer normal cost rates for Fiscal Year 2019 were 12.759% for the 3.0% at age 60 benefit level and 6.842% for the 2.0% at age 62 AB 340 benefit level, and the required employer payment of the unfunded accrued liability was \$121,752. Required employer normal cost rates for Fiscal Year 2020 are 13.692% for the 3.0% at age 60 benefit level and 6.985% for the 2.0% at age 62 AB 340 benefit level, and the required employer payment of the unfunded accrued liability is \$150,783.

Employer contribution rates for all public employers are determined on an annual basis by the CalPERS actuary and are effective on the July 1 following notice of a change in the rate. Total plan contributions are determined through the CalPERS annual actuarial valuation process. The total minimum required employer contribution is the sum of the plan's employer normal cost rate (expressed as a percentage of payroll) plus the employer unfunded accrued liability contribution amount (billed monthly). The normal cost rate is the annual cost of service accrual for the upcoming Fiscal Year of active employees.

The City's Miscellaneous plan had a total net pension liability of approximately \$5,265,163 for the Fiscal Year ended June 30, 2018 and approximately \$[] for the Fiscal Year ended June 30, 2019. The net pension liability is the difference between the total pension liability and the fair market value of pension assets. The City's total pension assets include funds that are held by CalPERS, and its net pension asset or liability is based on such amounts.

For Fiscal Years 2018 and 2019, the City incurred Miscellaneous plan pension expenses of \$[] and \$[], respectively. The City's Miscellaneous plan contributions for Fiscal Years 2018 and 2019 were \$[] and \$[], respectively. The City currently expects its annual required contribution for the Miscellaneous plan in Fiscal Year 2020 to be approximately \$350,000. The share of such contributions which is attributable to the Water System is expected to be approximately 38% in Fiscal Year 2020.

A summary of principal assumptions and methods used to determine the total pension liability for Fiscal Year 2019 is shown below.

CITY OF EXETER
Actuarial Assumptions for CalPERS Miscellaneous Pension Plan

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
<i>Actuarial Assumptions:</i>	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	Varies by entry age and service
Investment Rate of Return	7.50% net of pension plan investment and administrative expenses; includes projected inflation rate of 2.75%
Mortality Rate Table ⁽¹⁾	Derived using CalPERS' membership data for all funds

⁽¹⁾ The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Source: City.

On December 21, 2016, the CalPERS Board of Directors voted to lower its discount rate from the current rate of 7.50% to 7.00%. Effective with its June 2017 Comprehensive Annual Financial Report, CalPERS reduced its discount rate to 7.15% and its investment rate of return to 7.15%. The discount rate for Fiscal Year 2020 is 7.00%.

For public agencies such as the City, the new discount rate took effect July 1, 2017. Lowering the discount rate means that employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013 will also see their contribution rates rise under AB 340. The reduction of the discount rate will result in average employer rate increases of approximately 1% to 3% of normal cost as a percentage of payroll for most Miscellaneous retirement plans such as the City's plan. Additionally, many employers will see a 30% to 40% increase in their current unfunded accrued liability payments. These payments are made to amortize unfunded liabilities over 20 years to bring pension funds to a fully funded status over the long-term.

Portions of the above information are primarily derived from information that has been produced by CalPERS, its independent accountants and its actuaries. The City has not independently verified such information and neither makes any representations nor expresses any opinion as to the accuracy of the information that has been provided by CalPERS.

The comprehensive annual financial reports of CalPERS are available on CalPERS' Internet website at www.calpers.ca.gov. The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information that concerns benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. The City cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.

Changes in the net pension liability for the City's Miscellaneous plan in the most recent Fiscal Year for which information is available were as follows:

CITY OF EXETER
Changes in CalPERS Miscellaneous Pension Plan Net Pension Liability

	<i>Increase / (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position⁽¹⁾</i>	<i>Net Pension Liability / (Asset)</i>
Balance at June 30, 2016	\$ [	\$	\$
Balance at June 30, 2017			2,580,874
Net Changes for period from July 1, 2016 through June 30, 2017	\$	\$	\$]

Source: City.

The table below presents the net pension liability of the City's Miscellaneous plan, calculated using the discount rate applicable to Fiscal Year 2018 (7.15%), as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

CITY OF EXETER
**Sensitivity of CalPERS Miscellaneous Pension Plan Net Pension Liability to
Changes in the Discount Rate**

	<i>Discount Rate – 1% (6.15%)</i>	<i>Current Discount Rate (7.15%)</i>	<i>Discount Rate + 1% (8.15%)</i>
Plan's Net Pension Liability/(Asset)	\$4,054,919	\$2,580,874	\$1,360,043

Source: City.

CalPERS earnings reports for Fiscal Years 2010 through 2019 report investment gains of approximately 13.0%, 21.7%, 1.0%, 12.5%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6% and 6.7% (preliminary), respectively. Future earnings performance may increase or decrease future contribution rates for plan participants, including the City.

The City's projections of Operation and Maintenance Costs under the caption "FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage" do not assume unusual increases in CalPERS contributions or other labor costs. However, no assurance can be provided that such expenses will not increase significantly in the future. The City does not expect that any increased funding of pension benefits will have a material adverse effect on the ability of the City to pay the 2020 Bonds.

For additional information relating to the City's CalPERS Miscellaneous pension plan, see Note [6] to the City's audited financial statements set forth in Appendix A.

No Post-Employment Benefits. The City does not currently provide benefits other than pensions, including post-retirement health benefits, to any of its employees. [CONFIRM]

Budget Process

The City prepares and adopts a two-Fiscal Year budget every other year which includes proposed expenditures and the means of financing such expenditures. The Finance Director and City Administrator submit a two-Fiscal Year budget to the City Council in accordance with the City Charter. The budget is reviewed by

the City Council and public hearings are held to address priorities and the allocation of resources. The City Council then adopts the budget in or about June every other year. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. In addition, the City adopts a mid-cycle budget to reflect updates to the budget if needed.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and class as follows: personal services, other services and charges, supplies, capital outlay and transfers. Budget revisions at the fund level are subject to final review by the City Council. The legal level of control is by department within a fund. Expenditures may not exceed appropriations at the fund level. Within these control levels, management may transfer appropriations without City Council approval.

The City Council adopted the City's Fiscal Year 2020 budget on June 25, 2019.

City Insurance

The City maintains most insurance coverages through the Central San Joaquin Valley Risk Management Authority, a joint exercise of powers authority. Coverage amounts are as follows:

- The City maintains general liability insurance in the amount of \$1,000,000 for each occurrence, with a \$25,000 deductible, and automobile liability insurance in the amount of vehicle value for each occurrence, with a \$2,000 deductible. The City also maintains excess coverage of \$9,000,000 above the primary limits through California Affiliated Risk Management Authorities, a separate joint powers authority.

- The City also maintains property damage insurance in the amount of \$25,792,692 through commercial insurers for each occurrence, with a \$25,000 deductible. [Certain components of the Water System, including [underground pipelines], are not covered by such property damage insurance. In addition, the District does not maintain earthquake insurance on Water System facilities.]

- The City maintains workers compensation insurance up to statutory limits.

See the captions “—Seismic Considerations” and “CERTAIN RISKS TO BONDHOLDERS—Natural Disasters.”

The City has not settled any claims that exceeded its insurance coverages in the past three years.

The City can provide no assurance that it will maintain the above insurance coverage amounts while the 2020 Bonds are outstanding. See Appendix B under the caption “[]” for a description of insurance coverages that are required to be maintained while the 2020 Bonds are Outstanding.

No Outstanding Parity Obligations

Upon the defeasance of the USDA Loans as described under the caption “REFUNDING PLAN,” the City will have no outstanding obligations payable from Water System Revenues on a senior or parity basis to the 2020 Bonds.

THE WATER SYSTEM

General

The City commenced water service to residents in 1911 with the construction of two groundwater wells and an elevated water storage tank. As of June 30, 2019, the City provides water service to approximately 2,900 residential and 300 commercial, industrial and other customers. All service connections are metered. The Water

System is capable of producing and delivering approximately 6.6 mgd of water. The Water System includes six active wells, two inactive wells, approximately 47 miles of water mains and one elevated storage tank which provides total operational storage of approximately 100,000 gallons. The water system also includes approximately 325 fire hydrants and 995 water valves.

The Water System's underground supply lines are laid out in a grid so that there are no dead ends of major mains. This process is known as looping. The existing distribution piping ranges from 6" to 12" in diameter. Nearly all of the Water System's pipeline system consists of C-900 polyvinyl chloride (PVC) pipe which was installed beginning in 2004. The distribution system is within one pressure zone ranging between 40 and 60 pounds per square inch.

The City's water supply consists of groundwater extracted from six active City-owned wells. The City's active wells, which range in depth from approximately 296 to 620 feet, are located within the Kaweah Basin, which is managed by the GKGSA. See the caption "—Water Supply."

The City's groundwater supply is generally of high quality and does not require extensive treatment. Each of the City's active well sites contains chlorination facilities to treat groundwater for bacteria before delivery to Water System customers.

Water Supply

General. The City's water supply is pumped from 6 active City-owned wells with a combined production capacity of approximately 6.6 mgd. The City also owns two additional wells which are currently out of service. The City's wells are located in the Kaweah Basin, which encompasses an area of approximately 700 square miles within the County and a small portion of neighboring Kings County. Current data on the total storage capacity of the Kaweah Basin is not available.

Each of the City's wells is fitted with either a vertical turbine pump or a submersible pump. The overall standing water level varies in different areas of the City, but presently ranges from 82 to 138 feet. The Water System's computer control system automatically controls the sequences of starts/stops for all of the wells based on the level of the City's elevated storage tank. A description of the City's groundwater wells is set forth below.

CITY OF EXETER WATER SYSTEM Description of Groundwater Wells

<i>Well</i>	<i>Year Built</i>	<i>Depth (feet)</i>	<i>Pumping Power (horsepower)</i>	<i>Normal Flow (Gallons Per Minute)</i>
E5W	1956	456	Inactive	Inactive
E6W	1973	400	75	611
E9W	1964	292	75	439
E10W	1980	425	Inactive	Inactive
E11W	1987	425	75	751
E12W	2002	615	100	206
E13W	2006	580	150	1,132
E14W	2007	555	100	186

Source: City.

The City notes that current water levels in the City's wells are all significantly lower than historic levels. This means that the depth to reach groundwater in the City's wells has increased over time, which in turn requires additional energy to pump groundwater back to the surface level. There can be no assurance that this trend will not continue, resulting in increased costs to extract groundwater.

Groundwater Management. The Kaweah Basin is an unadjudicated groundwater basin that has been classified as a high priority groundwater basin by the State of California Department of Water Resources (“DWR”). Accordingly, the Kaweah Basin is subject to the provisions of Assembly Bill No. 1739 and Senate Bill Nos. 1168 and 1319 (collectively, the Sustainable Groundwater Management Act, or “SGMA”), which were signed into law on September 16, 2014.

SGMA constitutes a legislative effort to regulate groundwater on a Statewide basis. Under SGMA, DWR designated groundwater basins in the State as high, medium, low or very low priority for purposes of groundwater management. Local groundwater producers were required to establish or designate an entity (referred to as a groundwater sustainability agency, or “GSA”), subject to DWR’s approval, to manage each high and medium priority groundwater basin. Each GSA is tasked with submitting a groundwater sustainability plan for DWR’s approval by January 31, 2020. Alternatively, groundwater producers were required to submit a groundwater management plan under Part 2.75 of the California Water Code or an analysis for DWR’s review demonstrating that a groundwater basin has operated within its sustainable yield for at least 10 years by January 31, 2017, with updates every five years thereafter.

GSAs must consider the interests of all groundwater users in a basin and may require registration of groundwater users, the installation of flow meters to measure groundwater extractions and annual reporting of extractions up to an amount specified in the groundwater sustainability plan. In addition, GSAs are authorized to impose spacing requirements on new wells, monitor, regulate and limit or condition groundwater production and establish production allocations among groundwater producers, among other powers. GSAs are authorized to impose fees to fund such activities and to fine or issue cease and desist orders against producers that violate the GSA’s regulations. Groundwater sustainability plans must include sustainability goals and a plan to implement such goals within 20 years.

The portion of the Kaweah Basin in which the City’s groundwater wells sit (consisting of an area of approximately 340 square miles roughly in the middle of the Kaweah Basin) will be managed by the GKGSa. Other GSAs will manage the remaining areas of the Kaweah Basin. A draft groundwater sustainability plan for the portion of the Kaweah Basin to be managed by the GKGSa was released for public review on September 16, 2019. The plan includes provisions which are intended to halt overdraft and bring the Kaweah Basin into balanced levels of pumping and recharge. The City understands that the GKGSa intends to submit the groundwater sustainability plan to DWR by the January 31, 2020 deadline set forth in SGMA.

The City has provided significant input to the GKGSa in connection with the development of the draft groundwater sustainability plan for the portion of the Kaweah Basin in which the City is located. At this time, the City does not expect that the implementation of the groundwater sustainability plan will have a significant impact on the City’s ability to extract groundwater from its wells in sufficient quantities to serve Water System customers or on the City’s ability to generate Revenues from operation of the Water System as projected herein. However, the groundwater sustainability plan is still in draft form and has not been finalized or approved by DWR. There can be no assurance that the final groundwater sustainability plan or the implementation thereof will not have a material effect on the City’s ability to generate Water System Revenues in amounts that are sufficient to pay the 2020 Bonds.

Recent Drought

State Orders. On January 17, 2014, the State Governor declared a drought state of emergency (the “Declaration”) with immediate effect. The Declaration encouraged local urban water suppliers, including the City, to implement their local water shortage contingency plans; the City’s plan is discussed under the subcaption “—Drought Response Plan.” The Declaration also required DWR and the State Water Resources Control Board (the “SWRCB”) to craft and enforce numerous emergency regulations that were designed to reduce water usage and increase water supplies.

For instance, a May 2015 SWRCB regulation required the City to effect a 35% reduction from its 2013 potable water usage. On May 18, 2016, the SWRCB adopted a revised regulation that gave water agencies the ability to establish their own conservation standards based on a “stress test” of supply reliability. By June 22, 2016, water agencies were required to submit self-certifications to the SWRCB demonstrating that they had sufficient supplies to withstand three additional years of severe drought. Any identified percentage gap between supplies and demands became the water agency’s updated mandatory conservation target.

The City’s self-certification demonstrated that it had sufficient supplies to meet 21% of its projected demands, even if the State were to endure three more years of drought. Consequently, the City’s mandatory conservation target was reduced to 21%.

On April 7, 2017, after improvement in water supply conditions across California, the Governor issued Executive Order B-40-17, which rescinded mandatory conservation measures but continued the implementation of drought remediation and water supply enhancement projects in certain counties (including the County).

Despite the issuance of Executive Order B-40-17, the City is currently operating under Stage 3 of its water shortage contingency plan, as described below under the caption “—Drought Response Plan.”

In 2018, the California Governor signed Senate Bill 606 and Assembly Bill 1668 into law. These bills relate to water conservation and drought planning and empower DWR and the SWRCB to adopt long-term standards on water use. The City is unable to predict the substance, timing of adoption or effect on the Water System of the implementation of Senate Bill 606 and Assembly Bill 1668 or any future legislation with respect to water conservation.

Drought Response Plan. The City’s water shortage contingency plan is set forth in Title 7 of the City’s Code of Ordinances. Under the City’s plan, the City responds to a water shortage in stages as follows after City Council approval and the publication of notice:

- Stage 1 (Voluntary Compliance, Water Alert) applies at all times unless a different stage is in effect. Under Stage 1, irrigation of landscaped areas by sprinkler is prohibited between 10:00 a.m. and 6:00 p.m. during summer months and between 10:00 a.m. and 2:00 p.m. during winter months, washing of vehicles is permitted only by hand-held hose with a shutoff nozzle, ornamental water features are prohibited except with a recycling system and washing down of paved areas is prohibited.
- Stage 2 (Mandatory Compliance, Water Warning) prohibits outdoor irrigation between 10:00 a.m. and 6:00 p.m., and such irrigation is permitted only on three designated days per week. In addition, outdoor irrigation with potable water is prohibited within 48 hours of rainfall and lodging establishments must provide guests with the option not to have towels and linens laundered daily.
- Stage 3 (Mandatory Compliance, Water Emergency) prohibits outdoor irrigation between 7:00 a.m. and 8:00 p.m., and such irrigation is permitted only on two designated days per week. In addition, washing of vehicles is prohibited except at commercial establishments between 6:00 a.m. and 1:00 p.m. and construction water meters are not permitted.
- Stage 4 (Mandatory Compliance, Extreme Emergency) prohibits outdoor irrigation between 6:00 a.m. and 8:00 p.m., and such irrigation is permitted only on one designated day per week.
- Stage 5 (Mandatory Compliance, Extreme Water Crisis) prohibits all outdoor residential irrigation and washing of vehicles. In addition, outdoor water use for emergency purposes requires a permit.

The City’s water shortage contingency plan authorizes the City to levy increasing fines for successive violations of the water restrictions.

The City is currently operating under Stage 3 of its water shortage contingency plan. The projected Water System operating results that are set forth under the caption “FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage” reflect the continued implementation of Stage 3. The City does not currently expect that the implementation of Stage 3 of its water shortage contingency plan will have a material adverse effect on its ability to pay the 2020 Bonds from Net Revenues. The City has covenanted to set Water System rates and charges in amounts that it expects to be sufficient to pay the 2020 Bonds from Net Revenues. See the caption “SECURITY FOR THE 2020 BONDS—Rate Covenant.”

If a water shortage should arise again in the future, legal issues exist as to whether different California Water Code provisions or State regulations will be invoked to manage the allocation of water. Any curtailment pursuant to State orders could necessitate an increase in the City’s Water System rates and charges. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218” for a discussion of certain restrictions on the City’s ability to raise water rates.

Historical Water System Production

The table below sets forth water production for the Water System for the last five Fiscal Years.

TABLE 1
CITY OF EXETER WATER SYSTEM
Historical Water Production in Millions of Gallons

<i>Fiscal Year</i>	<i>Water Production</i>	<i>Percentage Change in Production</i>
2015	[594.66	N/A%
2016	625.79	5.23
2017	637.59	1.89
2018 ⁽¹⁾	631.60	(0.94)
2019	—	

⁽¹⁾ Decrease in Fiscal Year 2018 reflects [—].
Source: City.

Historical Water System Connections

The table below sets forth the number of service connections and water production for the Water System for the last five Fiscal Years.

TABLE 2
CITY OF EXETER WATER SYSTEM
Historical Service Connections

<i>Fiscal Year</i>	<i>Residential Connections</i>	<i>Commercial, Industrial and Other Connections</i>	<i>Total Connections</i>	<i>Percentage Change in Connections</i>
2015	3,033	287	3,320	N/A%
2016	3,016	291	3,307	(0.39)
2017	3,033	294	3,327	0.60
2018	3,043	295	3,338	0.33
2019	3,065	301	3,366	0.84

Source: City.

TABLE 3
CITY OF EXETER WATER SYSTEM
Water Sales Revenues⁽¹⁾ by Class of User
Fiscal Year 2019⁽²⁾

<i>User Class</i>	<i>Water Sales Revenues⁽³⁾</i>
Single Family Residential	\$[]
Commercial/Industrial	
Agricultural	
Other ⁽⁴⁾	]
Total	\$

⁽¹⁾ Excludes other Water System Revenues such as meter installation charges, penalties and various other charges as well as connection fees and miscellaneous income. See the caption "FINANCIAL INFORMATION—Historical Water System Operating Results and Debt Service Coverage."

⁽²⁾ Reflects unaudited actual results to date. Subject to change upon completion of billing cycle and final accounting for such Fiscal Year.

⁽³⁾ Amounts represent the actual amount billed and may differ from the amount collected.

⁽⁴⁾ Includes [churches and schools].

Source: City.

Total water sales Revenues for the four Fiscal Years prior to Fiscal Year 2019 are set forth under the caption "FINANCIAL INFORMATION—Historical Water Operating Results and Debt Service Coverage."

Historical Water Usage

The City records the volume of water delivered by its distribution system to users in the City. The table below summarizes water deliveries to users in the City for the five most recent Fiscal Years.

TABLE 4
CITY OF EXETER WATER SYSTEM
Historical Water Usage in Millions of Gallons

<i>Fiscal Year</i>	<i>Total Water Usage⁽¹⁾</i>	<i>Percentage Change</i>	<i>Average Daily Demand</i>	<i>Approximate Average Water Loss</i>
2015	751	N/A%	2,183	12%
2016 ⁽²⁾	492	(34.49)	1,545	14
2017	542	10.16	1,892	9
2018	614	13.28	1,656	6
2019 ⁽²⁾	560	(8.79)	[]	]

⁽¹⁾ Differences between water usage by Water System customers as set forth above and water production as set forth under the caption "—Historical Water System Production" reflect [water losses due to pipeline leakage, metering inaccuracies and other factors].

⁽²⁾ Decrease reflects effect of mandatory conservation measures due to drought Declaration. See the caption "—Recent Drought."

⁽³⁾ Decrease reflects [wet hydrological year].

Source: City.

Largest Water System Customers

The table below shows the largest customers of the Water System for Fiscal Year 2019, as determined by annual payments.

TABLE 5
CITY OF EXETER WATER SYSTEM
Ten Largest Water System Customers
Fiscal Year 2019

<i>User</i>	<i>Type of Business</i>	<i>Water Use (1,000 Gallons)</i>	<i>Revenues⁽¹⁾</i>	<i>Percentage of Annual Revenues</i>
Mouchawar Mobilehome	Residential	5,745	\$39,013	2.44%
Svenhard's Swedish Bakery	Industrial	10,377	20,725	1.30
Exeter Union High School	School/Landscaping	9,461	18,885	1.18
Exeter Apartments	Residential Multi-Family	5,328	17,304	1.08
Jacob Square Apartments	Residential Multi-Family	5,728	16,860	1.05
Exeter Senior Villa	Residential Multi-Family	2,543	12,909	0.81
Wilson School	School	4,387	10,821	0.68
Chamber of Commerce	Commercial	2,179	8,032	0.50
Bowsmith Irrigation Products	Industrial	3,100	6,225	0.39
Church of Jesus Christ	Church	<u>1,915</u>	<u>3,840</u>	<u>0.24</u>
Total		50,763	\$154,614	9.66%

⁽¹⁾ Rounded to the nearest dollar. Reflects unaudited actual results to date. Subject to change upon completion of billing cycle and final accounting for such Fiscal Year. See the caption "—Water System Collection Procedures." Does not include monthly meter charges and certain other Revenues such as penalties.

Source: City.

These customers accounted for approximately 9.66% of total Water System Revenues of \$1,599,765 (based on unaudited actual results to date) in Fiscal Year 2019.

Water System Rates and Charges

General. The Water System's rates and charges are set by the City Council and are not subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body. The City is, however, required to comply with the notice, hearing and majority protest provisions of Article XIID of the State Constitution, which is popularly known as Proposition 218. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218" for further information with respect to Proposition 218.

The City's Public Works Department annually determines the adequacy of the charge structure for water service in the service area after full consideration of expected operations, maintenance, capital costs and capital repayment obligations of the Water System. The City Council currently sets water rates and charges at a level that it determines is sufficient to pay all Operation and Maintenance Costs of water production and water purchases, to recover operating expenses for the Water System, to pay debt service payments and to maintain appropriate reserves for the Water System. Current charges include a tiered commodity charge based on usage.

[On December 10, 2019, after a public hearing as required under Proposition 218, the City Council adopted a comprehensive rate plan for the Water System (the "**Rate Plan**"), including Water System rate increases effective on [January] 1 of each year from 2020 through 2024. The Rate Plan remains in place as of the date hereof. There can be no assurance that the City Council will not repeal or modify such rate increases in

the future or that the City’s ratepayers will not approve an initiative to repeal or modify any increase in water service rates and charges approved by the City Council.] However, the City is subject to certain covenants with respect to the 2020 Bonds which require the City to set Water System rates and charges in amounts that it expects to be sufficient to pay the 2020 Bonds from Net Revenues. See the caption “SECURITY FOR THE 2020 BONDS—Rate Covenant.”

User Charges. The City adopts water rates for the Water System by City Council action. The current water rate structure consists of a tiered commodity rate for all customer types. The table below summarizes the monthly water rates charged by the Water System for all customer types effective July 1, 2019, and approved increases thereafter:

TABLE 6
CITY OF EXETER WATER SYSTEM
Approved Monthly Water Rates [TO BE CONFIRMED]

<i>Rate Type</i>	<i>Effective July 1, 2019</i>	<i>Effective [January] 1, 2020</i>	<i>Effective [January] 1, 2021</i>	<i>Effective [January] 1, 2022</i>	<i>Effective [January] 1, 2023</i>	<i>Effective [January] 1, 2024</i>
First 1,500 cubic feet	\$24.26	\$27.78	\$31.81	\$36.42	\$41.70	\$47.74
Each additional 100 cubic feet	1.52	1.74	1.99	2.28	2.61	2.99

Source: City.

Connection Charges. A water connection right must be purchased from the City by anyone who wishes to connect to the Water System. The connection fee is currently \$[] for a single-family unit.

Comparison to Nearby Service Providers. The table below sets forth a comparison of the City’s typical monthly water bill for a single family residential user (reflecting 1,500 cubic feet of water delivered through a 3/4” meter) to those of certain nearby water purveyors as of [June 30, 2019], the latest date for which such information is available.

TABLE 7
CITY OF EXETER WATER SYSTEM
Comparative Rates

<i>Agencies</i>	<i>Monthly Rate or Equivalent per 1,500 cubic feet</i>
City of Porterville	\$45.72
City of Woodlake	33.21
City of Lindsay	30.17
City of Exeter	24.26
City of Farmersville	21.00

Source: City.

Water System Collection Procedures

The City’s water bills are collected jointly with charges for sewer and refuse service. Payments must be received by 4:00 p.m. on the 15th day of each month, or the following business day if the 15th falls on a weekend or City-observed holiday. If payment is not received by the due date, a \$10.00 late fee will be applied and a shutoff notice will be issued. Accounts must be paid no later than 4:00 pm on the Tuesday prior to the last Wednesday of the month in order to avoid additional fees and shutoff. Service reconnections occur after payment

of all overdue bills, late fees and a \$35.00 reconnection fee (if overdue bills are paid after service has actually been shut off).

In the current and prior four Fiscal Years, delinquency rates with respect to the City's water bills have averaged approximately 3.8%. Almost all delinquencies are paid prior to the disconnection of service.

In September 2018, the State Governor signed Senate Bill 998 ("SB 998"), a bill which restricts the discontinuation of water service to delinquent customers effective February 1, 2020. SB 998 includes the following provisions: (i) a requirement to make discontinuation policies available in multiple languages; (ii) a prohibition on discontinuing service until payment is 60 days late; (iii) an obligation to contact delinquent customers by telephone and provide appeal, extension and alternative payment information; and (iv) an obligation to contact tenants when service is at risk of discontinuation due to landlord nonpayment. Water service may not be discontinued if a doctor certifies that there would be a serious medical threat to a delinquent resident who is unable to pay but willing to make alternative payment arrangements.

[EDIT AS NEEDED] [Certain provisions of SB 998 conflict with the City's current discontinuation policies. The City is reviewing the provisions of SB 998 and anticipates amending its discontinuation of service ordinance prior to February 1, 2020 in order to comply with the new requirements.]

Future Water System Capital Improvements

The City projects total capital improvements to the Water System of approximately \$[___ million over the current and next four Fiscal Years, including water valve replacements, water pipeline replacements, well rehabilitations _____] and other miscellaneous improvements. Such capital improvements are expected to be financed by a combination of grants and Revenues remaining after payment of Water System debt. [CONFIRM] [The City does not anticipate issuing any additional Parity Bonds or entering into any additional Contracts in the next five years to finance such capital improvements.]

Projected Water System Production

Projected water production for the Water System for the current and next four Fiscal Years are set forth in the table below.

TABLE 8
CITY OF EXETER WATER SYSTEM
Historical Water Production in Millions of Gallons

<i>Fiscal Year</i>	<i>Water Production</i>	<i>Percentage Change in Production</i>
2020	[	%
2021		
2022		
2023		
2024	]	

Source: City.

Projected Water System Connections

Projected service connections for the Water System for the current and next four Fiscal Years are set forth in the table below.

TABLE 9
CITY OF EXETER WATER SYSTEM
Projected Service Connections

<i>Fiscal Year</i>	<i>Residential Connections</i>	<i>Commercial, Industrial and Other Connections</i>	<i>Total Connections</i>	<i>Percentage Change in Connections</i>
2020	3,062	306	3,368	0.06%
2021	3,070	313	3,383	0.45
2022	3,077	316	3,393	0.30
2023	3,083	317	3,400	0.21
2024	3,086	319	3,405	0.15

Source: City.

Projected Water Usage

Projected water deliveries for the current and next four Fiscal Years are set forth in the table below.

TABLE 10
CITY OF EXETER WATER SYSTEM
Projected Water Usage in Millions of Gallons

<i>Fiscal Year</i>	<i>Total Water Usage⁽¹⁾⁽²⁾</i>	<i>Percentage Change</i>
2020	600	[]%
2021	590	(1.67)
2022	585	(0.85)
2023	605	3.42
2024	616	1.82

⁽¹⁾ Differences between water usage by Water System customers as set forth above and water production as set forth under the caption “—Historical Water System Production” reflect [water losses, use of water for fire hydrant flushing and ____].

⁽²⁾ [Assumes continued implementation of Stage 3 of the City’s water shortage contingency plan.]

Source: City.

Projected water sales Revenues for the current and next four Fiscal Years based on the projected water usage set forth in the table above are set forth under the caption “FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage.”

FINANCIAL INFORMATION

Financial Statements

[UPDATE IF 2019 AUDIT READY WHEN POS IS DISSEMINATED] A copy of the most recent audited financial statements (the “**Financial Statements**”) of the City prepared by the City’s accountant, Rogers, Anderson, Malody & Scott, LLP, San Bernardino, California (the “**Auditor**”) is set forth in Appendix A. The

Auditor's letter dated [January 2, 2019] is set forth therein. The Financial Statements should be read in their entirety. The Auditor has not reviewed or audited this Official Statement.

The summary operating results that are contained under the caption “—Historical Water System Operating Results and Debt Service Coverage” are derived from the Financial Statements and audited financial statements for prior Fiscal Years (excluding certain non-cash items and after certain other adjustments), and are qualified in their entirety by reference to such statements, including the notes thereto.

The City accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to public entities (“GAAP”). In certain cases, GAAP requires or permits moneys that are collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses that are paid or incurred in one Fiscal Year to be recognized as expenses in a subsequent Fiscal Year. See Note 1 to the Financial Statements that are set forth in Appendix A. Except as otherwise expressly noted herein, all financial information that has been derived from the City's audited financial statements reflects the application of GAAP.

The Water Fund of the City is accounted for as a proprietary fund type (enterprise fund). In governmental accounting, enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Historical Water System Operating Results and Debt Service Coverage

The table below is a summary of operating results of the Water System for the last five Fiscal Years. The results have been derived from the Financial Statements and prior audited financial statements of the City but exclude certain non-cash items which are not included as Revenues and include certain other adjustments. The table has not been reviewed or audited by the City's Auditor.

[PLEASE CONFIRM NUMBERS – THESE ARE FROM THE BRANDIS TALLMAN MATERIALS DATED 7.19.19]

TABLE 11
CITY OF EXETER WATER SYSTEM
Historical Operating Results (Fiscal Year Ended June 30)

	2015	2016	2017	2018	2019 ⁽³⁾
Revenues					
Charges for Services	\$1,432,691	\$1,462,627	\$1,500,399	\$1,612,024	\$1,673,078
Connection Fees	34,128	47,566	60,252	43,033	45,040
Investment Earnings	<u>15,402</u>	<u>25,014</u>	<u>26,053</u>	<u>27,005</u>	<u>29,532</u>
Total Revenues	\$1,482,221	\$1,535,207	\$1,586,704	\$1,682,062	\$1,747,650
Operation and Maintenance Costs⁽¹⁾					
Personnel Services	\$ 415,727	\$ 367,231	\$ 529,159	\$ 587,660	\$ []
General and Administrative	37,426	31,772	39,143	35,426	
Materials & Supplies	<u>325,708</u>	<u>395,902</u>	<u>398,802</u>	<u>403,259</u>	<u> </u>
Total Operation and Maintenance Costs	\$ 778,861	\$ 794,905	\$ 967,104	\$1,026,345	\$1,517,626
Net Revenues	\$ 703,360	\$ 740,302	\$ 619,600	\$ 655,717	\$ 230,024
Debt Service					
2003 USDA Loan ⁽²⁾	\$ 158,588	\$ 158,588	\$ 158,588	\$ 158,588	\$ 158,400
2004 USDA Loan ⁽²⁾	<u>151,476</u>	<u>151,476</u>	<u>151,476</u>	<u>151,476</u>	<u>151,434</u>
Total Debt Service	\$ 310,064	\$ 310,064	\$ 310,064	\$ 310,064	\$ 309,834
Debt Service Coverage	2.27	2.39	2.00	2.11	0.74
Revenues Remaining After Payment of Debt Service	\$ 393,296	\$ 430,238	\$ 309,536	\$ 345,653	\$ (79,810)

⁽¹⁾ Operation and Maintenance Costs do not include GASB 68 accounting entries. See the caption "THE CITY—Employees and Employee Benefits—Pension Obligations" for a description of GASB 68.

⁽²⁾ These obligations are expected to be refunded from proceeds of the 2020 Bonds. See the caption "REFUNDING PLAN."

⁽³⁾ Reflects unaudited actual Fiscal Year 2019 results. Debt service deficit covered from Water System reserves in Fiscal Year 2019.
Source: City.

Projected Water System Operating Results and Debt Service Coverage

The estimated projected operating results for the Water System for the current and next four Fiscal Years are set forth in the table below, reflecting certain significant assumptions concerning future events and circumstances. The financial forecast represents the City's estimate of projected financial results based upon its judgment of the probable occurrence of future events, [including that the City will continue to implement Stage 3 of the City's water shortage contingency plan (as described under the caption "THE WATER SYSTEM—Recent Drought—Drought Response Plan") and] assumptions set forth in the footnotes to the table set forth below. All of such assumptions are material to the development of the City's financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material. See the caption "CERTAIN RISKS TO BONDHOLDERS—Accuracy of Assumptions."

TABLE 12
CITY OF EXETER WATER SYSTEM
Projected Operating Results (Fiscal Year Ending June 30)

	2020 ⁽¹⁾	2021	2022	2023	2024
Revenues					
Charges for Services ⁽²⁾	\$1,694,295	\$1,949,673	\$2,243,532	\$2,581,690	\$2,970,818
Connection Fees ⁽³⁾	45,000	45,000	45,000	45,000	45,000
Investment Earnings ⁽⁴⁾	<u>29,900</u>	<u>29,900</u>	<u>29,900</u>	<u>29,900</u>	<u>29,900</u>
Total Revenues	\$1,769,195	\$2,024,573	\$2,318,432	\$2,656,590	\$3,045,718
Operation and Maintenance Costs					
Personnel Services ⁽⁵⁾	\$ []	\$ []	\$ []	\$ []	\$ []
General and Administrative ⁽⁶⁾	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Materials & Supplies ⁽⁷⁾	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Operation and Maintenance Costs	\$1,174,600	\$1,310,047	\$1,448,271	\$1,589,588	\$1,625,228
Net Revenues	\$ 594,595	\$ 714,526	\$ 870,161	\$1,067,002	\$1,420,490
Debt Service					
2003 USDA Loan ⁽⁸⁾	\$ 52,063	\$ -	\$ -	\$ -	\$ -
2004 USDA Loan ⁽⁸⁾	99,582	-	-	-	-
Bonds ¹	<u>40,966</u>	<u>283,275</u>	<u>279,600</u>	<u>280,300</u>	<u>280,800</u>
Total Debt Service*	\$ 192,611	\$ 283,275	\$ 279,600	\$ 280,300	\$ 280,800
Debt Service Coverage*	3.09	2.52	3.11	3.81	5.06
Revenues Remaining After Payment of Debt Service*	\$ 401,984	\$ 431,251	\$ 590,561	\$ 786,702	\$1,139,690

(1) Reflects budgeted Fiscal Year 2020 amounts with certain adjustments.

(2) Reflects projected rate increases [beginning January 1, 2020 in accordance with the Rate Plan]. See the caption "THE WATER SYSTEM—Water System Rates and Charges—User Charges."

(3) Projected to remain at Fiscal Year 2020 levels.

(4) Projected to remain at Fiscal Year 2020 levels.

(5) Reflects Fiscal Year 2020 budgeted amount and projected increases of approximately []% per annum thereafter.

(6) Reflects Fiscal Year 2020 budgeted amount and projected increases of approximately []% per annum thereafter.

(7) Reflects Fiscal Year 2020 budgeted amount and projected increases of approximately []% per annum thereafter.

(8) These obligations are expected to be refunded from proceeds of the 2020 Bonds. See the caption "REFUNDING PLAN."

Source: City.

CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES

Article XIII B

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city, county, school district, authority, special district or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The "base year" for establishing such appropriation limit is the 1978-79 State fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if: (a) the financial responsibility for a service is transferred to another public entity or to a private entity; (b) the financial source for the provision of services is

¹ Preliminary; subject to change.

transferred from taxes to other revenues; or (c) the voters of the entity approve a change in the limit for a period of time not to exceed four years.

Appropriations that are subject to Article XIII B generally include the proceeds of taxes levied by or for the State or other entity of local government, exclusive of certain State subventions, refunds of taxes and benefit payments from retirement, unemployment, insurance and disability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to an entity of government from: (i) regulatory licenses, user charges, and user fees (but only to the extent that such proceeds exceed the cost reasonably borne by the entity in providing the service or regulation); and (ii) the investment of tax revenues. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amounts that are permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit, including payments of indebtedness that were existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters, and payments that are required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the provision of existing services more costly.

The City is of the opinion that its charges for Water Service do not exceed the costs that it reasonably bears in providing such service and therefore are not subject to the limits of Article XIII B. See the caption "SECURITY FOR THE 2020 BONDS—Rate Covenant" for a description of the City's covenant to set rates and charges for the Water Service.

Proposition 218

General. An initiative measure entitled the "Right to Vote on Taxes Act" (the "**Initiative**") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Articles XIII C and XIII D to the State Constitution. According to the "Title and Summary" of the Initiative prepared by the State Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges."

Article XIII D. Article XIII D defines the terms "fee" and "charge" to mean "any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service." A "property-related service" is defined as "a public service having a direct relationship to property ownership." Article XIII D further provides that reliance by an agency on any parcel map (including an assessor's parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIII D requires that any agency which imposes or increases any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, because fees for water service are a "fee" or "charge" as defined in Article XIII D, the local government's ability to increase such fees or charges may be limited by a majority protest.

In addition, Article XIII D includes a number of limitations that are applicable to existing fees and charges, including provisions to the effect that: (a) revenues that are derived from the fee or charge may not exceed the funds which are required to provide the property-related service; (b) such revenues may not be used for any purpose other than that for which the fee or charge was imposed; (c) the amount of a fee or charge that is imposed upon any parcel or person as an incident of property ownership may not exceed the proportional cost of the service attributable to the parcel; and (d) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally believed that Article XIID did not apply to charges for water and wastewater services that are “primarily based on the amount consumed” (i.e., metered water or wastewater rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The State Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (the “**Bighorn Case**”), however, that fees for ongoing water service through an existing connection were property-related fees and charges. The Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218. The City complied with the notice, hearing and protest procedures in Article XIID, as further explained by the State Supreme Court in the *Bighorn Case*, with respect to the water rate increases that were approved on [December 10], 2019. See the caption “THE WATER SYSTEM—Water System Rates and Charges.”

[CITY ATTORNEY TO REVIEW] On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, 235 Cal. App. 4th 1493 (2015) (the “**SJC Case**”) upholding tiered water rates under Proposition 218 provided that the tiers correspond to the actual cost of furnishing service at a given level of usage. The opinion included a finding that the City of San Juan Capistrano did not attempt to calculate the actual costs of providing water at various tier levels. The City does not expect the decision in the *SJC Case* to affect its rate structure. The City believes that its current water rates comply with the requirements of Proposition 218 because they are cost-based and expects that any future water rate increases will comply with Proposition 218’s procedural and substantive requirements to the extent applicable thereto.

Article XIIC. Article XIIC provides that the initiative power may not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges is applicable to all local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the State Supreme Court held in the *Bighorn Case* that the provisions of Article XIIC applied to rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations.

[CITY ATTORNEY TO REVIEW] On November 15, 2018, the California Court of Appeal, Third District, issued an opinion in *Wilde v. City of Dunsmuir* (2018) 29 Cal.App.5th 158 (the “**Wilde Case**”) holding that taxpayers have the right under the Initiative to place a referendum on the ballot and vote on whether to repeal a city’s water rates. The *Wilde Case* concerned increases in water rates to fund specific water storage and delivery projects of the city (rather than to fund general operations of a water system) which the court concluded were legislative in nature and therefore subject to referendum. The City has reviewed the *Wilde Case* decision and determined that the decision does not directly impact the City and its water rate structure.

In any event, the City does not believe that Article XIIC grants to the voters within the City the power (whether by initiative under Article XIIC or otherwise, or by referendum, which is not authorized under Article XIIC) to repeal or reduce rates and charges for the Water Service in a manner that would interfere with the contractual obligations of the City or the obligation of the City to maintain and operate the Water System. However, there can be no assurance as to the availability of particular remedies adequate to protect the Beneficial Owners of the 2020 Bonds. Remedies that are available to Beneficial Owners of the 2020 Bonds in the event of a default by the City are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain. So long as the 2020 Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the 2020 Bonds and the rights and remedies of the 2020 Bond Owners will be exercised through the procedures of DTC.

In addition to the specific limitations on remedies which are contained in the applicable documents themselves, the rights and obligations with respect to the 2020 Bonds, the Indenture is subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix C), will be similarly qualified.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (a) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (b) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (c) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (d) a charge imposed for entrance to or use of local government property, or the purchase, rental or lease of local government property; (e) a fine, penalty or other monetary charge imposed by the judicial branch of government or a local government as a result of a violation of law; (f) a charge imposed as a condition of property development; and (g) assessments and property-related fees imposed in accordance with the provisions of Article XIID. Proposition 26 applies to charges imposed or increased after November 2, 2010 and provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. The City believes that its water rates and charges are not taxes under Proposition 26.

Future Initiatives

Articles XIIB, XIIC and XIID and Proposition 26 were adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiatives could be proposed and adopted affecting the City's revenues or ability to increase revenues.

CERTAIN RISKS TO BONDHOLDERS

The following information, in addition to the other matters that are described in this Official Statement, should be considered by prospective investors in evaluating the 2020 Bonds. However, the following does not purport to be comprehensive, definitive or an exhaustive listing of risks and other considerations that may be relevant to making an investment decision with respect to the 2020 Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal of or interest on the 2020 Bonds.

Limited Obligations

The obligation of the City to pay the 2020 Bonds is a limited obligation of the City and is not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Net Revenues. The obligation of the City to pay the 2020 Bonds does not constitute an obligation of the City to levy or pledge any general taxes or for which the City has levied or pledged any general taxes.

Accuracy of Assumptions

To estimate the revenues that are available to pay debt service on the 2020 Bonds, the City has made certain assumptions with regard to the rates and charges to be imposed in future years, the expenses associated with operating the Water System and the interest rate at which funds will be invested. The City believes these assumptions to be reasonable, but to the extent that any of these assumptions fail to materialize, the Net Revenues available to pay debt service on the 2020 Bonds will, in all likelihood, be less than those projected herein. See the caption “FINANCIAL INFORMATION—Projected Water System Operating Results and Debt Service Coverage.” The City may choose, however, to maintain compliance with the rate covenant that is set forth in the Indenture in part by means of contributions from the Rate Stabilization Fund or other available reserves or resources. In such event, Net Revenues may generate amounts which are less than 1.15 times Debt Service in any given Fiscal Year. See the captions “SECURITY FOR THE 2020 BONDS—Rate Stabilization Fund” and “SECURITY FOR THE 2020 BONDS—Rate Covenant.”

System Demand

There can be no assurance that the demand for water service will occur as described in this Official Statement. Reductions in demand could require an increase in rates or charges in order to comply with the rate covenant. Demand for water services could be reduced as a result of hydrological conditions, conservation efforts (including in response to drought), an economic downturn or other factors. See the caption “THE WATER SYSTEM—Water System Rates and Charges” and “—Accuracy of Assumptions.”

System Expenses

There can be no assurance that the City’s expenses will be consistent with the descriptions in this Official Statement. Operation and Maintenance Costs may vary with labor costs (including costs related to pension liabilities), treatment costs, regulatory compliance costs, increased costs to access groundwater due to land subsidence or falling water tables and other factors. Increases in expenses could require an increase in rates or charges in order to comply with the rate covenant. See the caption “SECURITY FOR THE 2020 BONDS—Rate Covenant.”

Limited Recourse on Default

If the City defaults on its obligation to pay the principal of and interest on the 2020 Bonds, the Trustee has the right to declare the total unpaid principal of the 2020 Bonds, together with the accrued interest thereon to be immediately due and payable. However, in the event of a default and such acceleration, there can be no assurance that the City will have sufficient funds to pay the accelerated amounts due on the 2020 Bonds from Net Revenues.

Rate-Setting Process under Proposition 218

Proposition 218, which added Articles XIIIC and XIIID to the State Constitution, affects the City’s ability to maintain existing rates and impose rate increases, and no assurance can be given that future rate increases will not encounter majority protest opposition or be challenged by initiative action authorized under Proposition 218. In the event that future proposed rate increases cannot be imposed as a result of majority protest or initiative, the City might thereafter be unable to generate Net Revenues in the amounts required by the Indenture to pay the 2020 Bonds. The City believes that its current water rates approved by the City Council were effected in compliance with the public hearing and majority protest provisions of Proposition 218. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.”

Statutory and Regulatory Compliance

Laws and regulations governing the treatment and delivery of water are enacted and promulgated by federal, State and local government agencies. Compliance with these laws and regulations is and will continue to be costly, and, as more stringent standards are developed, such costs will likely increase.

Claims against the Water System for failure to comply with applicable laws and regulations could be significant. Such claims may be payable from assets of the Water System or from other legally available sources. In addition to claims by private parties, changes in the standards for public agency water systems such as that operated by the City may also lead to administrative orders issued by federal or State regulators. Future compliance with such orders could also impose substantial additional costs on the City. No assurance can be given that the cost of compliance with such laws, regulations and orders would not adversely affect the ability of the City to generate Net Revenues sufficient to pay the 2020 Bonds.

Natural Disasters

The occurrence of any natural disaster in the City, including, without limitation, fire, earthquake, landslide, land subsidence, high winds, drought or flood, could have an adverse material impact on the economy within the City, the Water System and the revenues available for the payment of the 2020 Bonds. Portions of the Water System may be at risk of damage or destruction from wildfires or subject to unpredictable seismic activity. The City is not required to maintain earthquake insurance under the Indenture, although it currently maintains such insurance. See the captions “THE CITY—City Insurance.”

The occurrence of natural disasters in the City’s service area could result in substantial damage to the Water System which, in turn, could substantially reduce revenue generated by the Water System and affect the ability of the City to pay the 2020 Bonds. The City maintains liability insurance for the Water System and property casualty insurance for certain portions of the Water System. However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers.

Furthermore, as described under the caption “THE CITY—City Insurance,” significant portions of the Water System, [including subsurface pipelines,] are not covered by property casualty insurance. Damage to such portions of the Water System as a result of natural disasters would result in uninsured losses to the City.

Cybersecurity

The City relies on computers and technology to conduct its operations. The City and its departments face cyber threats from time to time including, but not limited to, hacking, viruses, malware and other forms of technology attacks. Recently, there have been significant cyber security incidents affecting municipal agencies, including a freeze affecting computer systems of the City of Atlanta, an attack on the City of Baltimore’s 911 system, an attack on the Colorado Department of Transportation’s computers and an attack that resulted in the temporary closure of the Port of Los Angeles’ largest terminal. To date, there have been no significant cyberattacks on the City’s computer systems.

While the City routinely maintains its technology systems and continuously implements new information security controls, no assurance can be given that the City’s security and operational control measures will be successful in guarding against all cyber threats and attacks. The results of any attack on the City’s computer and technology could negatively impact the City’s operations, and the costs related to such attacks could be substantial.

Limitations on Remedies

The ability of the City to comply with its covenants under the Indenture and to generate Net Revenues in amounts that are sufficient to pay principal of and interest on the 2020 Bonds may be adversely affected by actions and events outside of the control of the City or actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218.” Furthermore, the remedies available to the owners of the 2020 Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition, usual equity principles may limit the specific enforcement under State law of certain remedies, as may the exercise by the United States of America of the powers delegated to it by the federal Constitution, and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the 2020 Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitations, or modification of their rights. Remedies may be limited because the Water System serves an essential public purpose.

In addition to the limitations on remedies contained in the Indenture, the rights and obligations under the Indenture may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State. The opinion to be delivered by Bond Counsel concurrently with the issuance of the 2020 Bonds will be subject to such limitations, and the various other legal opinions to be delivered concurrently with the issuance of the 2020 Bonds will be similarly qualified. See Appendix C. In the event that the City fails to comply with its covenants under the Indenture or fails to pay principal of and interest on the 2020 Bonds, there can be no assurance as to the availability of remedies adequate to protect the interest of the holders of the 2020 Bonds.

Loss of Tax Exemption

In order to maintain the exclusion from gross income for federal income tax purposes of interest on the 2020 Bonds, the City has covenanted in the Indenture to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the “**Code**”), and not to 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 2020 Bonds under Section 103 of the Code. Interest on the 2020 Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of such 2020 Bonds as a result of acts or omissions of the City in violation of this or other covenants in the Indenture applicable to the 2020 Bonds. The 2020 Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions of the Indenture. See the caption “TAX MATTERS.”

Secondary Market

There can be no guarantee that there will be a secondary market for the 2020 Bonds or, if a secondary market exists, that the 2020 Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

Parity Obligations

The Indenture permits the City to enter into additional Contracts and issue additional Bonds which are payable from Net Revenues on a parity with the 2020 Bonds, subject to the terms and conditions set forth therein. The entry into of additional Contracts or the issuance of Bonds could result in reduced Net Revenues available to pay the 2020 Bonds. The City has covenanted to maintain Debt Service coverage of 115%, as further described under the caption “SECURITY FOR THE 2020 BONDS—Additional Indebtedness.”

Climate Change

The State has historically been susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels. The future fiscal impact of climate change on the City is difficult to predict, but it could be significant and it could have a material adverse effect on the Water System’s finances by requiring greater expenditures to counteract the effects of climate change or by changing the business and activities of Water System customers.

Rate Covenant Not a Guarantee

The 2020 Bonds are payable from Net Revenues of the Water System. See the caption “SECURITY FOR THE 2020 BONDS.” The City’s ability to pay debt service on the 2020 Bonds depends on its ability to generate Net Revenues at the levels required by the Indenture. Although the District has covenanted in the Indenture to impose rates and charges as more particularly described under the caption “SECURITY FOR THE 2020 BONDS—Rate Covenant,” and although the District expects that sufficient Revenues will be generated through the imposition and collection of such rates and charges, there is no assurance that the imposition and collection of such rates and charges will result in the generation of Net Revenues in amounts that are sufficient to pay the 2020 Bonds. Among other matters, the availability of and demand for water and changes in law and government regulations could adversely affect the amount of Revenues realized by the City.

Sustainable Groundwater Management Act

There can be no assurance that groundwater will continue to be available to the District as a supplemental water source. Implementation of SGMA requires that a groundwater sustainability plan be adopted for the Kaweah Basin. The recommendations in such plan may include limitations on groundwater pumping and increased costs. Implementation of the plan could also result in claims against the City for failure to comply with applicable laws and regulations. See the caption “THE WATER SYSTEM—Water Supply—Groundwater Management.”

APPROVAL OF LEGAL PROCEEDINGS

The valid, legal and binding nature of the 2020 Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, acting as Bond Counsel. The form of such legal opinion is attached hereto as Appendix C, and such legal opinion will be attached to each 2020 Bond. Certain legal matters will be passed upon for the City by Stradling Yocca Carlson & Rauth, a Professional Corporation, as Disclosure Counsel, and by McCormick Kabot Jenner & Lew, City Attorney, for the Underwriter by its counsel, Kutak Rock LLP, and for the Trustee by its counsel.

LITIGATION

At the time of delivery of and payment for the 2020 Bonds, the City will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the City, threatened against the City affecting the existence of

the City or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the 2020 Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the 2020 Bonds, the Indenture, or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the City or its authority with respect to the 2020 Bonds or any action of the City contemplated by any of said documents, nor to the knowledge of the City, is there any basis therefor.

TAX MATTERS

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2020 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the 2020 Bonds is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the 2020 Bonds is based upon certain representations of fact and certifications made by the City and others and is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2020 Bonds to assure that interest (and original issue discount) on the 2020 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the 2020 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2020 Bonds. The City has covenanted to comply with all such requirements.

In the opinion of Bond Counsel, the difference between the issue price of a 2020 Bond (the first price at which a substantial amount of the 2020 Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such 2020 Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable 2020 Bond. The amount of original issue discount that accrues to the Beneficial Owner of a 2020 Bond is excluded from the gross income of such Beneficial Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

The amount by which a 2020 Bond Owner's original basis for determining loss on sale or exchange in the applicable 2020 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the 2020 Bond Owner's basis in the applicable 2020 Bond (and the amount of tax-exempt interest received with respect to the 2020 Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a 2020 Bond Owner realizing a taxable gain when a 2020 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2020 Bond to the Owner. Purchasers of the 2020 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The IRS has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the 2020 Bonds will be selected for audit by the IRS. It is also possible that the market value of the 2020 Bonds might be affected as a result of such an audit of the 2020 Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a

result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the 2020 Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the 2020 Bonds or their market value.

SUBSEQUENT TO THE ISSUANCE OF THE 2020 BONDS THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE OR LOCAL TAX TREATMENT OF THE 2020 BONDS INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES BEING IMPOSED ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE 2020 BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE 2020 BONDS. NO ASSURANCE CAN BE GIVEN THAT SUBSEQUENT TO THE ISSUANCE OF THE 2020 BONDS STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE 2020 BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE 2020 BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the 2020 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any 2020 Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the 2020 Bonds is excluded from gross income for federal income tax purposes provided that the City continue to comply with certain requirements of the Code, the ownership of the 2020 Bonds and the accrual or receipt of interest (and original issue discount) on the 2020 Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the 2020 Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the 2020 Bonds.

Should interest (and original issue discount) on the 2020 Bonds become includable in gross income for federal income tax purposes, the 2020 Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

RATING

S&P Global Ratings, a Standard & Poor's Financial Services LLC business ("S&P"), has assigned the 2020 Bonds the rating of "___". There is no assurance that the rating given to the 2020 Bonds will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2020 Bonds. Such rating reflects only the views of S&P, and an explanation of the significance of such rating may be obtained from S&P. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the City that is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The City has covenanted in a Continuing Disclosure Certificate to file notices of any rating changes on the 2020 Bonds with EMMA. See the caption “CONTINUING DISCLOSURE” and Appendix E. Notwithstanding such covenant, information relating to rating changes on the 2020 Bonds may be publicly available from the rating agencies prior to such information being provided to the City and prior to the date by which the City is obligated to file a notice of rating change. Purchasers of the 2020 Bonds are directed to the rating agencies and their respective websites and official media outlets for the most current ratings with respect to the 2020 Bonds after the initial issuance of the 2020 Bonds.

In providing a rating on the 2020 Bonds, S&P may have performed independent calculations of coverage ratios using its own internal formulas and methodology, which may not reflect the provisions of the Indenture. The City makes no representations as to any such calculations, and such calculations should not be construed as a representation by the City as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of debt service or for any other purpose.

MUNICIPAL ADVISOR

The City has retained NHA Advisors, LLC, as municipal advisor (the “**Municipal Advisor**”) in connection with the issuance of the 2020 Bonds. The Municipal Advisor has not undertaken to make an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in this Official Statement. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

UNDERWRITING

The 2020 Bonds will be purchased by Brandis Tallman LLC (the “**Underwriter**”), pursuant to a purchase contract, dated the date hereof (the “**Purchase Contract**”), by and between the City and the Underwriter. Under the Purchase Contract, the Underwriter has agreed to purchase all, but not less than all, of the 2020 Bonds for an aggregate purchase price of \$_____ (representing the principal amount of the 2020 Bonds, less an Underwriter’s discount of \$_____, plus/less a net original issue premium/discount of \$_____). The Purchase Contract provides that the Underwriter will purchase all of the 2020 Bonds if any are purchased, the obligation to make such a purchase being subject to certain terms and conditions set forth in the Purchase Contract, the approval of certain legal matters by counsel and certain other conditions.

The initial public offering prices stated on the inside cover page of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the 2020 Bonds to certain dealers (including dealers depositing 2020 Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

CONTINUING DISCLOSURE

The City has covenanted in a Continuing Disclosure Certificate for the benefit of the holders and Beneficial Owners of the 2020 Bonds to provide certain financial information and operating data relating to the City by not later than April 1 following the end of the City’s Fiscal Year (currently its Fiscal Year ends on June 30) (the “**Annual Report**”), commencing on April 1, 2020 with the report for the Fiscal Year ended June 30, 2019, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City with EMMA, which is maintained on the Internet at <http://emma.msrb.org/>. The specific nature of the information to be contained in the Annual Report and the notices of enumerated events is set forth in Appendix E. These covenants have been made in order to assist the Underwriter in complying with subsection (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission (the “**Rule**”).

[DISCLOSURE RE PAST COMPLIANCE TO COME]. Except as disclosed in the prior sentence, the City has not in the past five years failed to comply with any previous continuing disclosure undertaking in any material respect.

To ensure compliance with its continuing disclosure undertakings under the Rule in the future, the City has appointed the Finance Director of the City to coordinate, on behalf of the City and its related entities, the preparation and filing of annual disclosure reports by the City and its related entities, and has adopted policies and procedures related thereto.

FINANCIAL INTERESTS

The fees being paid to the Underwriter, Bond Counsel, Disclosure Counsel and counsel to the Underwriter are contingent upon the issuance and delivery of the 2020 Bonds.

MISCELLANEOUS

Insofar as any statements made in this Official Statement involve matters of opinion or of estimates, whether or not expressly stated, they are set forth as such and not as representations of fact. No representation is made that any of such statements made will be realized. Neither this Official Statement nor any statement which may have been made verbally or in writing is to be construed as a contract with the Owners of the 2020 Bonds.

The execution and delivery of this Official Statement have been duly authorized by the City.

CITY OF EXETER

By: _____
City Administrator

APPENDIX A
FINANCIAL STATEMENTS

APPENDIX B

DEFINITIONS AND SUMMARY OF THE INDENTURE

The following is a summary of certain provisions of the Indenture which are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the Indenture for a full and complete statement of the provisions thereof.

[TO COME FROM BOND COUNSEL]

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

Upon issuance of the 2020 Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:

January __, 2020

City of Exeter
Exeter, California

Re: City of Exeter 2020 Water Revenue Refunding Bonds

Members of the City Council:

We have examined a certified copy of the record of the proceedings of the City of Exeter (the “City”) relative to the issuance of the \$_____ City of Exeter 2020 Water Revenue Refunding Bonds (the “2020 Bonds”), dated the date hereof, and such other information and documents as we consider necessary to render this opinion. In rendering this opinion, we have relied upon certain representations of fact and certifications made by the City, the initial purchaser of the 2020 Bonds and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us.

The 2020 Bonds are being issued pursuant to an Indenture of Trust, dated as of January 1, 2020 (the “Indenture”), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The 2020 Bonds mature on the dates and in the amounts referenced in the Indenture. The 2020 Bonds are dated their date of delivery and bear interest at the rates per annum referenced in the Indenture. The 2020 Bonds are registered in the form set forth in the Indenture.

Based on our examination as Bond Counsel of existing law, certified copies of such legal proceedings and such other proofs as we deem necessary to render this opinion, we are of the opinion, as of the date hereof and under existing law, that:

1. The proceedings of the City show lawful authority for the issuance and sale of the 2020 Bonds under the laws of the State of California now in force, and the Indenture has been duly authorized, executed and delivered by the City. Assuming due authorization, execution and delivery by the Trustee, as appropriate, the 2020 Bonds and the Indenture are valid and binding obligations of the City enforceable against the City in accordance with their terms.

2. The obligation of the City to make the payments of principal of and interest on the 2020 Bonds from Net Revenues (as such term is defined in the Indenture) is an enforceable obligation of the City and does not constitute an indebtedness of the City in contravention of any constitutional or statutory debt limit or restriction.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the 2020 Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

4. Interest (and original issue discount) on the 2020 Bonds is exempt from State of California personal income tax.

5. The difference between the issue price of a 2020 Bond (the first price at which a substantial amount of the 2020 Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such 2020 Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a 2020 Bond Owner before receipt of cash attributable to such excludable

income. The amount of original issue discount deemed received by a 2020 Bond owner will increase the 2020 Bond Owner's basis in the applicable 2020 Bond. The amount of original issue discount that accrues to the 2020 Bond Owner is excluded from the gross income of such Owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals or corporations and is exempt from State personal income tax.

6. The amount by which a 2020 Bond Owner's original basis for determining loss on sale or exchange in the applicable 2020 Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable bond premium reduces the 2020 Bond Owner's basis in the applicable 2020 Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of 2020 Bond premium may result in a 2020 Bond Owner realizing a taxable gain when a 2020 Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the 2020 Bond to the Owner. Purchasers of the 2020 Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions expressed herein as to the exclusion from gross income of interest (and original issue discount) on the 2020 Bonds are based upon certain representations of fact and certifications made by the City and are subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the 2020 Bonds to assure that such interest (and original issue discount) on the 2020 Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the 2020 Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the 2020 Bonds. The City has covenanted to comply with all such requirements.

The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement ends as of the date of issuance of the 2020 Bonds. The Indenture and the Tax Certificate relating to the 2020 Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) on the 2020 Bonds for federal income tax purposes with respect to any 2020 Bond if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the 2020 Bonds.

The opinions expressed herein are based upon our analysis and interpretation of existing laws, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture and the 2020 Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California.

Our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement relating to the 2020 Bonds or other offering material relating to the 2020 Bonds and expressly disclaim any duty to advise the owners of the 2020 Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

APPENDIX D

INFORMATION CONCERNING DTC

The information in this section concerning DTC and DTC's book entry only system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the 2020 Bonds, payment of principal, premium, if any, accreted value, if any, and interest on the 2020 Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the 2020 Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the 2020 Bonds. The 2020 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered 2020 Bond will be issued for each annual maturity of the 2020 Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC is rated AA+ by Standard & Poor's. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2020 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2020 Bonds on DTC's records. The ownership interest of each actual purchaser of each 2020 Bonds ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2020 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive bonds representing their ownership interests in 2020 Bonds, except in the event that use of the book entry system for the 2020 Bonds is discontinued.

To facilitate subsequent transfers, all 2020 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of 2020 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2020 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2020 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2020 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2020 Bonds, such as redemptions, tenders, defaults, and proposed amendments to the 2020 Bonds documents. For example, Beneficial Owners of 2020 Bonds may wish to ascertain that the nominee holding the 2020 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2020 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2020 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2020 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 2020 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A 2020 Bond Owner shall give notice to elect to have its 2020 Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such 2020 Bond by causing the Direct Participant to transfer the Participant's interest in the 2020 Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of 2020 Bond in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the 2020 Bond are transferred by Direct Participants on DTC's records and followed by a book entry credit of tendered 2020 Bond to the Trustee's DTC account.

DTC may discontinue providing its services as depository with respect to the 2020 Bonds at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The City may decide to discontinue use of the Water System of book entry only transfers through DTC (or a successor securities depository). In that event, 2020 Bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK ENTRY ONLY SYSTEM IS USED FOR THE 2020 BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE 2020 BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon issuance of the 2020 Bonds, the City proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

This Continuing Disclosure Certificate (the “Disclosure Certificate”) is executed and delivered by the City of Exeter (the “City”) in connection with the execution and delivery of the \$ _____ City of Exeter 2020 Water Revenue Refunding Bonds (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of January 1, 2020 (the “Indenture of Trust”), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The City covenants and agrees as follows:

1. Purpose of this Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the City for the benefit of the Holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

2. Definitions. In addition to the definitions that are set forth in the Indenture of Trust, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

Annual Report. The term “Annual Report” means any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

Beneficial Owner. The term “Beneficial Owner” means any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

EMMA. The term “EMMA” means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System for municipal securities disclosures, maintained on the Internet at <http://emma.msrb.org/>.

Financial Obligation. The term “Financial Obligation” means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

Fiscal Year. The term “Fiscal Year” means the period from July 1 of each year through June 30 of the following year, or any other twelve-month period that is selected and designated as the official Fiscal Year of the City. In the event of additional changes in the City’s Fiscal Year, the City shall give notice of such change in the same manner as for a Listed Event under Section 5(a).

Holder. The term “Holder” means a registered owner of the Bonds.

Listed Events. The term “Listed Events” means any of the events listed in Sections 5(a) and (b) of this Disclosure Certificate.

Official Statement. The term “Official Statement” means the Official Statement of the City dated December __, 2019 delivered in connection with the issuance of the Bonds.

Participating Underwriter. The term “Participating Underwriter” means the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

3. Provision of Annual Reports.

(a) The City shall provide to EMMA not later than each April 1 following the end of its Fiscal Year (commencing with the Annual Report that will be due April 1, 2020) an Annual Report relating to the immediately preceding Fiscal Year which is consistent with the requirements of Section 4 of this Disclosure Certificate; provided that such initial Annual Report shall consist solely of the Official Statement and the City’s audited financial statements for Fiscal Year 2018-19. Each such Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate.

(b) If the City is unable to provide to EMMA an Annual Report by the date required in subsection (a), the City in a timely manner shall send to EMMA a notice in substantially the manner prescribed by the Municipal Securities Rulemaking Board.

4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) The audited financial statements of the City for the prior Fiscal Year, prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the City’s audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Principal amount of the Bonds outstanding.

(c) An update of the information for the most recent Fiscal Year substantially in the form of the following tables under the caption “THE WATER SYSTEM” in the Official Statement:

1. Historical Water System Production;
2. Historical Service Connections;
3. Historical Water Usage in Millions of Gallons; and
4. Ten Largest Water System Customers.

(d) An update of the information substantially in the form of the table entitled Historical Operating Results (Fiscal Year Ended June 30) under the caption entitled “FINANCIAL INFORMATION” in the Official Statement.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been submitted to EMMA or the Securities and Exchange Commission; provided that if any document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board; and provided further that the City shall clearly identify each such document so included by reference.

5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

1. principal and interest payment delinquencies;
2. unscheduled draws on debt service reserves reflecting financial difficulties;
3. unscheduled draws on credit enhancements reflecting financial difficulties;
4. substitution of credit or liquidity providers, or their failure to perform;
5. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determination of taxability or Notices of Proposed Issue (IRS Form 5701-TEB);
6. tender offers;
7. defeasances;
8. ratings changes; and
9. bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (9), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

10. Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. unless described in Section 5(a)(5), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds;
2. modifications to the rights of Bondholders;
3. optional, unscheduled or contingent Bond calls;
4. release, substitution or sale of property securing repayment of the Bonds;
5. non-payment related defaults;
6. the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms; and
7. appointment of a successor or additional trustee or the change of the name of a trustee.
8. Incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material.

(c) If the City determines that knowledge of the occurrence of a Listed Event under Section 5(b) would be material under applicable federal securities laws, the City shall file a notice of such occurrence with EMMA in a timely manner not more than ten (10) Business Days after the event.

6. Customarily Prepared and Public Information. Upon request, the City shall provide to any person financial information and operating data regarding the City which is customarily prepared by the City and is publicly available.

7. Termination of Obligation. The City's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(a).

8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the City may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that in the opinion of nationally recognized bond counsel: (i) the amendment is made in connection with a change in circumstances that arises from a change in legal requirements, change in law or change in the identity, nature or status of the City or its business; (ii) this Disclosure Certificate, as amended, would have complied with the requirements of the Rule at the time of the initial issuance of the Bonds, after taking into account amendments and interpretations of the Rule and changes in circumstances; and (iii) the amendment does not materially impair the interests of Holders or Beneficial Owners of the Bonds or the amendment is approved by a majority vote of the Holders.

9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the City chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the City shall not thereby have any obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

10. Default. In the event of a failure of the City to file an annual report under Section 4 or to file a report of a Listed Event under Section 5, any Holders or Beneficial Owners of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture of Trust, and the sole remedy under this Disclosure Certificate in the event of any failure of the City to comply with this Disclosure Certificate shall be an action to compel performance.

No Holder or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the City satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the City shall have refused to comply therewith within a reasonable time.

11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the City, the Participating Underwriter and Holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

12. Filings with the MSRB. All financial information, operating data, financial statements, notices, and other documents provided to the Municipal Securities Rulemaking Board in accordance with this Disclosure Certificate shall be provided in an electronic format prescribed by the Municipal Securities Rulemaking Board and shall be accompanied by identifying information as prescribed by the Municipal Securities Rulemaking Board.

Dated: January __, 2020

CITY OF EXETER

By: _____
Its: _____