



DATE: October 16, 2013

TO: Honorable President and Directors of the Harbor District Board

FROM: City Treasurer's Office

SUBJECT: **ADOPTION OF A RESOLUTION AUTHORIZING THE ISSUANCE OF REFUNDING REVENUE BONDS, SERIES 2013 IN AN AMOUNT NOT TO EXCEED \$2,000,000 AND APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH; AND APPROVAL OF A BUDGET APPROPRIATION IN THE AMOUNT OF \$9,900 FROM HARBOR FUND 751 UNASSIGNED FUND BALANCE TO THE HARBOR FUND INTEREST ACCOUNT FOR THE FY 2013-14 DEBT SERVICE PAYMENT**

SYNOPSIS

Staff recommends that the Harbor District Board adopt a resolution authorizing the issuance of Refunding Revenue Bonds, Series 2013 in an aggregate principal amount not to exceed \$2,000,000 and approving the execution and delivery of certain documents in connection therewith Approval of a budget appropriation in the amount of \$9,900 from Harbor Fund 751 Unassigned Fund Balance to the Harbor Fund Interest Account for the FY 2013-14 debt service payment. The bond's proceeds will be used to refund three existing loans with the State Department of Boating and Waterways.

BACKGROUND

In July 1984, the District entered into a loan agreement with the California Department of Boating and Waterways (CADBW) to both rehabilitate and construct docks and piles. The loan amount was for \$900,000, at an interest rate of 7.9 percent until August 1, 1987, then 6 percent until the loan matured on August 1, 2015. In April 1993, the CADBW reduced the interest rate of the loan to 4.5 percent as part of an interest rate reduction program for all CADBW loans having an interest rate greater than 4.5 percent. As of August 1, 2013, there is an outstanding par balance of \$120,768.

In July 1986, the District entered into a loan agreement with the CADBW to further rehabilitate and construct docks and piles. The loan amount was for \$4,000,000, at an interest rate of 4.7 percent until the loan matured on August 1, 2017. In April 1993, the CADBW reduced the interest rate of the loan to 4.5 percent as part of an interest rate reduction program for all CADBW loans having an interest rate greater than 4.5 percent. As of August 1, 2013, there is an outstanding par balance of \$827,921.

In November 1991, the District entered into a loan agreement with the CADBW to modify the harbor entrance. The loan amount was for \$2,000,000, at an interest rate of 4.7 percent until the loan matured on August 1, 2023. In April 1993, the CADBW reduced the interest rate of the loan to 4.5 percent as part of an interest rate reduction program for all CADBW loans having an interest rate greater than 4.5 percent. As of August 1, 2013, there is an outstanding par balance of \$918,217.

Repayment of the loans is generated from a pledge of gross revenues received from fees and rentals charged for services, facilities and leaseholds at the harbor.

Over the past year, the Treasurer's Office has been evaluating the City's outstanding long-term debt, exploring potential refinancing opportunities given the historically low interest rate environment. After reviewing the District debt and determining there was an opportunity to realize savings, staff engaged BLX Group (financial advisor) and Stradling, Yocca, Carlson and Rauth (bond counsel) to proceed with refinancing the three District loans.

Due to the small total outstanding par amount (\$1.86 million) and 10-year maturity remaining on the 1991 loan, it was determined most cost-effective to issue refunding bonds on a private placement basis. A request for proposals was issued to five banks. The District received one proposal from Compass Bank of Alabama. The proposal exceeded the minimum threshold of achieving greater than 3 percent net present value savings to consider refinancing the debt; therefore, the proposal was accepted. A commitment letter was executed by the City Manager on September 24, 2013, locking in an interest rate of 2 percent for 60 days. The rate lock is subject to a make-whole break funding fee if the District decides not to issue the bonds and market conditions shift out of the bank's favor (i.e. interest rates decline). A 5 basis point (.05 percent) decline in yield would generate a break funding fee of approximately \$7,500.

ANALYSIS

Due to the current low interest rate environment, staff is recommending refinancing the three CADBW loans. By refinancing the loans, the City will gain through beneficial annual debt service savings through lower debt service payments. On September 24, 2013, the City Manager executed a commitment letter to Compass Bank. The following outlines the agreed upon terms of the 2013 Harbor Revenue Refunding Bonds:

- Par Value: \$1,940,000 (includes outstanding par, accrued interest and closing costs)
- Interest Rate: 2.00% (fixed rate locked until November 25, 2013)
- Maturity Date: August 1, 2023
- Semi-Annual Payment Dates: August 1, February 1
- Annual Debt Service Payments: \$390,000 Years 1 and 2
\$330,000 Years 3 and 4
\$112,000 to \$102,000 Years 5 to 2023

- Reserve Fund: None
- Prepayment Option: None

Based on the final interest rate and amortization schedule, the net present value savings over the life of the refunded loans is estimated at \$117,690 or 6.30 percent. The approximate annual debt service savings ranges from \$17,500 to \$20,000 in the first four years and \$4,000 to \$14,000 in years 5 through 10.

City Council is being asked to adopt resolutions that authorize the execution and delivery of bond documents related to the sale of the bonds (such as the Indenture of Trust). The documents approved by Council will be finalized and executed at bond closing on October 31, 2013. The not-to-exceed bond issuance amount of \$2 million is a maximum issuance limit; a standard practice in municipal bond issuance. The maximum issuance limit provides flexibility in the event any unforeseen costs arise prior to the bond closing date.

FISCAL IMPACT

The net present value savings over the life of the refunded debt is estimated at \$117,690 or 6.30 percent. The approximate annual debt service savings ranges from \$17,500 to \$20,000 in the first four years and \$4,000 to \$14,000 in years 5 through 10.

The cost of issuing the bonds is estimated at \$50,000 which will cover fees such as financial advisor fees, bond counsel fees, trustee fees and lender counsel fees. All fees are paid using bond proceeds.

The debt service payments on the bonds will be budgeted in Fund 751 – Harbor Fund. Repayment of the bonds is made from a pledge of gross revenues received from fees and rentals charged for services, facilities and leaseholds at the harbor also budgeted in Fund 751. Staff is requesting a budget appropriation for the interest payment due on February 1, 2014, in the amount of \$9,900 to account 1751.5652 (Interest).

COMMISSION OR COMMITTEE REPORT

Does not apply.

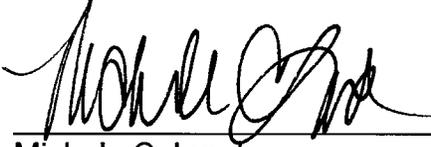
CITY ATTORNEY'S ANALYSIS

The referenced documents have been reviewed by the City Attorney and approved as to form.

RECOMMENDATION

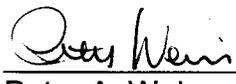
Staff recommends that the Harbor District Board adopt a resolution authorizing the issuance of Refunding Revenue Bonds, Series 2013 in an aggregate principal amount not to exceed \$2,000,000 and approving the execution and delivery of certain documents in connection therewith Approval of a budget appropriation in the amount of \$9,900 from Harbor Fund 751 Unassigned Fund Balance to the Harbor Fund Interest Account for the FY 2013-14 debt service payment.

PREPARED BY:



Michele C. Lund
Treasury Manager

SUBMITTED BY:



Peter A. Weiss
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager
Gary Ernst, City Treasurer
Michael Blazenski, Interim Director of Financial Services
Frank Quan, Harbor and Beaches Coordinator, Public Works



J.F.Q.

Attachments

1. Resolution of the Board Of Directors Of The Oceanside Small Craft Harbor District authorizing the issuance of Refunding Revenue Bonds, Series 2013 in an aggregate principal amount not to exceed \$2,000,000 and approving the execution and delivery of certain documents in connection therewith
2. Indenture of Trust between the Oceanside Small Craft Harbor District and The Bank of New York Mellon Trust Company, N.A., as Trustee
3. Commitment Letter – Compass Bank

ATTACHMENT 1

RESOLUTION NO. _____

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE OCEANSIDE
SMALL CRAFT HARBOR DISTRICT AUTHORIZING THE ISSUANCE OF
REFUNDING REVENUE BONDS, SERIES 2013 IN AN AGGREGATE
PRINCIPAL AMOUNT NOT TO EXCEED \$2,000,000 AND APPROVING
THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN
CONNECTION THEREWITH**

WHEREAS, the Oceanside Small Craft Harbor District (the "District"), is a small craft harbor district duly organized and existing under and pursuant to the Constitution and laws of the State of California (the "State"); and

WHEREAS, the District entered into a Small Craft Harbor Loan and Operation Contract dated July 20, 1984, with the California Department of Boating and Waterways (the "Department") pursuant to which the Department loaned certain amounts to the District to finance the acquisition and construction of District facilities (the "1984 Agreement"); and

WHEREAS, the District entered into a Small Craft Harbor Loan and Operation Contract dated July 21, 1986, with the Department pursuant to which the Department loaned certain amounts to the District to finance the acquisition and construction of District facilities (the "1986 Agreement"); and

WHEREAS, the District entered into a Small Craft Harbor Loan and Operation Contract dated November 25, 1991, with the Department pursuant to which the Department loaned certain amounts to the District to finance the acquisition and construction of District facilities (the "1991 Agreement," and, together with the 1984 Agreement and the 1986 Agreement, the "State Loans"); and

WHEREAS, pursuant to Government Code Sections 53570 *et seq.* and Section 53582, the District is authorized to issue revenue bonds to refund or prepay any evidence of indebtedness, including the State Loans; and

WHEREAS, this Board has determined that it is in the best interest of the District to issue the Refunding Revenue Bonds, Series 2013 (the "Bonds") to prepay the State Loans and to approve certain documents in connection therewith.

1 NOW, THEREFORE, the Board of Directors of the Oceanside Small Craft Harbor District
2 does resolve as follows:

3 SECTION 1. Each of the above recitals is true and correct.

4 SECTION 2. The issuance by the District of the Bonds in the principal amount not to
5 exceed \$2,000,000 to prepay the State Loans and to pay the cost of issuance thereof is hereby
6 approved.

7 SECTION 3. The President of the Board of Directors, the Chief Administrative Officer,
8 the Secretary, and the Treasurer, or their designees (collectively, the "Authorized Officers"), are
9 hereby authorized and directed to execute and deliver the Bonds to Compass Bank, an Alabama
10 banking corporation (the "Bank") with such changes, insertions and omissions as may be
11 approved by the law firm of Stradling Yocca Carlson & Rauth, a Professional Corporation
12 ("Bond Counsel"), said Authorized Officers' execution being conclusive evidence of such
13 approval, provided that the issuance of the Bonds to prepay the State Loans shall provide at least
14 3.0% net present value savings.

15 SECTION 4. The Indenture of Trust, in substantially the form on file with the District
16 Secretary (the "Indenture"), is hereby approved, subject to final approval as to form by Bond
17 Counsel. The Authorized Officers are hereby authorized and directed to execute and deliver the
18 Indenture with such changes, insertions and omissions as may be recommended by Bond
19 Counsel, said Authorized Officers' execution being conclusive evidence of such approval.

20 SECTION 5. The Secretary or persons as may have been designated by the President are
21 hereby authorized and directed to attest the signature of the Authorized Officers designated herein to
22 execute any documents described herein, and to affix and attest the seal of the District, as may be
23 required or appropriate in connection with the issuance of the Bonds and the execution and delivery
24 of the Indenture.

25 SECTION 6. The Bank of New York Mellon Trust Company, N.A., Los Angeles,
26 California is hereby appointed to act as trustee under the Indenture.

27 SECTION 7. The Authorized Officers are each hereby authorized and directed, jointly and
28 severally, to do any and all things and to execute and deliver any and all documents which each may

1 deem necessary or advisable in order to consummate the issuance of the Bonds, the prepayment of
2 the State Loans, and otherwise to carry out, give effect to and comply with the terms and intent of
3 this Resolution, the Bonds, and the Indenture, including, but not limited to entering into a rate lock or
4 purchase agreement with the Bank, executing contracts with Stradling Yocca Carlson & Rauth, a
5 Professional Corporation, to act as Bond Counsel and BLX Group LLC, to act as Financial Advisor
6 to the District. Such actions heretofore taken by such officers or designees are hereby ratified,
7 confirmed and approved.

8 SECTION 8. Unless otherwise defined herein, all terms used herein and not otherwise
9 defined shall have the meanings given such terms in the Indenture unless the context otherwise
10 clearly requires.

11 SECTION 9. This Resolution shall take effect immediately upon its passage.

12 PASSED AND ADOPTED by the Board of Directors of the Oceanside Small Craft Harbor
13 District, California, this ___ day of _____ 2013, by the following vote:

14 AYES:

15 NAYS:

16 ABSENT:

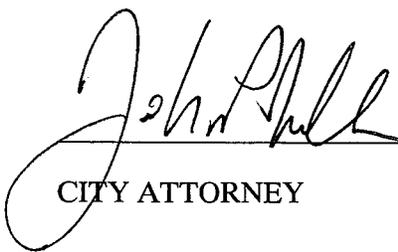
17 ABSTAIN:

18
19 _____
20 PRESIDENT

21
22
23 ATTEST:

24 APPROVED AS TO FORM:

25
26 _____
27 SECRETARY

28

CITY ATTORNEY

ATTACHMENT 2

INDENTURE OF TRUST

Dated as of _____, 2013

By and between

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

and the

OCEANSIDE SMALL CRAFT HARBOR DISTRICT

Relating to

**\$ _____
OCEANSIDE SMALL CRAFT HARBOR DISTRICT
REFUNDING REVENUE BONDS, SERIES 2013**

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST, made and entered into and dated as of _____, 2013 (the "Indenture"), by and between the OCEANSIDE SMALL CRAFT HARBOR DISTRICT, a small craft harbor district duly organized and existing under the laws of the State of California (the "District"), and 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, as trustee hereunder (the "Trustee");

WITNESSETH:

WHEREAS, the District entered into Small Craft Harbor Loan and Operation Contracts with the California Department of Boating and Waterways (the "Department") to loan from the Department certain amounts as provided therein (the "State Loans"); and

WHEREAS, the District has determined that it is in the best interest of the public to prepay all of the outstanding State Loans; and

WHEREAS, the District is authorized by Article 10 and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, including but not limited to Sections 53570 *et seq.* and Section 53583, to issue bonds for the purpose of refunding any evidences of indebtedness of the District; and

WHEREAS, in order to provide for the authentication and delivery of refunding revenue bonds (the "2013 Bonds"), to establish and declare the terms and conditions upon which such 2013 Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and premium, if any, thereon, the District has authorized the execution and delivery of the Indenture; and

WHEREAS, the District has determined that all acts and proceedings required by law necessary to make the 2013 Bonds, when executed by the District, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special obligations of the District, 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;

NOW, THEREFORE, THE INDENTURE WITNESSETH:

GRANTING CLAUSES

The District, 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 2013 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 2013 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 District to the 2013 Bond Owners hereinafter set forth:

GRANTING CLAUSE FIRST

All right, title and interest of the District in and to the Revenues (as 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 District under the Constitution of the State, the Government Code of the State of California and the Indenture 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 District is or may become entitled to do thereunder, subject to the terms hereof.

GRANTING CLAUSE SECOND

All moneys and securities held in funds and accounts of the 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 District 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 NEVERTHELESS, 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 2013 Bonds issued under and secured by the Indenture without privilege, priority or distinction as to the lien or otherwise of any of the 2013 Bonds over any of the other 2013 Bonds;

PROVIDED, HOWEVER, that if the District, 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 2013 Bonds due or to become due thereon, at the times and in the manner provided in the 2013 Bonds according to the true intent and meaning thereof, and shall well and truly keep, perform and observe all 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 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.

THE INDENTURE FURTHER WITNESSETH, and it is expressly declared, that all 2013 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 District 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 2013 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 District, its President, Vice President, Secretary, Chief Administrative Officer, Treasurer or any other person designated as an Authorized Representative of the District by a Certificate of the District signed by its President, Vice President, Secretary, Chief Administrative Officer or Treasurer 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.

Bond Register. The term "Bond Register" means the books which the Trustee shall keep or cause to be kept pursuant to Section 2.05, on which the registration and transfer of the Bonds shall be recorded.

Bonds. The term "Bonds" means all revenue bonds or notes of the District authorized, executed, issued and delivered by the District, the payments of which are payable from Revenues on a parity with the 2013 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 2013 Bonds and ending on August 1, 2014, and each successive one year or, during the last period prior to maturity, shorter period thereafter until there are no Outstanding 2013 Bonds.

Business Day. The term "Business Day" means: (i) 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 (ii) 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 District mean a written certificate, direction, request or requisition signed in the name of the District 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.

Closing Date. The term “Closing Date” means the date on which the 2013 Bonds are delivered to the original purchaser thereof.

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

Contracts. The term “Contracts” means all contracts of the District previously or hereafter authorized and executed by the District, the payments under which are payable from Revenues on a parity with the 2013 Bonds and which are secured by a pledge and lien on Revenues as described in Section 5.01 hereof.

Costs of Issuance. The term “Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, issuance, sale and delivery of the 2013 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 2013 Bonds and any other cost, charge or fee in connection with the original issuance of the 2013 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 District 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 made 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 District 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 District 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 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 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.

Determination of Taxability. The term “Determination of Taxability” means any determination, decision or decree by the Commissioner of Internal Revenue, or any District Director of Internal Revenue, or any court of competent jurisdiction, to the effect that an Event of Taxability shall have occurred; provided, however, that the District shall have the opportunity to take such remedial action necessary to restore the tax-exempt status of the 2013 Bonds. A Determination of Taxability also shall be deemed to have occurred on the date when the District files any statement, supplemental statement, or other tax schedule, return or document, which discloses that an Event of Taxability shall have occurred.

District. The term “District” means the Oceanside Small Craft Harbor District, a small craft harbor district duly organized and existing under and by virtue of the laws of the State.

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

Event of Taxability. The term “Event of Taxability” means, the occurrence of any event which results in the 2013 Bonds becoming an “arbitrage bond” within the meaning of Sections 103(b)(2) and 148 of the Code, and with the result that interest on the 2013 Bonds is or becomes includable in a recipient’s gross income (as defined in Section 61 of the Code); or (b) if as the result of any act, failure to act or any misrepresentation or inaccuracy in any of the representations, warranties or covenants contained in this Indenture by the District the interest on the 2013 Bonds is or becomes includable in a recipient’s gross income (as defined in Section 61 of the Code); and (c) with respect to (a) and (b), the District does not undertake any remedial action afforded to it by the Internal Revenue Service.

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 District.

Gross Up Rate. The term “Gross Up Rate” means an interest rate equal to the interest on the 2013 Bonds plus a rate sufficient such that the total interest to be paid on any Interest Payment Date would, after such interest was reduced by the amount of any federal income tax and state personal income tax (including any interest or penalties) actually payable thereon, equal the amount of interest due with respect to the 2013 Bonds.

Harbor Facilities. The term “Harbor Facilities” means the whole and each and every part of the harbor, wharfs, docks, jetties, and related facilities of the District, including the portion thereof existing on the date hereof, and including all additions, betterments, extensions and improvements to such facilities or any part thereof hereafter acquired or constructed.

Harbor Services. The term “Harbor Services” means the services made available or provided by the Harbor Facilities, including, but not limited to, berthing and slip rentals.

Indenture. The term “Indenture” means the Indenture of Trust, dated as of _____, 2013, by and between the District 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 District, each of whom is independent of the District 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 District and who, or each of whom: (1) is in fact independent and not under domination of the District; (2) does not have any substantial interest, direct or indirect, with the District; and (3) is not connected with the District as an officer or employee thereof, but who may be regularly retained to make reports thereto.

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 February 1, 2014, and each February 1 and August 1 thereafter.

Investment Agreement. The term “Investment Agreement” means an investment agreement by a provider, supported by appropriate opinions of counsel, provided that, without limiting the foregoing, any such Investment Agreement shall: (i) be from a provider rated by S&P or Moody’s at “A-” or “A3”, respectively, or above; (ii) require the District to terminate such agreement and immediately reinvest the proceeds thereof in other Permitted Investments if the rating assigned to the provider by S&P or Moody’s falls to “BBB+” or “Baa1”, respectively, or below; and (iii) expressly permit the withdrawal, without penalty, of any amounts necessary at any time to fund any deficiencies on account of debt service requirements with respect to the 2013 Bonds, together with such amendments as may be approved by the District and the Trustee from time to time.

Letter of Representations. The term “Letter of Representations” means the letter that the District and the Trustee will deliver to the Depository on or prior to delivery of the 2013 Bonds as book-entry bonds setting forth the basis on which the Depository will serve 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 District and the Trustee delivered to and accepted by the Depository.

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 attorney’s fees) incurred in the collection of such proceeds.

1984 Agreement. The term “1984 Agreement” means the Small Craft Harbor Loan and Operation Contract dated July 20, 1984, by and between the District and the Department providing for a loan to the District in the principal amount of \$900,000.

1986 Agreement. The term “1986 Agreement” means the Small Craft Harbor Loan and Operation Contract dated July 21, 1986, by and between the District and the Department providing for a loan to the District in the principal amount of \$4,000,000.

1991 Agreement. The term “1981 Agreement” means the Small Craft Harbor Loan and Operation Contract dated November 25, 1991, by and between the District and the Department providing for a loan to the District in the principal amount of \$2,000,000.

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 principal corporate trust office of the Trustee in Los Angeles, California, or such other or additional offices as may be specified in writing by the Trustee to the District, except that with respect to presentation of 2013

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 costs spent or incurred for maintenance and operation of the Harbor Facilities calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Harbor Facilities in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the Harbor Facilities, 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, consultants or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges (other than Debt Service) required to be paid by it to comply with the terms of the Indenture or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds, but excluding in all cases 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 District) selected by the District. 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 2013 Bonds, means (subject to the provisions of Section 11.09) all 2013 Bonds theretofore or thereupon being authenticated and delivered by the Trustee under the Indenture except: (i) 2013 Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) 2013 Bonds with respect to which all liability of the District shall have been discharged in accordance with Section 10.02, including 2013 Bonds (or portions thereof) described in Section 11.09; and (iii) 2013 Bonds for the transfer or exchange of or in lieu of or in substitution for which other 2013 Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

Owner; 2013 Bond Owner. The term “Owner” or “2013 Bond Owner,” whenever used herein with respect to a 2013 Bond, means Compass Bank, an Alabama banking corporation, or the person in whose name the ownership of such 2013 Bond is registered on the Registration Books.

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 District 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); (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) 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", "AAAm" or "AAAm-G" or better by S&P, including such funds for which the Trustee or an affiliate acts as investment advisor or provides other services; (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.

Rating Agencies. The term "Rating Agencies" means S&P and Moody's.

Rebate Fund. The term "Rebate Fund" means the fund by that name established pursuant to Section 5.08.

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.

Registration Books. The term "Registration Books" means the records maintained by the Trustee for the registration of ownership and registration of transfer of the 2013 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 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 the Indenture.

Revenue Fund. The term “Revenue Fund” means the fund by that name established pursuant to Section 5.01(b).

Revenues. The term “Revenues” means all income, rents, rates, fees, charges or other monies derived from the ownership or operation of the Harbor Facilities, including, without limiting the generality of the foregoing, income for services, facilities and leaseholds provided or located within the District, the earnings on and income derived from the investment of such amounts, and the general unrestricted funds of the District;

but excluding in all cases: (i) customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District; (ii) all income, rents, rates, fees, charges or other moneys derived by the District from operations not related to the Harbor Facilities; (iii) any proceeds of taxes or assessments restricted by law to be used by the District to pay bonds, notes or other indebtedness hereafter issued or which are otherwise not legally available for Debt Service; and (iv) amounts reasonably anticipated to be reimbursed to the District 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).

S&P. The term “S&P” means Standard and Poor’s Ratings Services, 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 District may designate in a Written Request of the District deliver to the Trustee.

Sinking Fund Payment. The term “Sinking Fund Payment” means the annual payment to be made to redeem a portion of the Term Bonds in accordance with the schedule set forth in Section 4.01 hereof and any annual sinking fund payment schedule to retire any Parity Bonds which are designated as Term Bonds.

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

State Loans. The term “State Loans” means the 1984 Agreement, the 1986 Agreement, and the 1991 Agreement.

Supplemental Indenture. The term “Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the District 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 2013 Bonds issued by the District on the date of issuance of the 2013 Bonds, including any and all exhibits attached thereto.

Term Bonds. The term “Term Bonds” means the Bonds maturing on August 1, 20__, and any term maturities of an issue of Parity Bonds as specified in a Supplemental Indenture.

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.

2013 Bonds. The term “2013 Bonds” means the Oceanside Small Craft Harbor District Refunding Revenue Bonds, Series 2013.

Valuation Date. “Valuation Date” means the fifth Business Day preceding the date of redemption.

Value. The term “Value,” which shall be determined as of the end of each month, means that the value of any investments shall be calculated as follows:

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

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

(c) As to any investment not specified above: market value, or, if the market value is not ascertainable by the District or the Trustee, at cost.

Written Consent of the District; Written Order of the District; Written Request of the District; Written Requisition of District. The terms “Written Consent of the District,” “Written Order of the District,” “Written Request of the District” and “Written Requisition of the District” mean, respectively, a written consent, order, request or requisition signed by or on behalf of the District by the President, Chief Administrative Officer, Treasurer or by the Secretary or by any two persons (whether or not members of the Board of Directors) who are specifically authorized by resolution of the District 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: (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person he has made or caused to be made such examination or investigation as is necessary to enable him to

express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (4) a statement of the assumptions upon which such certificate or opinion is based, and that such assumptions are reasonable; and (5) 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 District 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 District) upon a certificate or opinion of or representation by an officer of the District, 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 District, 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 2013 BONDS

Section 2.01. Authorization of 2013 Bonds. The District hereby authorizes the issuance hereunder from time to time of the 2013 Bonds, which shall constitute special obligations of the District, for the purpose of prepaying all of the outstanding State Loans. The 2013 Bonds are hereby designated the "Oceanside Small Craft Harbor District Refunding Revenue Bonds, Series 2013" in the aggregate principal amount of [\$_____]. The Indenture constitutes a continuing agreement with the Owners from time to time of the 2013 Bonds to secure the full payment of the principal of

and interest and premium (if any) on all the 2013 Bonds, subject to the covenants, provisions and conditions herein contained.

Section 2.02. Terms of the 2013 Bonds. The 2013 Bonds shall consist of one Term Bond maturing on August 1, 2023, which shall be initially issued in the form of a single certificated fully registered Bond, and the ownership of such Bond shall be registered in the Bond Register in the name of the Owner in the amount of [\$ _____], and thereafter in a single denomination reflecting the outstanding principal amount of the Bonds.

The District and the Trustee may treat and consider the person in whose name each 2013 Bond is registered in the Bond Register as the holder and absolute owner of such 2013 Bond for the purpose of payment of principal, premium, if any, and interest on such 2013 Bond, for the purpose of giving notices of redemption and other matters with respect to such 2013 Bond, for the purpose of registering transfers with respect to such 2013 Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the District's obligations with respect to payment of principal of, premium, if any, and interest on the 2013 Bonds to the extent of the sum or sums so paid. No person other than an Owner shall receive a certificated 2013 Bond evidencing the obligation of the District to make payments of principal, premium, if any, and interest pursuant to this Indenture.

Interest on the 2013 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 2013 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 2013 Bonds shall be payable in lawful money of the United States of America.

Each 2013 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 January 15, 2014, 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 2013 Bond, interest thereon is in default, such 2013 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 2013 Bonds shall be calculated on the basis of a 360 day year composed of twelve 30 day months.

Section 2.03. Transfer of 2013 Bonds. The registration of any 2013 Bond may, in accordance with its terms, be transferred upon the Bond Register by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such 2013 Bond for cancellation at the Office of the Trustee, accompanied by delivery of a written instrument of transfer

in a form acceptable to the Trustee and duly executed by the 2013 Bond Owner or his or her duly authorized attorney. **Notwithstanding the foregoing, a 2013 Bond Owner may only transfer the 2013 Bonds so long as all Outstanding Bonds are transferred together to a new 2013 Bond Owner who has delivered an Investor Letter (in the form attached as Exhibit B hereto) to the District.** Pursuant to Section 3.02, the 2013 Bonds are issuable only in a denomination equal to the total outstanding principal amount thereof. Thereafter, the 2013 Bonds are transferable in such single denomination, and therefore only a single certificated 2013 Bond is expected to be outstanding at any time.

Whenever any 2013 Bonds shall be surrendered for transfer, the District shall execute and the Trustee shall authenticate and shall deliver a new 2013 Bond or 2013 Bonds of authorized denomination or denominations for a like series and aggregate principal amount of the same maturity. The Trustee shall require the 2013 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 2013 Bonds, the Trustee will cancel and destroy the 2013 Bonds it has received.

Section 2.04. Exchange of 2013 Bonds. 2013 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 2013 Bond during the period in which the Trustee is selecting 2013 Bonds for redemption and any 2013 Bond that has been selected for redemption. The Trustee shall require the 2013 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 2013 Bonds, the Trustee will cancel and destroy the 2013 Bonds 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 2013 Bonds, which shall upon reasonable notice and at reasonable times be open to inspection during regular business hours by the District 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 2013 Bonds as hereinbefore provided.

The person in whose name any 2013 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 of by such 2013 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 2013 Bond to the extent of the sum or sums so paid.

Section 2.06. Form and Execution of 2013 Bonds. The 2013 Bonds shall be in substantially the form set forth in Exhibit A hereto. The 2013 Bonds shall be executed in the name and on behalf of the District with the manual or facsimile signature of its President. The 2013 Bonds may carry a seal, and such seal may be in the form of a facsimile of the District's seal and may be reproduced, imprinted or impressed on the 2013 Bonds. The 2013 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 2013 Bonds shall cease to be such officer or officers of the District before the 2013 Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the District, such 2013 Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the District as though those who signed and attested the same had continued to be such officers of the District, and also any 2013 Bonds may be signed and attested on behalf of the District by such persons as at the actual date of execution of

such 2013 Bonds shall be the proper officers of the District although at the nominal date of such 2013 Bonds any such person shall not have been such officer of the District.

Only such of the 2013 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 2013 Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of the Indenture.

Section 2.07. 2013 Bonds Mutilated, Lost, Destroyed or Stolen. If any 2013 Bond shall become mutilated, the District, at the expense of the Owner of said 2013 Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2013 Bond of like tenor, series and authorized denomination in exchange and substitution for the 2013 Bonds so mutilated, but only upon surrender to the Trustee of the 2013 Bond so mutilated. Every mutilated 2013 Bond so surrendered to the Trustee shall be canceled by it and upon the Written Request of the District delivered to, or upon the order of, the District. If any 2013 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 District, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2013 Bond of like tenor, series and authorized denomination in lieu of and in substitution for the 2013 Bond so lost, destroyed or stolen (or if any such 2013 Bond shall have matured or shall be about to mature, instead of issuing a substitute 2013 Bond, the Trustee may pay the same without surrender thereof). The District may require payment by the Owner of a sum not exceeding the actual cost of preparing each new 2013 Bond issued under this Section and of the expenses which may be incurred by the District and the Trustee in the premises. Any 2013 Bond issued under the provisions of this Section in lieu of any 2013 Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the District whether or not the 2013 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 2013 Bonds secured by the Indenture. Notwithstanding any other provision of this Section, in lieu of delivering a new 2013 Bond for a 2013 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 2013 Bond upon receipt of indemnity satisfactory to the Trustee.

Section 2.08. Book Entry System.

(a) Election of Book Entry System. The 2013 Bonds shall initially be delivered as registered Bonds in the name of the Owner and shall not be delivered as book-entry Bonds. The District, with the written consent of the Owner, may elect to have 2013 Bonds registered through a book-entry system. If the District shall elect to deliver any 2013 Bonds in book-entry, then the District shall cause the delivery of a separate single fully registered 2013 Bond (which may be typewritten) for each maturity date of such 2013 Bonds in an authorized denomination corresponding to that total principal amount of the 2013 Bonds designated to mature on such date. Upon such delivery, the ownership of each such 2013 Bonds shall be registered in the Bond Register in the name of the Nominee, as nominee of the Depository, and ownership of the 2013 Bonds, or any portion thereof, may not thereafter be transferred except as provided in Section 2.08(e). If the District shall elect to deliver any 2013 Bonds in book-entry form, then the District shall cause the delivery of a separate single fully registered bond (which may be typewritten) for each maturity date of such 2013

Bonds in an authorized denomination corresponding to that total principal amount of the 2013 Bonds designated to mature on such date.

With respect to book-entry 2013 Bonds, the District 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 2013 Bonds. Without limiting the immediately preceding sentence, the District 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 2013 Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the 2013 Bond Registration Books, of any notice with respect to book-entry 2013 Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book-entry 2013 Bonds to be redeemed in the event that the District redeems the 2013 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 2013 Bonds. The District and the Trustee may treat and consider the person in whose name each book-entry 2013 Bond is registered in the 2013 Bond Registration Books as the absolute Owner of such book-entry 2013 Bond for the purpose of payment of principal of, premium and interest on such 2013 Bond, for the purpose of giving notices of redemption and other matters with respect to such 2013 Bond, for the purpose of registering transfers with respect to such 2013 Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the 2013 Bonds only to or upon the order of the respective Owner, as shown in the 2013 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 District's obligations with respect to payment of principal of, premium, if any, and interest on the 2013 Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the 2013 Bond Registration Books, shall receive a 2013 Bond evidencing the obligation to make payments of principal of, premium, if any, and interest on the 2013 Bonds. Upon delivery by the Depository to the District 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 2013 Bonds for the Depository's book-entry system, the District 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 District or the Trustee any obligation whatsoever with respect to persons having interests in such book-entry 2013 Bonds other than the Owners, as shown on the 2013 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 District and the Trustee shall take such other actions, not inconsistent with the Indenture, as are reasonably necessary to qualify book-entry 2013 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 2013 Bonds; or (ii) the District determines that continuation of the book-entry system is not in the best interest of the beneficial owners of the 2013 Bonds or the District, then the District will discontinue the book-entry system with the Depository. If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or direct the preparation of a new single, separate, fully

registered 2013 Bond for each of the maturity dates of such book-entry 2013 Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (e) hereof. If the District fails to identify another qualified securities depository to replace the Depository, then the 2013 Bonds shall no longer be restricted to being registered in such 2013 Bond Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such 2013 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 2013 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 2013 Bond and all notices with respect to such 2013 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 2013 Bonds to Substitute Depository.

(i) The 2013 Bonds shall be initially issued as provided in Section 2.01 hereof. If the 2013 Bonds are held in book-entry form, registered ownership of such 2013 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) (“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 District 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 District 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 clause (A) or clause (B) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding 2013 Bonds by the Trustee, together with a Written Request of the District to the Trustee designating the Substitute Depository, a single new 2013 Bond, which the District shall prepare or cause to be prepared, shall be issued for each maturity of 2013 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 District. In the case of any transfer pursuant to clause (C) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding 2013 Bonds by the Trustee, together with a Written Request of the District to the Trustee, new 2013 Bonds, which the District 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 District, subject to the limitations of Section 2.02 hereof,

provided that the Trustee shall not be required to deliver such new 2013 Bonds within a period of less than sixty (60) days from the date of receipt of such Written Request from the District.

(iii) In the case of a partial redemption or an advance refunding of any 2013 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 2013 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 2013 Bonds shall be controlling.

(iv) The District and the Trustee shall be entitled to treat the person in whose name any 2013 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 District; and the District and the Trustee shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the 2013 Bonds. Neither the District 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 2013 Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the 2013 Bonds.

ARTICLE III

ISSUANCE OF 2013 BONDS; APPLICATION OF PROCEEDS

Section 3.01. Issuance of the 2013 Bonds. At any time after the execution of the Indenture, the District may execute and the Trustee shall authenticate and, upon Written Request of the District, deliver the 2013 Bonds in the aggregate principal amount of [\$_____].

Section 3.02. Denominations of Bonds. The 2013 Bonds shall be issued as fully registered Bonds initially in a single denomination of \$[_____] and thereafter in a single denomination reflecting the outstanding principal amount of the 2013 Bonds.

Section 3.03. Application of Proceeds of the 2013 Bonds. The proceeds received from the sale of the 2013 Bonds, other than the amount of [\$_____], which shall be transferred directly to the [District] in connection with the prepayment of the State Loans, shall be deposited with the Trustee, who shall deposit the sum of [\$_____] into the Costs of Issuance Fund. The Trustee may establish a fund or account in its records to record and facilitate such deposits and transfer.

Section 3.04. 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 Requisitions of the District 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. On the six month anniversary of the issuance of the 2013 Bonds, or upon the earlier Written Request of the District, 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 5.07 hereof.

Section 3.05. Validity of 2013 Bonds. The validity of the authorization and issuance of the 2013 Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the District or the Trustee with respect to any other agreement. The recital contained in the 2013 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 2013 BONDS

Section 4.01. Terms of Redemption.

(a) No Optional Redemption. The 2013 Bonds are not subject to optional redemption prior to their stated maturity dates.

(b) [Reserved]

(c) Mandatory Sinking Fund Redemption of Bonds. The Bonds shall be subject to mandatory sinking fund redemption prior to maturity, in part, on August 1, 2014, and on each August 1 thereafter, from sinking fund payments, at a redemption price equal to the principal amount of Bonds to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

2023 Term Bond

<i>Redemption Date (August 1)</i>	<i>Redemption Amount</i>
2014	
2015	
2016	
2017	
2018	
2019	
2020	
2021	
2022	
2023 (maturity)	

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 and any other amounts (including proceeds of the sale of the 2013 Bonds) held

in any fund or account established pursuant to the Indenture (except the Rebate Fund) are hereby irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the 2013 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 2013 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 2013 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 District, irrespective of whether such parties have notice hereof.

(b) In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants that all Revenues shall be received by the District in trust hereunder and shall be deposited when and as received in a special fund designated as the "Revenue Fund," which fund is hereby established and which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as the 2013 Bonds and any Contracts or Debt Service on Bonds remain unpaid. Moneys in the Revenue Fund shall be used and applied by the District 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.

All moneys in the Revenue Fund shall be set aside by the District 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 fifth Business Day prior to each Interest Payment Date, the District shall, from the moneys in the Revenue Fund, transfer to the Trustee for deposit in the Payment Fund the payments of interest and principal on the 2013 Bonds due and payable on such Interest Payment Date, including any Sinking Fund Payments. The District 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. On or before each Interest Payment Date the District 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) Operation and Maintenance Costs. Moneys on deposit in the Revenue Fund on any date when the District reasonably expects such money not to be needed pursuant to clauses (b)(i) or (b)(ii) shall be used to 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.

(iv) Surplus. Moneys on deposit in the Revenue Fund on any date when the District 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), (b)(ii) or (b)(iii) may be expended by the District at any time for any purpose permitted by law.

(v) Investments. All moneys held by the District 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 2013 Bonds remain unpaid. Except as directed herein, all payments of interest and principal on the 2013 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 2013 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 2013 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 2013 Bonds then Outstanding.

(b) Not later than the Business Day preceding each date on which the principal of or Sinking Fund Payment on the 2013 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 and Sinking Fund Payment amount on the 2013 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 2013 Bonds then Outstanding.

Section 5.03. [Reserved]

Section 5.04. 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 2013 Bonds as it shall become due and payable (including accrued interest on any 2013 Bonds accelerated prior to maturity pursuant to the Indenture).

Section 5.05. 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 2013 Bonds at maturity, mandatory sinking fund redemption, purchase or acceleration.

Section 5.06. [Reserved]

Section 5.07. 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 District pursuant to a Written Request of the District 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 District, 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 District specifying a specific money market fund and, if no such written direction from the District 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 District. 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 5.07.

The District acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder.

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 District 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 5.08. Rebate Fund.

(a) Establishment. The Trustee shall establish a fund for the 2013 Bonds designated the "Rebate Fund." Absent an opinion of Bond Counsel that the exclusion from gross

income for federal income tax purposes of interest on the 2013 Bonds will not be adversely affected, the District 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 2013 Bonds shall be governed by this Section and the Tax Certificate, unless and to the extent that the District delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the 2013 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 District; and (ii) shall have no liability or responsibility to enforce compliance by the District with the terms of the Tax Certificate; and (iii) may rely conclusively on the District'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 District'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 District 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 District 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 District, an amount shall be deposited to the Rebate Fund by the Trustee from any Revenues legally available for such purpose (as specified by the District 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 District, 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 District, 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 the 2013 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 District 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 District), 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 2013 Bonds and the payments described in subsection (a) above being made may be withdrawn by the District and utilized in any manner by the District.

(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 2013 Bonds.

Section 5.09. Application of Funds and Accounts When No 2013 Bonds are Outstanding. On the date on which all 2013 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 District for use by the District at any time for any purpose permitted by law.

ARTICLE VI

PARTICULAR COVENANTS

Section 6.01. Punctual Payment. The District shall punctually pay or cause to be paid the principal and interest to become due in respect of all of the 2013 Bonds, in strict conformity with the terms of the 2013 Bonds and of the Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in the Indenture.

Section 6.02. Extension of Payment of 2013 Bonds. The District shall not directly or indirectly extend or assent to the extension of the maturity of any of the 2013 Bonds or the time of payment of any claims for interest by the purchase of such 2013 Bonds or by any other arrangement, and in case the maturity of any of the 2013 Bonds or the time of payment of any such claims for interest shall be extended, such 2013 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 for the principal of all of the 2013 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 District to issue Bonds for the purpose of refunding any Outstanding 2013 Bonds, and such issuance shall not be deemed to constitute an extension of maturity of 2013 Bonds.

Section 6.03. Against Encumbrances. The District will not make any pledge of or place any lien on Revenues or the moneys in the Revenue Fund except as provided herein. The District may at any time, or from time to time, execute Contracts or issue Bonds as permitted herein. The District 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. The District shall not execute, deliver, or issue any obligation payable from Revenues senior to the 2013 Bonds.

Section 6.04. Power to Issue 2013 Bonds and Make Pledge and Assignment. The District is duly authorized pursuant to law to issue the 2013 Bonds and 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 2013 Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the District in accordance with their terms, and the District 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 2013 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 2013 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 District upon reasonable prior notice during business hours and under reasonable circumstances.

(b) The District will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to its Harbor Facilities, 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.

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 2013 Bonds will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income with respect to the 2013 Bonds and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District will take no action or refrain from taking any action or make any use of the proceeds of the 2013 Bonds or of any other moneys or property which would cause the 2013 Bonds to be “private activity bonds” within the meaning of Section 141 of the Code;

(b) Arbitrage. The District will make no use of the proceeds of the 2013 Bonds or of any other amounts or property, regardless of the source, or take any action or refrain from taking any action which will cause the 2013 Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

(c) Federal Guarantee. The District will make no use of the proceeds of the 2013 Bonds or take or omit to take any action that would cause the 2013 Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code;

(d) Information Reporting. The District 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 2013 Bonds pursuant to Section 103(a) of the Code;

(e) Hedge Bonds. The District will make no use of the proceeds of the 2013 Bonds or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the 2013 Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District 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 2013 Bonds for federal income tax purposes; and

(f) Miscellaneous. The District will take no action or refrain from taking any action inconsistent with its expectations stated in the Tax Certificate executed by the District in connection with the issuance of the 2013 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 District from causing the Trustee to issue revenue bonds or to execute and deliver contracts payable on a parity with the 2013 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 District 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 2013 Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the District to the extent permitted by law.

Section 6.08. Further Assurances. The District 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 2013 Bonds of the rights and benefits provided in the Indenture.

Section 6.09. Budgets. On or prior to the thirtieth day of each Fiscal Year, the District shall certify to the Trustee that the amounts budgeted for payment of the principal of and interest on the 2013 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 2013 Bonds due under the Indenture, the District 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 District in the then ensuing Fiscal Year for the payment of the principal of and interest on the 2013 Bonds due under the Indenture and will notify the Trustee of the proceedings then taken or proposed to be taken by the District.

Section 6.10. Observance of Laws and Regulations. To the extent necessary to assure its performance hereunder, the District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on the District 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 District, 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 District 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 District to pay principal of or interest on the 2013 Bonds.

Section 6.12. Prosecution and Defense of Suits. The District shall promptly, upon request of the Trustee or any 2013 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 Harbor Facilities 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 2013 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 District 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 2013 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 2013 Bonds or involving the rights of the Trustee or any 2013 Bond Owner under the Indenture; provided that the Trustee or any 2013 Bond Owner at such party's election may appear in and defend any such suit, action or proceeding. The District shall indemnify and hold harmless the Trustee and the 2013 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 2013 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 2013 Bonds. The District shall promptly reimburse any 2013 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 2013 Bonds, provided that such litigation shall be concluded favorably to such party's contentions therein.

Section 6.13. Financial Reporting. So long as the 2013 Bonds remain Outstanding, the District shall provide the Owner with: (1) within 240 days of the end of each Fiscal Year, an annual audited financial statement prepared in accordance with generally accepted accounting principles as promulgated to apply to government entities from time to time by the Governmental Accounting Standards Board; (2) within 30 days of the end of each Fiscal Year, an annual operating budget approved by the Board of Directors of the District; and (3) notice of any default of any obligation of the District, material litigation, and material governmental proceedings which may affect the pledge of the Revenues to the payment of principal and interest on the 2013 Bonds as provided hereunder. All information required to be provided by the District pursuant to this Section 6.13 may be furnished to the Trustee or to the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board.

So long as the 2013 Bonds are owned by Compass Bank, an Alabama banking corporation, the District shall provide such additional information to the Owner as the Owner may from time to time reasonably request.

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

the most recent audited Fiscal Year preceding the date of the execution of such Contract or the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year to increases or decreases in rates and charges for the Harbor Service approved and in effect as of the date of calculation, as evidenced by a calculation prepared by the District, shall have produced a sum equal to at least two hundred percent (200%) of the Debt Service for such Fiscal Year plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year assuming such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year, plus the Debt Service which would have accrued had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year; and

Notwithstanding the foregoing, Bonds or Contracts may be issued or incurred to refund outstanding Bonds or Contracts if, after giving effect to the application of the proceeds thereof, total Debt Service will not be increased more than five percent (5%) in any Fiscal Year in which Bonds or Contracts (outstanding on the date of issuance or incurrence of such refunding Bonds or Contracts, but excluding such refunding Bonds or Contracts) not being refunded are outstanding.

Section 6.15. Against Sale or Other Disposition of Property. The District will not enter into any agreement or lease which impairs the operation of the Harbor Facilities or any part thereof necessary to secure adequate Revenues for the payment of the principal of and interest on the 2013 Bonds, or which would otherwise impair the operation of the Harbor Facilities. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Harbor Facilities, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the District to pay the principal of and interest on the 2013 Bonds and if the proceeds of such sale are deposited in the Revenue Fund.

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

Section 6.16. Against Competitive Facilities. To the extent that it can so legally obligate itself, the District 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 District any facilities competitive with the Harbor Facilities.

Section 6.17. Maintenance and Operation of the Harbor Facilities. The District will maintain and preserve the Harbor Facilities in good repair and working order at all times and will operate the Harbor Facilities 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 District 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 District pledged to pay the principal of or interest on the 2013 Bonds or to the Owners prior or superior to the lien under the Indenture.

Section 6.19. Insurance.

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

In the event of any damage to or destruction of the Harbor Facilities 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 Harbor Facilities. The District 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 Harbor Facilities shall be free and clear of all claims and liens.

(b) The District will procure and maintain such other insurance as it shall deem advisable or necessary to protect its interests and the interests of the 2013 Bond Owners, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal facilities similar to the Harbor Facilities.

(c) Any insurance required to be maintained by paragraph (a) above and, if the District 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 facilities similar to the Harbor Facilities and is, in the opinion of an accredited actuary, actuarially sound.

Section 6.20. Payment of Taxes and Compliance with Governmental Regulations. The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Harbor Facilities, or any part thereof or upon the Revenues when the same shall become due. The District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Harbor Facilities, or any part thereof, but the District 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. To the fullest extent permitted by law, the District shall fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Harbor Facilities which are reasonably expected to be at least sufficient to yield during each Fiscal Year Revenues equal to two hundred percent (200%) of the Debt Service for such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of this Section.

Section 6.22. Collection of Rates and Charges. The District will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Harbor Facilities 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 Harbor Facilities shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If: (1) the District files with the Trustee a certificate showing: (i) the estimated loss of annual Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings; (ii) a general description of the additions, betterments, extensions or improvements to the Harbor Facilities proposed to be acquired and constructed by the District from such Net Proceeds; and (iii) an estimate of the additional annual Revenues to be derived from such additions, betterments, extensions or improvements; and (2) the District, on the basis of such certificate filed with the Trustee, determines that the estimated additional annual Revenues will sufficiently offset the estimated loss of annual Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the District 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 District 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 toward the retirement of the 2013 Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of 2013 Bonds then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 6.24. Enforcement of Contracts. The District 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 District to pay principal of and interest on the 2013

Section 6.25. Payments Upon Determination of Taxability. Upon the occurrence of a Determination of Taxability, the District shall, with respect to future payments of interest and principal on the 2013 Bonds, make additional payments resulting from the application of the Gross Up Rate thereto directly to the Owner equal to the difference between the interest on the 2013 Bonds calculated at the interest rate provided in this Indenture and the interest on the 2013 Bonds calculated at the Gross Up Rate. In addition, the District shall make immediately upon demand of the Owner an additional payment to the Owner sufficient to indemnify the Owner for any prior interest payments determined to be taxable as a consequence of a Determination of Taxability such that the taxable prior interest payments will be calculated at the Gross Up Rate instead of the interest rate set forth in this Indenture.

All such additional payments to be paid hereunder shall be paid when due directly by the District to the respective parties to whom such additional payments are owing.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF 2013 BOND OWNERS

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

(a) Default by the District in the due and punctual payment of the principal of any 2013 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 District in the due and punctual payment of any installment of interest on any 2013 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 District in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the 2013 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 District by the Trustee or by the Owners of not less than a majority in aggregate principal amount of 2013 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 District the default stated in the notice can be corrected, but not within such sixty (60) day period and corrective action is instituted by the District 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 District 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 if a court of competent jurisdiction shall approve a petition filed with or without the consent of the District 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 District 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 2013 Bonds at the time Outstanding, shall, in each case, upon notice in writing to the District, declare the principal of all of the 2013 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 2013 Bonds contained to the contrary notwithstanding.

Nothing contained herein shall permit or require the Trustee to accelerate payments due under the Indenture if the District 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 District shall deposit with the Trustee a sum sufficient to pay all the principal of and installments of interest on the 2013 Bonds payment of which is overdue, with interest on such

overdue principal at the rate borne by the respective 2013 Bonds to the extent permitted by law, and the reasonable charges 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 2013 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 2013 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 2013 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 the principal of and interest then due on the 2013 Bonds (upon presentation of the 2013 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 2013 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;

Second: To the payment to the persons entitled thereto of the unpaid principal of any 2013 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 [five percent (5%) per annum], and, if the amount

available shall not be sufficient to pay in full all the 2013 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: To the payment of Operation and Maintenance Costs.

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

Section 7.04. Trustee to Represent 2013 Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the 2013 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 2013 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 2013 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 2013 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 2013 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 2013 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 2013 Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the 2013 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 2013 Bonds, subject to the provisions of the Indenture.

Section 7.05. 2013 Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the 2013 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 2013 Bond Owners not parties to such direction.

Section 7.06. Suit by Owners. No Owner of any 2013 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 2013 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 2013 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 2013 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 2013 Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of 2013 Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of 2013 Bonds, or to enforce any right under the 2013 Bonds, the Indenture, or applicable law with respect to the 2013 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 2013 Bonds, subject to the provisions of the Indenture.

Section 7.07. Absolute Obligation of the District. Nothing in this Section 7.07 or in any other provision of the Indenture or in the 2013 Bonds shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the 2013 Bonds to the respective Owners of the 2013 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 2013 Bonds.

Section 7.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the 2013 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 2013 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 District may remove the Trustee at any time, 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 2013 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 District and by giving the 2013 Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books. Upon receiving such notice of resignation, the District 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 2013 Bond Owner (on behalf of himself and all other 2013 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 District and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the District or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under 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 District 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 District 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 2013 Bonds and to the 2013 Bond Owners at the addresses shown on the Registration Books. If the District 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 District.

(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 2013 Bonds shall be taken as statements of the District, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture or the 2013 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 2013 Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the 2013 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 2013 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 2013 Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the 2013 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 2013 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 District or the Owners of not less than fifty percent (50%) of the 2013 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 District of any of the terms, conditions, covenants or agreements herein of any of the documents executed in connection with the 2013 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 2013 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 enforced delay (“unavoidable 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 Harbor Facilities, 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 agrees to accept and act upon instructions or directions pursuant to the Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. 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 instructions conflict or are inconsistent with a subsequent written instruction. The District agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions 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.

(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 Trustee shall be under no obligation to exercise any of the rights or powers vested in it hereby at the request, order or direction of any of the Owners pursuant to the provisions hereof unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

(p) 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 District, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the 2013 Bonds appearing in the Trustee's Registration Books as the absolute owners of the 2013 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 District, 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 received by the Trustee under the provisions of the Indenture shall be retained in their respective possession and shall be subject at all reasonable times to the inspection of the District and any 2013 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 District 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 District 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 District under this Section 8.06 shall survive removal or resignation of the Trustee hereunder or the discharge of the 2013 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 District and of the Owners of the 2013 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 District and the Trustee may enter into when the written consent of the Owners of a majority in aggregate principal amount of all 2013 Bonds then Outstanding, exclusive of 2013 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 2013 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 2013 Bond so affected; or (2) reduce the aforesaid percentage of 2013 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 2013 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 2013 Bonds then Outstanding. It

shall not be necessary for the consent of the 2013 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 District 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 the Owners of the 2013 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) [Reserved]

(c) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by 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 2013 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 District, the Trustee and all Owners of 2013 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 2013 Bonds; Preparation of New 2013 Bonds. 2013 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 District 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 2013 Bonds Outstanding at the time of such execution and presentation of his or her 2013 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 2013 Bonds. If the Supplemental Indenture shall so provide, new 2013 Bonds so modified as to conform, in the opinion of the District and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the District and authenticated by the Trustee, and upon demand on the Owners of any 2013 Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any 2013 Bond Owner, for 2013 Bonds then Outstanding, upon surrender for cancellation of such 2013 Bonds, in equal aggregate principal amount of the same maturity.

Section 9.04. Amendment of Particular 2013 Bonds. The provisions of this Article shall not prevent any 2013 Bond Owner from accepting any amendment as to the particular 2013 Bonds held by him.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Indenture. The 2013 Bonds may be paid by the District in any of the following ways, provided that the District also pays or causes to be paid any other sums payable hereunder by the District:

(a) by paying or causing to be paid the principal of and interest and redemption premiums (if any) on the 2013 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 2013 Bonds then Outstanding; or

(c) by delivering to the Trustee, for cancellation by it, all of the 2013 Bonds then Outstanding.

If the District shall also pay or cause to be paid all other sums payable hereunder by the District, then and in that case, at the election of the District (as evidenced by a Certificate of the District, filed with the Trustee, signifying the intention of the District to discharge all such indebtedness and the Indenture), and notwithstanding that any 2013 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 District under the Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the District, the Trustee shall execute and deliver to the District all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, 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 2013 Bonds not theretofore surrendered for such payment or redemption to the District.

Section 10.02. Discharge of Liability on 2013 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 2013 Bonds (whether upon or prior to the maturity or the date of redemption of such 2013 Bonds), provided that, if such Outstanding 2013 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 District in respect of such 2013 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 District may at any time surrender to the Trustee for cancellation by it any 2013 Bonds previously issued and delivered, which the District may have acquired in any manner whatsoever, and such 2013 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 2013 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 2013 Bonds and all unpaid interest thereon to maturity, except that, in the case of 2013 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 2013 Bonds and all unpaid interest and premium, if any, thereon to the date of redemption; 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 District and the Trustee, provide money sufficient to pay the principal of and all unpaid interest to maturity, or to the date of redemption (with premium, if any), as the case may be, on the 2013 Bonds to be paid or redeemed, as such principal, interest and premium, if any, become due, provided that in the case of 2013 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 District) to apply such money to the payment of such principal, interest and premium, if any, with respect to such 2013 Bonds; and (ii) the District shall have delivered to the Trustee an opinion of Bond Counsel addressed to the District and the Trustee to the effect that such 2013 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 2013 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 2013 Bonds and remaining unclaimed for two (2) years after the principal of all of the 2013 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 2013 Bonds became due and payable, shall be repaid to the District free from the trusts created by the Indenture upon receipt of an indemnification agreement acceptable to the District and the Trustee indemnifying the Trustee with respect to claims of Owners of 2013 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 District as aforesaid, the Trustee shall at the written direction of the District (at the cost of the District) first mail to the Owners of 2013 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 2013 Bonds so payable and not presented and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Liability of District Limited to Revenues. Notwithstanding anything in the Indenture or the 2013 Bonds, but subject to the priority of payment with respect to Operation and Maintenance Costs, the District 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 in the Indenture mentioned, whether for the payment of the principal of or interest on the 2013 Bonds or for any other purpose of the Indenture. Nevertheless, the District may, but shall not be required to, advance for any of the purposes hereof any funds of the District which may be made available to it for such purposes.

The obligation of the District to pay interest and principal on the 2013 Bonds is a special obligation of the District payable solely from the Revenues, and does not constitute a debt of the District or of the State or of any political subdivision thereof (other than the District) in contravention of any constitutional or statutory debt limitation or restriction.

Section 11.02. Representations and Warranties of the District. The District represents and warrants to the Owner that, as of the date hereof and the Closing Date:

(a) There are no legal or governmental proceedings or litigation pending or, to the best knowledge of the District, threatened or contemplated (nor is there any basis therefore) wherein an unfavorable decision, ruling, or finding might adversely affect the issuance sale or delivery of the 2013 Bonds.

(b) The District has never non-appropriated or defaulted under any of its payment or performance obligations or covenants under any of its bonds, notes, or other obligations of indebtedness for which its revenues or general credit are pledged.

(c) There has been no material adverse change in the financial condition of the District since June 30, 2012.

(d) The District has designated the 2013 Bonds as “qualified tax-exempt obligations,” in accordance with Section 265 of the Code.

Section 11.03. Successor Is Deemed Included in All References to Predecessor. Whenever in the Indenture either the District or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in the Indenture contained by or on behalf of the District or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.04. Limitation of Rights to Parties and 2013 Bond Owners. Nothing in the Indenture or in the 2013 Bonds expressed or implied is intended or shall be construed to give to any person other than the District, the Trustee and the Owners of the 2013 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 District, the Trustee and the Owners of the 2013 Bonds.

Section 11.05. 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 11.06. Destruction of 2013 Bonds. Whenever in the Indenture provision is made for the cancellation by the Trustee and the delivery to the District of any 2013 Bonds, the Trustee shall destroy such 2013 Bonds as may be allowed by law, and deliver a certificate of such destruction to the District.

Section 11.07. Severability of Invalid Provisions. If any one or more of the provisions contained in the Indenture or in the 2013 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 District 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 2013 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 11.08. Notices. Any notice to or demand upon the District, the Trustee, or the Owner shall be deemed to have been sufficiently given or served for all purposes by being sent by facsimile or email or by being deposited, first class mail, postage prepaid, in a post office letter box, addressed, as the case may be, to the District at Oceanside Small Craft Harbor District, 300 North Coast Highway, Oceanside, California 92054, Attention: [Clerk] (or such other address as may have been filed in writing by the District with the Trustee), to the Trustee at The Bank of New York Mellon Trust Company, N.A., 400 South Hope Street, Suite 400, Los Angeles, California 90071, Attention: Corporate Trust Department, or to the Owner at Compass Bank, [2850 East Camelback Road, Suite 140, Phoenix, Arizona 85016]. 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 11.09. Evidence of Rights of 2013 Bond Owners. Any request, consent or other instrument required or permitted by the Indenture to be signed and executed by 2013 Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such 2013 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 2013 Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and the District if made in the manner provided in this Section.

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

or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

Ownership of 2013 Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any 2013 Bond shall bind every future Owner of the same 2013 Bond and the Owner of every 2013 Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the District in accordance therewith or reliance thereon.

Section 11.10. Disqualified 2013 Bonds. In determining whether the Owners of the requisite aggregate principal amount of 2013 Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, 2013 Bonds which are known by the Trustee to be owned or held by or for the account of the District, or by any other obligor on the 2013 Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District or any other obligor on the 2013 Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. 2013 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 2013 Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the District or any other obligor on the 2013 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 District shall certify to the Trustee those 2013 Bonds that are disqualified pursuant to this Section 11.09 and the Trustee may conclusively rely on such certificate.

Section 11.11. Money Held for Particular 2013 Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular 2013 Bonds (or portions of 2013 Bonds in the case of registered 2013 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 2013 Bonds entitled thereto, subject, however, to the provisions of Section 10.04 hereof but without any liability for interest thereon.

Section 11.12. 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 2013 Bonds and the rights of every Owner thereof.

Section 11.13. Waiver of Personal Liability. No member, officer, agent, employee, consultant or attorney of the District shall be individually or personally liable for the payment of the principal of or premium or interest on the 2013 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 11.14. 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 District and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

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

Section 11.16. [Reserved]

IN WITNESS WHEREOF, the District has caused the Indenture to be signed in its name by its President, and the Trustee, in token of its acceptance of the trusts 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.

OCEANSIDE SMALL CRAFT HARBOR DISTRICT

By: _____
Its: President

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

By: _____
Its: Authorized Officer

EXHIBIT A
FORM OF 2013 BOND

No. _____

\$ _____

THE REGISTERED OWNER OF THIS BOND ACKNOWLEDGES AND AGREES THAT THIS BOND MAY ONLY BE TRANSFERRED UPON SATISFACTION OF THE REQUIREMENTS IN THE INDENTURE, INCLUDING THE DELIVERY TO THE TRUSTEE OF AN INVESTOR LETTER IN THE FORM REQUIRED BY THE INDENTURE. ANY TRANSFER OF THIS BOND IN VIOLATION OF THE TRANSFER RESTRICTIONS CONTAINED IN THE INDENTURE SHALL BE VOID AND OF NO EFFECT.

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

OCEANSIDE SMALL CRAFT HARBOR DISTRICT
REFUNDING REVENUE BOND, SERIES 2013

INTEREST RATE	MATURITY DATE	ORIGINAL ISSUE DATE
_____%	August 1, 20__	_____, 2013

REGISTERED OWNER:

PRINCIPAL AMOUNT: _____ DOLLARS

The OCEANSIDE SMALL CRAFT HARBOR DISTRICT, a small craft harbor district duly organized and existing under the laws of the State of California (the "District"), 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 January 15, 2014, 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 February 1, 2014, and each February 1 and August 1 thereafter, 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 (the "State"), or any of its political subdivisions (other than the District), and neither the State, nor any of its political subdivisions (other than the District), is liable hereon, nor in any event shall this Bond be payable out of any funds or properties of the District other than the Revenues (as such term is defined in the Indenture of Trust, dated as of _____, 2013 (the "Indenture"), by and between the District and the Trustee) and other moneys pledged therefor under the Indenture. The obligation of the District to make payments in accordance with the Indenture is a limited obligation of the District as set forth in the Indenture and the District 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 District in contravention of any constitutional or statutory debt limitation or restriction.

This Bond is one of a duly authorized issue of bonds of the District designated as the "Oceanside Small Craft Harbor District Refunding Revenue Bonds, Series 2013" (the "2013 Bonds"), of an aggregate principal amount of _____ 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 Article 10 and Article 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, including but not limited to Section 53570 *et seq.* and Section 53583, and pursuant to the Indenture and the resolution authorizing the issuance of the 2013 Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the District) and all supplements thereto for a description of the terms on which the 2013 Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the Owners of the 2013 Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the District hereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees. The 2013 Bonds have been issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

The 2013 Bonds have been issued by the District to prepay all of the outstanding State Loans as more fully described in the Indenture.

This Bond and the interest, premium, if any, hereon and all other 2013 Bonds and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are special obligations of the District, 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 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 District and the Owners of the 2013 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 2013 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 2013 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 2013 Bond so affected; or (ii) reduce the aforesaid percentage of 2013 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 2013 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 2013 Bonds then Outstanding.

The Indenture and the rights and obligations of the District, of the Trustee and the Owners of the 2013 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 District and the Trustee may enter into without the consent of any 2013 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 2013 Bonds.

The 2013 Bonds are not subject to optional redemption prior to their stated maturity dates.

The Term Bond shall be subject to mandatory sinking fund redemption prior to maturity, in part, on August 1, 2014, and on each August 1 thereafter, from sinking fund payments, at a redemption price equal to the principal amount of Bonds to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

2023 Term Bond

<i>Redemption Date (August 1)</i>	<i>Redemption Amount</i>
2014	
2015	
2016	
2017	
2018	
2019	
2020	
2021	
2022	
2023 (maturity)	

If an Event of Default, as defined in the Indenture, shall occur, the principal of all of the 2013 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 2013 Bond or 2013 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. **Notwithstanding the foregoing, an Owner may only transfer the Bonds so long as all Outstanding Bonds are transferred together to a new Owner who has delivered an Investor Letter to the District.**

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 2013 Bonds for redemption or if this Bond has been selected for redemption.

The District and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the District 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 District, does not exceed any limit under any laws of the State of California, and is not in excess of the amount of 2013 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 District has caused this Bond to be executed in its name and on its behalf with the manual or facsimile signature of its President as of this __ day of _____, 2013.

OCEANSIDE SMALL CRAFT HARBOR DISTRICT

By: _____
Its: President

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

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

Dated: _____, 2013

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
[\$ _____]
OCEANSIDE SMALL CRAFT HARBOR DISTRICT
REFUNDING REVENUE BONDS, SERIES 2013

FORM OF INVESTOR LETTER

_____, 2013

Oceanside Small Craft Harbor District
Oceanside, California

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

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

Ladies and Gentlemen:

The undersigned (the “Investor”) hereby acknowledges receipt of \$[_____] in aggregate principal amount of the above-referenced bonds (the “Bonds”), dated _____, 2013 in fully registered form and bearing interest from the date thereof.

1. We are an “accredited investor” as defined in Section 2(a)(15) of the Securities Act of 1933 (the “1933 Act”).

2. We have sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations of a nature similar to the Bonds to be able to evaluate the risks and merits of the investment represented by the purchase of the Bonds.

3. We are acquiring the Bonds for our own account, and not with a view to, or for sale in connection with, any distribution of the Bonds or any part thereof. We have not offered to sell, solicited offers to buy, or agreed to sell the Bonds or any part thereof, and we have no present intention of reselling or otherwise disposing of the Bonds.

4. As a sophisticated investor, we have made our own credit inquiry and analysis with respect to the Oceanside Small Craft Harbor District (the “Issuer”) and the Bonds, and have made an independent credit decision based upon such inquiry and analysis. The Issuer has furnished to us all the information which we as a reasonable investor have requested of the Issuer as a result of our having attached significance thereto in making our investment decision with respect to the Bonds, and we have had the opportunity to ask questions of and receive answers from knowledgeable individuals concerning the Issuer and the Bonds. We are able and willing to bear the economic risk of the purchase and ownership of the Bonds.

5. We understand that the Bonds have not been registered with any federal or state securities agency or commission.

6. We acknowledge that the Bonds are transferable only by notation on the registration books maintained by the bond registrar and are freely transferable provided that the Bonds are transferable in whole and not in part and that:

(i) the transferring holder thereof shall first have complied with all applicable state and federal securities laws and regulations;

(ii) the transferring holder thereof can transfer the Bonds only to a transferee who executes and delivers to the Issuer a letter of the transferee substantially to the effect of this letter and who qualifies as an:

(1) a qualified institutional buyer pursuant to Rule 144A of the 1933 Securities Act; or

(2) an "accredited investor" within the meaning of Section 2(15) of the 1933 Securities Act; and

(iii) the transferring holder thereof will not prepare or furnish, or cause to be prepared or furnished, any disclosure regarding the Reassessment District without the prior review and written consent of the Issuer, in the Issuer's sole discretion.

[_____]

By: _____

Its:



September 19, 2013

Michele Lund, Treasury Manager
Oceanside Small Craft Harbor District
300 North Coast Highway
Oceanside, CA 92054

Dear Ms. Lund:

Compass Bank, an Alabama banking corporation (the "Bank" or "Lender"), has reviewed the information provided by the Oceanside Small Craft Harbor District ("Borrower") in connection with the proposed Gross Revenue Bond Refunding, Series 2013. Based on the review to date and subject to the timely receipt of a signed copy of this letter as indicated below, and satisfying the conditions outlined herein, the Bank is pleased to commit to provide up to a \$1,935,000.00 bank qualified, tax-exempt financing (the "Financing" or "Obligation") as outlined in this correspondence (this "Commitment Letter").

This Commitment Letter is being provided to the Borrower on a confidential basis. Except as required by law, neither this Commitment Letter nor its contents may be disclosed, except to individuals who are officers, employees or advisors of the Borrower who have a need to know of such matters and then only on the condition that such matters remain confidential.

The Borrower hereby represents and covenants (and it is a condition to the Bank's commitment hereunder) that all financial information and projections, and all other information and general economic or specific industry information (the "Information") that has been or will be made available to the Bank by Borrower and its representatives is or will be, when furnished, complete and correct in all material respects and does not or will not, when furnished, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements are made. The Borrower agrees that if at any time prior to the closing of the Financing any of the representations in the preceding sentences would be incorrect if the Information were being furnished, and such representations were being made, at such time, then the Borrower will promptly supplement the Information, as the case may be, so that such representations will be correct at such time. The Borrower understands and acknowledges that in arranging the Financing the Bank may use and rely on the Information without independent verification thereof. Notwithstanding anything herein to the contrary, the Bank's obligation to provide the Financing shall be subject to the condition that from the date hereof to the date of closing the Financing, there shall not have occurred any: (i) material adverse change in the financial condition, operations or general affairs of the Borrower; (ii) event, court decision, proposed law or rule which may have the effect of changing the status of the Financing or the interest thereon or the transaction contemplated herein; or (iii) international or national crisis, suspension of stock exchange trading or banking moratorium materially affecting, in our opinion, the Bank's ability to close the Financing transaction.

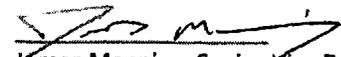
By signing below, the Borrower acknowledges and agrees to the terms and conditions of this Commitment Letter and agrees to pay upon demand to the Bank all fees and expenses (including but not limited to all costs and fees of external legal counsel) in connection with this Commitment Letter and the negotiation, documentation and closing thereof of this Financing.



To accept this Commitment Letter, please execute it in the space provided below and return it to us by no later than 4:00pm, Pacific Time, on September 26, 2013. If this Commitment Letter is not accepted in the manner aforesaid, ~~it shall expire and be of no further force and effect as of that date and time. If this Commitment Letter is accepted in the manner aforesaid,~~ the closing and funding of the Financing must occur on or before October 31, 2013. These deadlines may be extended upon Bank's written approval.

We appreciate the opportunity to provide you this Commitment Letter and look forward to working with you to expeditiously close this transaction. Please do not hesitate to contact us if you have any questions or if we may be of further assistance to you at this time.

Sincerely,


James Manning, Senior Vice President

ACCEPTED and AGREED TO on September 24 2013:

By: Peter Weiss

Name: Peter Weiss

Title: City Manager

By: _____

Name: _____

Title: _____

Borrower: Oceanside Small Craft Harbor District (the "Borrower").

Lender: Compass Bank and Compass Mortgage Corporation (the "Lender" or the "Bank").

Paul Champlin, Vice President
Commercial And Industrial Banking
4180 La Jolla Village Dr. Ste 350
La Jolla, CA 92037
Ph: (858) 202-5525
paul.champlin@bbvacompass.com

James Manning, Senior Vice President
Government & Institutional Banking
2850 E. Camelback Rd., Ste. 140
Phoenix, AZ 85016
Ph: (602) 778-0795
james.manning@bbvacompass.com

Obligation Type: Tax Exempt Agreement

Obligation Amount: Up to \$1,935,000 (the "Obligation" or "Financing").

Purpose: Refunding of the Oceanside Small Craft Harbor District's 1984, 1986 and 1994 State Loans.

Maturity: 8/1/2023 or approximately 10 years from closing.

Repayment: The Obligation will amortize over 10 years consistent with the attached sample schedule, calling for semiannual principal and interest payments due on each 2/1 and 8/1 over the Obligation's tenor.

Interest Rate: Tax Exempt Fixed Rate of 2.00% fixed for the full tenor of the Obligation.** This rate is indicative and subject to change daily depending on market conditions. At the Borrower's option, subject to break-funding, fixed rate may be locked up to 60 days prior to closing.

** Indexed to 79 bps over the prevailing 4-year LIBOR swap rate. Based on the current rate of 1.21% for the swap index as of 9/19/13, the interest rate on funded balances today would be 2.00%.

Upfront Origination Fee: None.

Targeted Closing: October 31, 2013 or as requested by the Borrower.

Prepayment: Obligation is not subject to optional redemption (at the proposed rate) prior to the 10th anniversary of loan closing, after which time the Borrower may prepay the loan without penalty. However, a par call option to prepay without penalty after the 5th or 7th anniversaries of loan closing is available at a 26 bps or 24 bps premiums to the proposed interest rate, respectively. The par call option must be selected prior to rate lock.

Security: Senior lien pledge of gross revenues.

Covenants:

- The Borrower has covenanted not to incur additional obligations payable from District Revenue senior to the Series 2013 Bonds. The Borrower may incur additional obligation on

parity with the Series 2013 Bonds; and

- The Borrower agrees and covenants that all District Revenue shall be received by the Borrower in trust and shall be deposited when and as received in the Small Craft Harbor District Revenue Fund which fund the Borrower agrees and covenants to maintain and to hold separate and apart from other funds so long as any 2013 Bonds remain unpaid. Moneys in the Small Craft Harbor District Revenue Fund shall be used and applied by the Borrower as provided in the Indenture; and
- In the Indenture, the Borrower agrees to set rates and charges each Fiscal Year so that District Revenue is at least equal to 200% of debt service on the Bonds. The District does not have any current plans to borrow additional Capital; however, the Indenture will allow the district to issue additional bonds or execute contracts payable from District Revenue on a parity with the 2013 Bonds, provided that District Revenue based on the most recent audited Fiscal Year (plus any adjustments for approved rate increases that were not in effect as of the first date of such Fiscal Year) is at least equal to 200% of debt service on the 2013 Bonds and any parity bonds or contracts to be issued.

**Representations/
Warranties/
Covenants:**

The documents will contain those representations and warranties and covenants customarily found in transactions of this nature, and others appropriate to the transaction, including but not limited to:

- Standard representations including but not limited to: no adverse litigation and District has not defaulted or non-appropriated on past obligations.
- Default rate of 5.00% over the Obligation's proposed rate if payment is not made within 10 days of due date, so long as the default is uncured.
- No material adverse change in financial condition since fiscal year ended 6/30/12.
- Notices of (i) any default on any obligation, (ii) material litigation, (iii) material governmental proceedings.
- Designation as bank-qualified.
- Proper and customary levels of insurance including business interruption insurance.
- Bank will sign a traveling "Big Boy" letter in form acceptable to Bank's counsel.
- Additional representations and warranties, and other affirmative and negative covenants customary and reasonably appropriate for the Credit Facility.

This Obligation is being purchased by BBVA Compass under the following conditions: (i) not being registered or otherwise qualified for sale under the "Blue Sky" laws; (ii) the Lender will hold as one single debt instrument; (iii) no CUSIP numbers will be obtained for the Obligation; (iv) no official Statement or similar offering document has been prepared in connection with the private placement of this Obligation; (v) the Obligation will not close through the DTC or any similar repository and will not be in book entry form. Obligation must be able to be classified as a loan or held-to-maturity security in order to be acceptable to the Lender.

**Note, all of the foregoing are subject to Lender's receipt and satisfactory review.*

Financial Reporting:

- Annual audited financial statements due within 240 days of fiscal year end.
- Annual approved operating budget due within 30 days of fiscal year end.
- Annual Certification of Borrower due within 240 days of FYE that District has met the 2.00 rate coverage covenant.
- Borrower shall furnish at Lender's request such additional information that Lender may from time to time reasonably request.

Annual disclosure information may be provided via EMMA.

**Tax Exempt Status /
Yield Adjustment
Event:**

The quoted tax exempt interest rate will be subject to gross-up upon an event of taxability as a result of action or inaction on the part of the borrower.

Closing Costs:

Borrower will pay all reasonable, out-of-pocket costs and expenses incurred by Lender in connection with due diligence and the preparation of documentation, regardless of whether or not the Obligation is closed, including but not limited to, financial advisory fees if applicable, bond counsel, Lender's counsel and CDIAAC fees. Lender's Counsel limited to \$12,500.

Conditions Precedent:

Prior to the consummation of the Credit Facility, the following conditions precedent shall have occurred, all of which shall be in form and substance satisfactory to the Lender and its counsel.

- Opinion addressed to the Bank, from counsel to Borrower reasonably acceptable to the Bank, setting forth such opinions as the Bank may require, including opinions concerning the legal status of Borrower, the due authorization, execution and delivery of the Obligation documents, the enforceability of the private placement documents, no conflict with law, no litigation, and the receipt of all necessary governmental approvals.
- Tax Opinion addressed to the Bank from counsel reasonably acceptable to the Bank that interest payable with respect to the debt service payments is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Service Code and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for purposes of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings.
- Properly executed documents in form and substance satisfactory to Bank and/or Bank's counsel evidencing or supporting the Obligation. In terms of service level commitment, Lender's counsel will respond with initial comments within 7 business days of receiving draft legal documents from bond counsel, and within 5 business days of receiving any subsequent iteration of the legal documents.
- Additional conditions precedent that Bank considers customary and reasonably appropriate for the Credit Facility, including further information disclosures.

Ancillary Business:

The structure, pricing, and terms contained herein are conditioned upon the establishment of a banking relationship that includes the opportunity to reasonably bid on ancillary financial services in good faith.

Governing Law:

This transaction shall be governed by and construed in accordance with the laws of the State of California.

Break-Funding Fee Calculation

~~If Borrower elects to not go through with the Financing after rate lock other than due to a Force Majeure Event (as defined below), Borrower shall pay to Bank a break-funding fee equal to the Annual Yield Differential (as defined below) multiplied by the Percent Being Prepaid (as defined below), multiplied by the Average Remaining Outstanding Principal Amount (as defined below) multiplied by the number of days the Financing was to be outstanding (the "Maturity Date"), divided by 360.~~

The "Annual Yield Differential" is the difference (but not less than zero) between the U.S. Treasury yield (from the Federal Reserve daily H.15 report) on the maturity closest to the final maturity of the note at time of rate lock, and the U.S Treasury yield (from the Federal Reserve daily H.15 report) on the maturity closest to the final maturity of the note at the date of notification of election to not enter into the Financing. The Average Remaining Outstanding Principal Amount of the loan is defined as the simple average of the original principal loan balance and the loan balance due at the maturity date. The Percent Being Prepaid shall be determined by dividing the principal amount being prepaid by the existing principal loan amount.

If treasury rates are equal or higher, the customer will incur no charge. The Federal Reserve H.15 report for treasury rates can be accessed from the Fed's website currently @ <http://www.federalreserve.gov/releases/h15/current/default.htm>.

Loan amount at origination: \$5.0 million
Final maturity: 15 years
Amount Remaining at Maturity: \$0.0
15-year US Treasury Rate at time of rate lock: 2.50%

Scenario: 15 days prior to closing and funding, the customer elects to not enter into the financing after previously locking the rate. 15-year Treasury rate at the time of notification is 2.45%.

Prepayment Fee Calculation:

Annual Yield Differential = 5 bps (2.50% - 2.45%)

Percent Being Prepaid = 100%

Average Remaining Outstanding Principal Amount = \$2.5 million (average of existing \$5.0 million and \$0 at maturity)

Days to Maturity / 360 = 15.21 ((15 x 365)/360)

Break Funding Fee = .05% * 100% * \$2.5 million * 15.21 = \$19,010.42

"Force Majeure Event" means acts of God; acts of public enemies; orders of any kind of the government of the United States of America or the State of California or any political subdivision thereof, or any of their departments, agencies or officials; any outbreak of civil or military insurrections, riots or epidemics; landslides; lightning; earthquake; fire; hurricanes; tornadoes; floods; or any other cause or event not insurable or reasonably within the control of Borrower which makes Borrower unable to consummate the Financing or perform its obligations thereunder.

City of Oceanside

\$1,935,000 Refunding Harbor Revenue Bond

Dated: October 31, 2013

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
02/01/2014	-	2.00%	9,782.50	9,782.50	
08/01/2014	360,000.00	2.00%	19,350.00	379,350.00	
12/31/2014					389,132.50
02/01/2015	-	2.00%	15,750.00	15,750.00	
08/01/2015	360,000.00	2.00%	15,750.00	375,750.00	
12/31/2015					391,500.00
02/01/2016	-	2.00%	12,150.00	12,150.00	
08/01/2016	305,000.00	2.00%	12,150.00	317,150.00	
12/31/2016					329,300.00
02/01/2017	-	2.00%	9,100.00	9,100.00	
08/01/2017	310,000.00	2.00%	9,100.00	319,100.00	
12/31/2017					328,200.00
02/01/2018	-	2.00%	6,000.00	6,000.00	
08/01/2018	100,000.00	2.00%	6,000.00	106,000.00	
12/31/2018					112,000.00
02/01/2019	-	2.00%	5,000.00	5,000.00	
08/01/2019	100,000.00	2.00%	5,000.00	105,000.00	
12/31/2019					110,000.00
02/01/2020	-	2.00%	4,000.00	4,000.00	
08/01/2020	100,000.00	2.00%	4,000.00	104,000.00	
12/31/2020					108,000.00
02/01/2021	-	2.00%	3,000.00	3,000.00	
08/01/2021	100,000.00	2.00%	3,000.00	103,000.00	
12/31/2021					106,000.00
02/01/2022	-	2.00%	2,000.00	2,000.00	
08/01/2022	100,000.00	2.00%	2,000.00	102,000.00	
12/31/2022					104,000.00
02/01/2023	-	2.00%	1,000.00	1,000.00	
08/01/2023	100,000.00	2.00%	1,000.00	101,000.00	
12/31/2023					102,000.00
Total	\$1,935,000.00		\$145,132.50	\$2,080,132.50	

BBVA Compass

Public Finance