
TRUST INDENTURE

By and Between

**PUBLIC UTILITIES COMMISSION OF
THE CITY AND COUNTY OF SAN FRANCISCO**

**[NAME OF BANK],
as Trustee**

Dated as of March 1, 2015

Relating to

**PUBLIC UTILITIES COMMISSION OF
THE CITY AND COUNTY OF SAN FRANCISCO
POWER REVENUE BONDS**

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TRUST INDENTURE

This TRUST INDENTURE, dated as of March 1, 2015 (this “Trust Indenture”), is by and between THE CITY AND COUNTY OF SAN FRANCISCO (the “City”), acting by and through its PUBLIC UTILITIES COMMISSION OF THE CITY AND COUNTY OF SAN FRANCISCO (the “SFPUC”), and [NAME OF BANK], a national banking association, which is authorized by law to accept and exercise the trust powers set forth herein, and its successors in trust and assigns (the “Trustee”).

RECITALS

WHEREAS, pursuant to Sections 4.112 and Article 8B of the Charter of the City (the “Charter”), the SFPUC has exclusive charge of the construction, management, supervision, maintenance, extension, operation, use and control of all water and energy supplies and utilities of the City under the SFPUC’s jurisdiction, including the Power Enterprise (the “Power Enterprise”); and

WHEREAS, pursuant to Section 9.107(6) of the Charter, the Board of Supervisors of the City (the “Board”) is authorized to provide for the issuance of revenue bonds, without voter approval, issued for the purpose of the reconstruction or replacement of existing water facilities and/or electric power facilities under the jurisdiction of the SFPUC when authorized by resolution adopted by a three-fourths majority of all of the members of the Board; and

WHEREAS, pursuant to Section 9.107(8) of the Charter, the Board is also authorized to provide for the issuance of revenue bonds, without voter approval, issued to finance or refinance the acquisition, construction, installation, equipping, improvement or rehabilitation of equipment or facilities for renewable energy and energy conservation; and

WHEREAS, pursuant to Section 9.107 of the Charter, the Board is authorized to provide for the issuance of revenue bonds for SFPUC purposes with the assent of a majority of the voters upon any proposition for the issuance of such revenue bonds; and

WHEREAS, pursuant to Section 9.109 of the Charter, the Board is authorized to provide for the issuance of refunding revenue bonds, without voter approval, upon satisfaction of the requirements set forth therein; and

WHEREAS, pursuant to Section 9.111 of the Charter, except as otherwise expressly provided by the Charter, the City and its commissions, including the SFPUC, have the authority to incur and refund indebtedness as provided by and pursuant to the general laws of the State of California (the “State”); and

WHEREAS, the Board, by its Ordinance No. _____, passed on [DATE], 2015, established procedures for the issuance by the SFPUC of revenue bonds for its Power Enterprise and addressed certain other matters in connection therewith, including the establishment, maintenance and collection by the SFPUC and the City of rates of the Power Enterprise sufficient to pay amounts due from revenues of the Power Enterprise and to provide adequate debt service coverage as required by this Trust Indenture; and

WHEREAS, the SFPUC deems it necessary and desirable and in the public interest to authorize the issuance of revenue bonds (the “Bonds”), payable from and secured by the revenues of the Power Enterprise, after the payment of operating and maintenance expenses and any required deposits for repairs and replacements to the Power Enterprise, under and in accordance with Section 9.107, 9.109 and 9.111 of the Charter and pursuant to the terms and conditions set forth herein, for any lawful purposes of the Power Enterprise, which Bonds and the interest thereon shall constitute a lien and charge on the revenues provided for the payment thereof; and

WHEREAS, the Trustee has the power to enter into this Trust Indenture and to execute the trust hereby created and has accepted the trust created hereby; and

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof, Redemption Price, if any, and interest thereon, the SFPUC, pursuant to Resolution No. _____, adopted on December __, 2014, has authorized the execution and delivery of this Trust Indenture; and

WHEREAS, the Board of Supervisors, by its Ordinance No. ____, passed on [DATE], 2015, approved the issuance of Bonds and the execution and delivery of this Trust Indenture; and

WHEREAS, all acts and proceedings required by law necessary to make the Bonds, when executed by the SFPUC, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligations of the SFPUC, and to constitute this Trust 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 Trust Indenture have been in all respects duly authorized;

NOW, THEREFORE, in order to secure the payment of the principal of, Redemption Price, if any, and interest on, all Bonds at any time issued and Outstanding under this Trust Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable consideration, the receipt of which is hereby acknowledged, the SFPUC does hereby covenant and agree with the Trustee, for the benefit of the Owners from time to time of the Bonds, as follows:

ARTICLE I
DEFINITIONS AND GENERAL PROVISIONS

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this Article shall, for all purposes of this Trust Indenture and of any Supplemental Trust Indenture, have the meanings herein specified:

“Accreted Value” means, with respect to any Capital Appreciation Bond, the principal amount thereof plus the interest accrued thereon from its delivery date, compounded at the approximate interest rate thereof on each date specified therein, to the date of calculation.

“Additional R&R Fund Deposits” means, for any Fiscal Year or other designated twelve-month period, the amount, if any, in addition to any Priority R&R Fund Deposits, deposited in the Reconstruction and Replacement Fund from Revenues prior to deposits in such Fiscal Year for payment of any Subordinate Obligations.

“Annual Debt Service” means, as of any date of calculation, for any Fiscal Year (or other designated twelve-month period) the amount of Principal and interest becoming due and payable on all Outstanding Bonds in such Fiscal Year (or other designated twelve-month period); provided, that for the purposes of computing Annual Debt Service:

(a) the interest rate on Variable Rate Bonds shall be assumed to be 80% of the 30-year Revenue Bond Index published in *The Bond Buyer* on such date of calculation (or, if *The Bond Buyer* ceases to be published or ceases to publish such index, any comparable successor nationally recognized financial publication or index designated by the SFPUC);

(b) notwithstanding clause (i), if a Swap Agreement is in effect pursuant to which the SFPUC is obligated to pay a fixed rate with respect to any Variable Rate Bonds, the interest rate on such Variable Rate Bonds during the period such Swap Agreement is scheduled to be in effect shall be assumed to be the fixed rate specified in such Swap Agreement;

(c) if a Swap Agreement is in effect with respect to any Bonds pursuant to which the SFPUC receives a fixed rate in exchange for paying a variable rate, the interest rate on such Bonds during the period such Swap Agreement is scheduled to be in effect shall be assumed to be the sum of (A) the interest rate on such Bonds determined as if such Bonds were Variable Rate Bonds, plus (B) the positive difference, if any, between the fixed rate of interest borne by such Bonds and the fixed rate the SFPUC receives pursuant to such Swap Agreement;

(d) notwithstanding clause (i), the interest rate on Paired Bonds shall be assumed to be the aggregate fixed interest rate to be paid by the SFPUC with respect to such Paired Bonds;

(e) the Principal of any Balloon Bonds shall be assumed to become due and payable in equal installments in each Fiscal Year for a period of twenty-five (25) years from the date of calculation; and

(f) the Principal and interest payments on Bonds shall be excluded to the extent such payments are to be made from amounts on deposit, as of the date of calculation, with the Trustee or any other fiduciary in an escrow or other account irrevocably dedicated therefor, including interest payments that are to be paid from the proceeds of Bonds held by the Trustee or any other fiduciary;

“Authorized Investments” means any obligations or investments in which the Treasurer may legally invest the SFPUC’s funds.

“Available Funds” means any unencumbered amounts, including non-appropriated fund balances and reserves, and cash and the book value of investments held by the Treasurer for the Power Enterprise, that the SFPUC reasonably expects would be available, as of any date of calculation, to pay Principal of and interest on Bonds when due.

“Balloon Bonds” means the aggregate Principal of Bonds of a Series (including Capital Appreciation Bonds) that becomes due and payable, either at scheduled maturity, by Mandatory Sinking Fund Payment or by mandatory tender for purchase, in any Fiscal Year that constitutes 25% or more of the initial aggregate Principal of such Series of Bonds.

“Beneficial Owner” means, for any Bond held by a nominee, the owner of the beneficial interest in such Bond.

“Beneficial Owner Register” means the books maintained for the identification of Beneficial Owners.

“Board of Supervisors” means the duly elected and acting Board of Supervisors of the City.

“Bond Counsel” means a firm of attorneys, appointed by the SFPUC with the consent of the City Attorney of the City, with substantial experience and expertise in the field of municipal finance law and the federal and state tax laws related thereto whose opinions are widely recognized and accepted by the municipal finance markets.

“Bond Coverage Ratio” for any Fiscal Year means the ratio of (a) (i) Net Revenues in such Fiscal Year, plus (ii) Available Funds in such Fiscal Year, to (b) Annual Debt Service on the Outstanding Bonds in such Fiscal Year.

“Bond Fund” means each fund of that name established pursuant to Section 5.5.

“Bond Register” means the books maintained for the registration and transfer of Bonds.

“Bond Retirement Account” means each account of that name established pursuant to Section 5.5.

“Bond Year” means, with respect to a Series of Bonds, the Bond Year set forth in the Supplemental Trust Indenture authorizing the issuance of such Series of Bonds.

“Bonds” means the Public Utilities Commission of the City and County of San Francisco Power Revenue Bonds issued pursuant to, under authority of and for the purposes provided in this Trust Indenture.

“Book-Entry Bonds” means Bonds for which a Securities Depository or its nominee is the Owner.

“Business Day” means any day other than (a) a Saturday, Sunday, or a day on which banking institutions in the State or the State of New York are authorized or obligated by law or executive order to be closed, (b) a day upon which the principal office of the SFPUC or the Trustee is authorized or required by law to be closed, or (c) with respect to a Series of Bonds, any day so specified in the Supplemental Trust Indenture authorizing the issuance of such Series of Bonds.

“Capital Appreciation Bonds” means any Bonds the interest on which is not scheduled to be paid until the maturity or prior redemption thereof, or the conversion thereof to Current Interest Bonds.

“Capitalized Interest Account” means each account of that name established pursuant to Section 5.5.

“Certificate” of the SFPUC means a written certificate signed by a duly authorized officer or employee of the SFPUC.

“Charter” means the Charter of the City and County of San Francisco, as supplemented and amended, and any new or successor Charter.

“City” means the City and County of San Francisco, a chartered city and county and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California.

“Code” means the Internal Revenue Code of 1986, as amended and supplemented, and all regulations promulgated from time to time by the United States Department of the Treasury with respect thereto.

“Commission” means the governing body of the SFPUC as established pursuant to the Charter.

“Common Reserve Account” means the account of that name established in the Reserve Fund pursuant to Section 5.6 to secure the Common Reserve Series.

“Common Reserve Series” means those Series of Bonds secured by the Common Reserve Account as provided in the Supplemental Trust Indenture providing for each such Series.

“Computation Period” means a five-year period ending on the last day of each fifth Bond Year.

“Consulting Engineer” means an independent consulting engineering firm appointed by the SFPUC and approved by the Trustee with substantial experience and expertise in the area of electric utility engineering consulting whose opinions and views are widely recognized and accepted in the municipal finance markets.

“Credit Facility” means a letter of credit, line of credit, or other credit or liquidity facility provided by a financial institution or insurance company, including municipal bond insurance and guarantees, delivered to the Trustee for a Series of Bonds or portion thereof, which provides for payment, in accordance with the terms thereof, of the Principal, Purchase Price and/or Redemption Price of and/or interest on such Series of Bonds or portion thereof.

“Credit Facility Provider” means the financial institution or insurance company that is providing a Credit Facility.

“Current Interest Bonds” means any Bonds, other than Capital Appreciation Bonds, which pay interest at least annually to the Owners thereof commencing within eighteen (18) months from the date of issuance thereof.

“DTC” means The Depository Trust Company, New York, New York, or its successor.

“Event of Default” means each event defined as such in Section 8.1.

“Fiscal Year” means the twelve-month period selected from time to time by the SFPUC as the official fiscal year of the Power Enterprise.

“Fitch” means Fitch Ratings, Inc., and its successors and assigns, except that if such organization shall be dissolved or liquidated or shall no longer perform the functions of a securities credit rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities credit rating agency selected by the SFPUC.

“Fund” means any fund or account established under this Trust Indenture.

“GAAP” means generally accepted accounting principles from time to time applicable to governmental entities such as the SFPUC.

“Government Securities” means direct obligations of, or obligations the timely payment of which are unconditionally guaranteed by, the United States of America.

“Hetch Hetchy Project” means the Hetch Hetchy Water and Power Project, including the O’Shaughnessy Dam, the Hetch Hetchy Reservoir, the Canyon and Mountain Tunnels, the Kirkwood, Moccasin and Holms Powerhouses, Cherry Lake and its dam, Lake Eleanor and its dam, the related water storage and transportation and hydro-electric generating facilities down to and including the Moccasin Powerhouse, all located in Yosemite National Park, Stanislaus National Forest and Tuolumne County, the rights to which were granted to the City by the Raker Act of 1913, and the related transmission facilities down to the City of Newark.

“Insolvent” means, with respect to any Person (a) such Person shall have instituted proceedings to be adjudicated a bankrupt or insolvent, shall have consented to the institution of bankruptcy or insolvency proceedings against it, shall have filed a petition or answer or consent seeking reorganization or relief under the federal Bankruptcy Code or any other similar applicable federal or state law, or shall have consented to the filing of any such petition or to the appointment of a receiver, liquidator, assignee, trustee or sequestrator or other similar official of itself or of any substantial part of its property, or shall fail to timely controvert an involuntary petition filed against it under the federal Bankruptcy Code, or shall consent to the entry of an order for relief under the federal Bankruptcy Code or shall make an assignment for the benefit of creditors or shall admit in writing its inability to pay its debts generally as they become due; or (b) a decree or order by a court having jurisdiction in the premises adjudging such Person as bankrupt or insolvent, or approving as properly filed a petition seeking reorganization, arrangement, adjustment or composition of or in respect of such person under the federal Bankruptcy Code or any other similar applicable federal or state law or for relief under the federal Bankruptcy Code after an involuntary petition has been filed against such Person, or appointing a receiver, liquidator, assignee, trustee or sequestrator or other similar official of such

Person or of any substantial part of its property, or ordering the winding up or liquidation of its affairs, shall have been entered and shall have continued unstayed and in effect for a period of 90 consecutive days.

“Interest Account” means each account of that name established pursuant to Section 5.5.

“Letter of Representations” means the blanket letter of representations executed by the SFPUC and delivered to DTC and any amendments thereto or successor blanket agreements between the SFPUC and any successor Securities Depository, relating to a system of Book-Entry Bonds to be maintained by the Securities Depository with respect to any bonds, notes or other obligations issued by the SFPUC payable from Revenues of the Power Enterprise.

“Mandatory Sinking Fund Payment” means, with respect to any Term Bond, an amount required by the Supplemental Trust Indenture authorizing the issuance of the Series of Bonds of which such Term Bond is a part to be deposited in the Bond Retirement Account created for such Series of Bonds for the mandatory purchase or redemption of such Term Bond or portion thereof prior to the final maturity thereof.

“Moody’s” means Moody’s Investors Service, Inc. and its successors and assigns, except that if such organization shall be dissolved or liquidated or shall no longer perform the functions of a securities credit rating agency, then the term “Moody’s” shall be deemed to refer to any other nationally recognized securities credit rating agency selected by the SFPUC.

“Net Revenues” for any Fiscal Year (or other designated twelve-month period) means Revenues in such Fiscal Year (or other designated twelve-month period), *less* (a) Operation and Maintenance Expenses, and (b) any Priority R&R Fund Deposit for such Fiscal Year (or other designated twelve-month period).

“Operation and Maintenance Expenses” means the costs of the proper operation, maintenance and repair of the Power Enterprise and taxes, assessments or other governmental charges lawfully imposed on the Power Enterprise or the Revenues, or payments in lieu thereof, as determined in accordance with GAAP. Operation and Maintenance Expenses shall include the payment of pension charges and proportionate payments to such compensation and other insurance or outside reserve funds as the SFPUC may establish or the Board of Supervisors may require with respect to employees of the Power Enterprise, as provided in Section 16.103(a) of the Charter. Operation and Maintenance Expenses shall also include repairs and maintenance costs that constitute operating expenses in accordance with GAAP. Operation and Maintenance Expenses shall not include (a) any allowance for amortization, depreciation or obsolescence, (b) operation and maintenance expenses of the Water Enterprise, (c) operation and maintenance expenses of the Wastewater Enterprise, (d) operation and maintenance expenses of any Separate System, (e) any expense for which, or to the extent to which, the SFPUC is or will be paid or reimbursed from or by any source that is not included or includable as Revenues, (e) losses from any sale or other disposition of Power Enterprise assets, and (g) non-cash losses and costs that may be required or permitted under GAAP to be expensed, including deferred expenses and unrealized mark-to-market losses.

“Order” means a written order of the SFPUC signed by a duly authorized officer or employee of the SFPUC.

“Outstanding” means, as of any date, (a) when used with respect to the Bonds, all Bonds authenticated and delivered under this Trust Indenture, except (i) Bonds theretofore cancelled or delivered to the Trustee for cancellation under Section 2.9, (ii) Bonds in substitution for which other Bonds have been authenticated and delivered pursuant to Article II, (iii) Bonds that are deemed to be no longer outstanding in accordance with Article X and (iv) Bonds that are deemed to be no longer outstanding in accordance with the Supplemental Trust Indenture pursuant to which such Bonds were issued; and (b) when used with respect to other obligations for borrowed money, all obligations issued pursuant to the resolution or resolutions authorizing the issuance of such obligations other than obligations deemed to be no longer outstanding pursuant to such resolution or resolutions.

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

“Paired Bonds” means Bonds (a) that are issued simultaneously, (b) that are designated as Paired Bonds in the Supplemental Trust Indenture authorizing the issuance thereof or in a Certificate of the SFPUC delivered at the time of issuance thereof, (c) the principal amount of each portion of which is equal and which matures and is subject to mandatory sinking fund redemption on the same date and in the same amount, and (d) the interest rates on which, taken together, result in an irrevocable fixed interest rate obligation of the SFPUC on the aggregate principal amount of such Bonds until the maturity or prior redemption of such Bonds.

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

“Power Enterprise” means the SFPUC’s Power Enterprise established and existing as of the date of this Trust Indenture to provide electric power and related services to the City and its departments, agencies and commissions as well as other customers both in and outside of the City, including that portion of the Hetch Hetchy Project used for power generation, and all other power generation, transmission and distribution facilities and related facilities, streetlights, property and rights constituting a part of the Power Enterprise, together with any and all additions, improvements, betterments, renewals, replacements and repairs thereto and extensions thereof, but shall not include: (a) the Water Enterprise, (b) the Wastewater Enterprise, or (c) any Separate System.

“Principal” means, as of any date of calculation, (a) with respect to any Current Interest Bond, the principal amount thereof, and (b) with respect to any Capital Appreciation Bond, the Accreted Value thereof as of the date on which interest on such Capital Appreciation Bond is compounded next preceding such date of calculation (unless such date of calculation is a date on which such interest is compounded, in which case, as of such date).

“Priority R&R Fund Deposits” means, for any Fiscal Year or other designated twelve-month period, the amount, if any, required by the Charter to be deposited in the Reconstruction and Replacement Fund from Revenues prior to deposits in such Fiscal Year into the Bond Fund.

“Project Fund” means each fund of that name established pursuant to Section 5.7.

“Purchase Price” means, with respect to any Bond, the price payable upon the optional or mandatory tender for purchase of such Bond or portion thereof as set forth in the Supplemental Trust Indenture authorizing the issuance of the Series of Bonds of which such Bond is a part.

“Qualified Counterparty” means a party other than the SFPUC which is the party to a Swap Agreement and, at the time of execution and delivery of the Swap Agreement, (a) (i) whose senior debt obligations are or claims-paying ability is rated in one of the three highest rating categories of each of at least two Rating Agencies (without regard to any gradations within a rating category) or (ii) whose obligations under the Swap Agreement are guaranteed for the entire term of the Swap Agreement by a Person whose senior debt obligations are or claims-paying ability is rated in one of the three highest rating categories of each of at least two Rating Agencies (without regard to any gradations within a rating category) and (b) which is otherwise qualified to act as the party to a Swap Agreement with the SFPUC under any applicable law.

“Rating Agencies” means Fitch, Moody’s and Standard & Poor’s or any other nationally recognized securities credit rating agency selected by the SFPUC.

“Rebate Amount” means, with respect to each Series of Tax-Exempt Bonds, an amount equal to the sum required to be paid to the United States Department of the Treasury from time to time, if any, with respect to the investment of proceeds of such Series of Tax-Exempt Bonds, all as determined in accordance with Section 148 of the Code and the Supplemental Trust Indenture authorizing the issuance of such Series of Bonds.

“Rebate Fund” means each fund of that name established pursuant to Section 5.10.

“Reconstruction and Replacement Fund” means the fund of that name established pursuant to Section 5.9.

“Redemption Price” means, (a) with respect to any Bond or portion thereof, the Principal of such Bond or portion thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Supplemental Trust Indenture authorizing the issuance of the Series of Bonds of which such Bond is a part, and (b) with respect to any other obligation for borrowed money or portion thereof, the principal or accreted value of such obligation or portion thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such obligation and the resolution or resolutions authorizing the issuance or incurrence of such obligation.

“Refunding Bonds” means all Bonds issued pursuant to Section 3.5.

“Registrar” means the Person responsible for maintaining the Bond Register, which initially shall be the Trustee.

“Reserve Fund” means the fund of that name established pursuant to Section 5.6.

“Reserve Account” means each account of that name established pursuant to Section 5.6, which Account may secure one or more series of Bonds as provided herein or in the Supplemental Trust Indenture providing for the creation thereof.

“Reserve Account Credit Facility” means a letter of credit, insurance policy, surety bond, or other credit facility provided to the Trustee by a bank, insurance company or other financial institution whose senior unsecured debt obligations are, or whose claims-paying ability is, rated in the two highest rating categories by each of at least [two] Rating Agencies at the time of delivery thereof, which provides for payment when due, in accordance with the terms thereof, of the Principal or Redemption Price of and/or interest on one or more Series of Bonds.

“Reserve Requirement” means, (a) with respect to the Common Reserve Series, the least of (i) 10% of the stated Principal amount of the Common Reserve Series, (ii) the maximum Annual Debt Service on the Common Reserve Series, and (iii) 125% of the average Annual Debt Service on the Common Reserve Series, and (b) with respect to any other Series of Bonds, such amount, if any, as shall be specified in the Supplemental Trust Indenture authorizing the issuance of such Series of Bonds.

“Revenue Fund” means the “Revenue Fund” created pursuant to Section 5.1 of this Trust Indenture.

“Revenues” means all revenues, rates and charges received and accrued by the SFPUC for electric power and energy and other services, facilities and commodities sold, furnished or supplied by the Power Enterprise, together with income, earnings and profits therefrom (including interest earnings on the proceeds of any Bonds pending application thereof), as determined in accordance with GAAP. Revenues shall include payments to the Power Enterprise on or with respect to loans from any Separate System maintained by the SFPUC. Revenues shall not include (a) proceeds from the issuance of any obligations for borrowed money, (b) amounts loaned to the Power Enterprise, (c) Swap Agreement Receipts, (d) proceeds from taxes, (e) customer deposits while retained as such, (f) contributions in aid of construction, (g) gifts, (h) grants, (i) insurance or condemnation proceeds that are properly allocable to a capital account, (j) non-cash revenues or gains that may be required or permitted under GAAP, including market-to-market gains and deferred revenues, (k) money received by the SFPUC as the proceeds of the sale of any portion of the properties of the Power Enterprise, (l) amounts by their terms not available for the payment of Operation and Maintenance Expenses or principal and interest on the Bonds (m) revenues of any Separate System, (n) Water Enterprise revenues as defined in the document or agreement governing the then-outstanding senior lien obligations of the Water Enterprise for borrowed money, and (o) Wastewater Enterprise revenues as defined in the document or agreement governing the then-outstanding senior lien obligations of the Wastewater Enterprise for borrowed money.

“Securities Depository” means a Person registered as a clearing agency under Section 17A of the Securities Exchange Act of 1934, or any successor legislation, or whose business is confined to the performance of the functions of a clearing agency with respect to

exempted securities, as defined in Section 3(a)(12) of such Act, or any successor legislation, for the purposes of Section 17A thereof.

“Separate System” means any electric power or energy generation, transmission, distribution or other facilities, property and rights that may be hereafter purchased, constructed or otherwise acquired by the SFPUC where the revenues derived from the ownership and operation of which shall be pledged to the payment of bonds or other obligations for borrowed money issued or incurred to purchase, construct or otherwise acquire such facilities, property and rights and shall not be included in Revenues and the operation and maintenance expenses with respect to which shall not be included in Operation and Maintenance Expenses.

“Series” means all of the Bonds designated by Supplemental Trust Indenture as being of the same series, regardless of variations in maturity, interest rate, redemption and other provisions, and any Bonds thereafter authenticated and delivered upon transfer or exchange or in lieu of or in substitution for (but not to refund) such Bonds as hereinafter provided.

“SFPUC” means the Public Utilities Commission of the City and County of San Francisco, a department of the City duly constituted and existing under the Charter, and any departments, commissions, agencies or public bodies which shall succeed to the powers, duties and obligations of the SFPUC.

“Standard & Poor’s” means Standard & Poor’s Ratings Services and its successors and assigns, except that if such organization shall be dissolved or liquidated or shall no longer perform the functions of a securities credit rating agency, then the term “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities credit rating agency selected by the SFPUC.

“State” means the State of California.

“Subordinate Obligations” means, collectively, bonds, notes or other obligations of the SFPUC for borrowed money payable from and secured by a pledge of and lien and charge on Revenues junior and inferior to the Bonds and the payments required to be made into the Bond Funds and the Reserve Fund.

“Supplemental Trust Indenture” means any resolution hereafter duly adopted by the SFPUC, supplementing, modifying or amending this Trust Indenture in accordance herewith.

“Swap Agreement” means any financial instrument that: (a) is entered into by the SFPUC with a party that is a Qualified Counterparty at the time the instrument is entered into; (b) is entered into with respect to all or a portion of a Series of Bonds; (c) is for a term not extending beyond the final maturity of the Series of Bonds or portion thereof to which it relates; (d) provides that the SFPUC shall pay to such Qualified Counterparty an amount accruing at either a fixed rate or a variable rate, as the case may be, on a notional amount equal to or less than the principal amount of the Series of Bonds or portion thereof to which it relates, and that such Qualified Counterparty shall pay to the SFPUC an amount accruing at either a variable rate or fixed rate, as appropriate, on such notional amount; (e) provides that one party shall pay to the other party any net amounts due under such instrument; and (f) has been designated to the Trustee in the Supplemental Trust Indenture authorizing the issuance of the related Series of

Bonds or portion thereof or in a Certificate of the SFPUC as a Swap Agreement with respect to such Bonds.

“Swap Agreement Payments” means the regularly scheduled net amounts required to be paid by the SFPUC to the Qualified Counterparty pursuant to a Swap Agreement.

“Swap Agreement Receipts” means the regularly scheduled net amounts required to be paid by a Qualified Counterparty to the SFPUC pursuant to a Swap Agreement.

“Take-or-Pay Power Purchase Agreement” means a contract (a) with a term of more than five (5) years, (b) pursuant to which the SFPUC is obligated (i) to purchase capacity or energy from a generating facility, and (ii) to pay for such capacity or energy as an Operation and Maintenance Expense regardless of whether or not such capacity or energy is taken by or made available or delivered to the SFPUC, and (c) the payments pursuant to which are directly pledged and applied to pay and secure debt obligations issued to finance such generating facility.

“Take-or-Pay Power Sales Contract” means a contract (a) with a term of at least five (5) years, (b) between the SFPUC and a purchaser of capacity or energy from the Power Enterprise, (c) whereby such purchaser is obligated to make fixed payments or payments based on a percentage of cost for such capacity or energy whether or not such capacity or energy is taken by or made available or delivered to such purchaser.

“Tax-Exempt Bonds” means Bonds, the interest on which in the opinion of Bond Counsel as of the date of issuance thereof is not includable in gross income for federal income tax purposes under Section 103(a) of the Code.

“Term Bonds” means Bonds that are subject to mandatory purchase or redemption prior to their scheduled maturity date or dates from Mandatory Sinking Fund Payments established for that purpose and calculated to retire such Bonds on or before their specified maturity date or dates.

“Treasurer” means the Treasurer of the City.

“Trust Indenture” means this Trust Indenture, dated as of March 1, 2015, by and between the SFPUC and the Trustee, as supplemented or amended pursuant hereto, together with any Supplemental Trust Indentures.

“Trustee” means [TRUSTEE], a [national banking association, organized and existing under the laws of the United States of America].

“Variable Rate Bonds” means any Bonds the interest rate on which is not fixed to the scheduled maturity date or prior mandatory tender or redemption date, as of the date of calculation, at a single numerical rate for the entire remaining term to maturity or mandatory tender or redemption thereof.

“Wastewater Enterprise” means the municipal sanitary waste and storm water collection, treatment and disposal system, as located partially within and partially without the City, and all additions, betterments, and extensions to said sanitary waste and storm water system.

“Water Enterprise” means the municipal water supply, storage and distribution system of the SFPUC, as located partially within and partially without the City, including all of the presently existing municipal water system of the City, and all additions, betterments, and extensions to said water system, but excluding any water supply, storage or distribution facilities which constitute part of the Hetch Hetchy Project.

Section 1.2. Rules of Interpretation. For purposes of this Trust Indenture, except as otherwise expressly provided or the context otherwise requires:

(a) The words “herein,” “hereof” and “hereunder” and other similar words refer to this Trust Indenture as a whole and not to any particular Article, Section or other subdivision.

(b) The definitions in this Article are applicable whether the terms defined are used in the singular or the plural.

(c) All accounting terms that are not defined in this Trust Indenture have the meanings assigned to them in accordance with GAAP.

(d) Any pronouns used in this Trust Indenture include both the singular and the plural and cover both genders.

(e) Any terms defined elsewhere in this Trust Indenture have the meanings attributed to them where defined.

(f) The captions or headings herein are for convenience of reference only and in no way define, limit or describe the scope or intent, or control or affect the meaning or construction, of any provisions or Sections hereof.

(g) Any references to Section numbers are to Sections of this Trust Indenture unless stated otherwise.

(h) The term “including” when used in this Trust Indenture means “including without limitation.”

Section 1.3. Content of Certificates and Opinions. Every certificate or opinion provided for in this Trust Indenture with respect to compliance with any provision hereof shall include: (a) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (c) a statement (i) that, in the opinion of such person, such person has made or caused to be made such examination or investigation as is necessary to enable such person to express an informed opinion with respect to the subject matter or (ii) that such person has made or caused to be made such person’s examination or investigation with respect to the subject matter in accordance with specified professional standards; and (d) 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 or employee of the SFPUC may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel, an accountant or an independent consultant, unless such officer or employee 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 is erroneous. Any such certificate or opinion made or given by counsel, an accountant or an independent consultant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the SFPUC) upon a certificate or opinion of or representation by an officer or employee of the SFPUC, unless such counsel, accountant or independent 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 is erroneous. The same officer or employee of the SFPUC, or the same counsel or accountant or independent consultant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Trust Indenture, but different officers, employees, counsel, accountants or independent consultants may certify to different matters, respectively.

ARTICLE II

AUTHORIZATION AND GENERAL TERMS AND PROVISIONS OF THE BONDS

Section 2.1. Authorization of Bonds. There is hereby created and established an issue of revenue bonds of the SFPUC designated generally as "Public Utilities Commission of the City and County of San Francisco Power Revenue Bonds." Bonds may be issued hereunder from time to time as the issuance thereof is authorized by the SFPUC by a Supplemental Trust Indenture. The maximum principal amount of Bonds that may be issued hereunder is not limited; however, the SFPUC may by a Supplemental Trust Indenture limit the aggregate principal amount of Bonds which may be issued or Outstanding hereunder. Each Series of Bonds shall bear such separate or additional designation as may be necessary or appropriate to distinguish such Series from other Series of Bonds. The Bonds shall be issued in such Series as from time to time shall be authorized by the SFPUC pursuant to a Supplemental Trust Indenture, subject to the covenants, provisions and conditions contained therein and herein.

Section 2.2. Payment of Bonds. The Principal, Purchase Price and Redemption Price of and interest on the Bonds shall be payable in lawful money of the United States of America. If any Principal, Purchase Price or Redemption Price of or interest on any Bond is not paid when due, then the overdue Principal, Purchase Price, Redemption Price and interest shall bear interest until paid at the same rate set forth in such Bond.

Section 2.3. Execution and Authentication of Bonds. Except as otherwise provided in the Supplemental Trust Indenture authorizing the issuance thereof, each Series of Bonds shall be executed on behalf of the SFPUC with the manual or facsimile signature of the President and the Secretary of the SFPUC. Only such Bonds as shall bear thereon a certificate of authentication, manually executed by the Trustee, shall be entitled to any right or benefit under this Trust Indenture. Such certificate of authentication on any Bond shall be conclusive evidence that the Bond has been duly issued and is secured by the provisions of this Trust Indenture and the Supplemental Trust Indenture pursuant to which such Bond is issued. In case any officer whose signature or a facsimile of whose signature shall appear on any Bond shall cease to be such officer before the delivery of such Bond, such signature or facsimile shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery.

Section 2.4. Form of Bonds. Each Series of Bonds shall be in such form as shall be set forth in the Supplemental Trust Indenture authorizing the issuance thereof.

Section 2.5. Registration of Transfer and Exchange of Bonds. The Trustee shall act as the initial Bond Registrar and in such capacity shall maintain the Bond Register for the registration and transfer of Bonds. Upon surrender of any Bonds at the office of the Trustee, together with an assignment duly executed by the current Owner of such Bonds or such Owner's duly authorized attorney or legal representative in such form as shall be satisfactory to the Trustee, such Bonds may, at the option of the Owner, be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity, of authorized denominations and bearing interest at the same rate and in the same form as the Bonds surrendered for exchange, registered in the name or names requested by the assignee of the then Owner; provided, that the Trustee is not required to exchange or register the transfer of Bonds after the giving of notice calling such Bond for redemption, in whole or in part. The SFPUC shall execute and the Trustee shall authenticate any Bonds whose execution and authentication is necessary to provide for exchange of Bonds pursuant to this Section and the SFPUC may rely on a representation from the Trustee that such execution is required. Any exchange or registration of transfer of Bonds shall be at the expense of the SFPUC, except that the Trustee may make a charge to any Owner requesting such exchange or registration in the amount of any tax or other governmental charge required to be paid with respect thereto.

Section 2.6. Persons Treated as Owners. Prior to due presentment for registration of transfer of any Bond, the Trustee shall treat the Person shown on the Bond Register as owning a Bond as the Owner and the Person exclusively entitled to payment of Principal, Purchase Price or Redemption Price thereof, and interest thereon and, except as otherwise expressly provided herein, the exercise of all other rights and powers of the owner thereof, and neither the SFPUC, the Trustee nor any agent of the SFPUC or the Trustee shall be affected by notice to the contrary.

Section 2.7. Temporary Bonds. Prior to the preparation of definitive Bonds the SFPUC may issue temporary Bonds in registered form and in such denominations as the SFPUC may determine but otherwise in substantially the form provided for such definitive Bonds with appropriate variations, omissions and insertions. The SFPUC shall promptly prepare, execute and deliver to the Trustee before the first interest payment date for such Bonds, definitive Bonds and, upon presentation and surrender of Bonds in temporary form, the Trustee shall authenticate and deliver in exchange therefor definitive Bonds with the same maturity and for the same aggregate principal amount. Until exchanged for definitive Bonds, Bonds in temporary form shall be entitled to the lien and benefit of this Trust Indenture and the Supplemental Trust Indenture authorizing the issuance of the Series of Bonds of which such Bond is a part.

Section 2.8. Mutilated, Lost or Destroyed Bonds. If any Bond has been mutilated, lost or destroyed, the SFPUC shall execute, and the Trustee shall authenticate and deliver to the Owner, a new Bond of like date and tenor in exchange and substitution for, and upon cancellation of, such mutilated Bond or in lieu of and in substitution for such lost or destroyed Bond but only if the Owner has paid the reasonable expenses and charges of the SFPUC and the Trustee in connection therewith and, in the case of a lost or destroyed Bond, (a) filed with the Trustee evidence satisfactory to the Trustee that such Bond was lost or destroyed and (b) furnished to the Trustee and the SFPUC indemnity satisfactory to each. If any such Bond has

matured or been called for redemption and is payable, instead of issuing a new Bond the Trustee may pay the same without issuing a replacement Bond. If, after the delivery of such replacement Bond, the original Bond in lieu of which such replacement Bond was issued is presented for payment or registration, the Trustee shall seek to recover such replacement Bond from the Person to whom it was delivered or any Person taking therefrom and shall be entitled to recover from the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Trustee or the SFPUC in connection therewith.

Section 2.9. Cancellation and Disposition of Bonds. The SFPUC may deliver Bonds to the Trustee for cancellation at any time and for any reason and the Trustee is hereby authorized to cancel such Bonds. All Bonds that have been paid or delivered to the Trustee for cancellation shall not be reissued. Unless otherwise directed by the SFPUC, the Trustee shall treat such Bonds in accordance with its document retention policies or as may be directed by State law.

Section 2.10. Securities Depository Provisions.

(a) Except as otherwise provided in the Supplemental Trust Indenture authorizing the issuance thereof, each Series of Bonds shall be Book-Entry Bonds initially registered in the name of Cede & Co., as nominee of DTC.

(b) All payments of Principal, Purchase Price and Redemption Price of and interest on the Book-Entry Bonds and all notices with respect thereto, including notices of full or partial redemption, shall be made and given at the times and in the manner set forth in the Letter of Representations. The terms and provisions of the Letter of Representations shall govern in the event of any inconsistency between the provisions of this Trust Indenture and the Letter of Representations. The Letter of Representations may be amended without Owner consent.

(c) The book-entry registration system for a Series of Book-Entry Bonds may be terminated and certificates delivered to and registered in the name of the Beneficial Owners, under either of the following circumstances: (i) the Securities Depository notifies the SFPUC and the Trustee that it is no longer willing or able to act as Securities Depository for such Series of Book-Entry Bonds and a successor Securities Depository for such Series of Book-Entry Bonds is not appointed by the SFPUC prior to the effective date of such discontinuation; or (ii) the SFPUC determines that continuation of the book-entry system through the Securities Depository is not in the best interest of the SFPUC or the Beneficial Owners of such Series of Bonds.

(d) In the event a successor Securities Depository is appointed by the SFPUC, such Series of Book-Entry Bonds will be registered in the name of such successor Securities Depository or its nominee. In the event certificates are required to be issued to Beneficial Owners, the Trustee and the SFPUC shall be fully protected in relying upon a certificate of the Securities Depository or any participant of the Securities Depository as to the identity of and the principal amount of Book-Entry Bonds held by such Beneficial Owners.

(e) The Beneficial Owners will not receive physical delivery of certificates except as provided herein. All Book-Entry Bonds shall be registered in the name of the Securities Depository or its nominee, all transfers of beneficial ownership interests in Book-Entry Bonds

will be made in accordance with the rules of the Securities Depository, and no Person purchasing, selling or otherwise transferring beneficial ownership interests in Book-Entry Bonds will receive, hold or deliver any certificate representing such beneficial ownership interests. The SFPUC and the Trustee shall have no responsibility or liability for transfers of beneficial ownership interests in Book-Entry Bonds.

(f) The SFPUC and the Trustee will recognize the Securities Depository or its nominee as the Owner of Book-Entry Bonds for all purposes, including receipt of payments, notices and voting; provided, that the Trustee may recognize votes by or on behalf of Beneficial Owners as if such votes were made by Owners of a related portion of the Bonds when such votes are received in compliance with an omnibus proxy of the Securities Depository or otherwise pursuant to the rules of the Securities Depository or the provisions of the Letter of Representations or other comparable evidence delivered to the Trustee.

(g) The SFPUC and the Trustee shall be entitled to treat the Person in whose name a Book-Entry Bond is registered as the absolute owner of such Book-Entry Bond for all purposes of this Trust Indenture, and neither the SFPUC nor the Trustee shall have any responsibility or obligation to any Beneficial Owner of such Book-Entry Bond. Without limiting the immediately preceding sentence, neither the SFPUC nor the Trustee shall have any responsibility or obligation with respect to (i) the accuracy of the records of any Securities Depository or any other Person with respect to any ownership interest in Book-Entry Bonds, (ii) the delivery to any Person, other than an Owner, of any notice with respect to Book-Entry Bonds, including any notice of redemption or refunding, (iii) the selection of the particular Bonds or portions thereof to be redeemed or refunded in the event of a partial redemption or refunding of part of the Bonds Outstanding or (iv) the payment to any Person, other than an Owner, of any amount with respect to the Principal, Purchase Price or Redemption Price of or interest on Book-Entry Bonds.

Section 2.11. Disposition of Unclaimed Funds. Notwithstanding any provisions of this Trust Indenture, and subject to applicable unclaimed property laws, any money deposited with the Trustee in trust for the payment of the Principal, Purchase Price or Redemption Price of or interest on the Bonds remaining unclaimed for two (2) years after the payment thereof, to the extent permitted by applicable law, shall be paid to SFPUC, whereupon all liability of the Trustee with respect to such money shall cease, and the Owners of such Bonds shall thereafter look solely to the SFPUC for payment of any amounts then due.

ARTICLE III ISSUANCE OF BONDS

Section 3.1. Series of Bonds; Terms of Supplemental Trust Indentures.

(a) The SFPUC may from time to time by Supplemental Trust Indenture authorize one or more Series of the Bonds, and the SFPUC may issue and the Trustee shall authenticate and deliver to the purchasers thereof any Bonds so authorized, in such principal amount as shall be determined by the SFPUC, but only upon compliance by the SFPUC with the provisions of this Trust Indenture and any additional requirements set forth in such Supplemental Trust Indenture.

(b) A Supplemental Trust Indenture authorizing a Series of Bonds shall specify (or provide the method for specifying) for such Series of Bonds, among other things: (i) the authorized principal amount and distinguishing designation; (ii) the general purpose or purposes for which such Series of Bonds are being issued, and the deposit, disbursement and application of the sale proceeds; (iii) the dated date or dates and the maturity date or dates, the principal amount maturing on each maturity date, any Mandatory Sinking Fund Payments and the interest payment date or dates; (iv) which of such Series of Bonds are Capital Appreciation Bonds, Current Interest Bonds and Term Bonds; (v) the interest rate or rates (which may be a rate of zero); (vi) the authorized denominations of and the manner of dating and numbering such Series of Bonds; (vii) the method and place or places of payment of the Principal, Purchase Price and Redemption Price of and interest on, such Series of Bonds; (viii) any permitted or required variations, legends, omissions and insertions in the form or forms of such Series of Bonds; (ix) the terms and conditions, if any, for the redemption of such Series of Bonds prior to maturity, including the date or dates fixed for redemption, the Redemption Price or Prices, whether such redemption is subject to rescission and other applicable redemption terms; (x) the terms and conditions, if any, for the optional or mandatory tender for purchase of such Series of Bonds prior to maturity, including the purchase date or dates, the Purchase Price or Prices and other applicable terms; (xi) whether such Series is a Common Reserve Series and, if not, the Reserve Requirement for such Series; (xii) the authorization of and any terms and conditions with respect to any Reserve Account Credit Facility or Facilities for such Series of Bonds; (xiii) the pledge or provision of money, assets or security other than Revenues to or for the payment of such Series of Bonds or any portion thereof; (xiv) the creation and maintenance of one or more special funds or accounts, if any, to provide for the payment or purchase of such Series of Bonds and the application of money therein; (xv) the tender agents, remarketing agents, auction agents and broker-dealers, if any, and the duties and obligations thereof; and (xvi) any other provisions which the SFPUC deems necessary or desirable in connection with such Series of Bonds and not inconsistent with the terms of this Trust Indenture.

Section 3.2. Limitations on Issuance of Bonds. The SFPUC will not hereafter create any special fund or funds for payment of revenue bonds, notes or other obligations for borrowed money or issue or incur any such obligations or create any additional indebtedness that will rank on a parity with or in priority over the pledge of and charge and lien on the Revenues or of the payments into the Bond Funds and Reserve Fund established hereunder for the payment of the Bonds; provided, that Bonds may be issued and Swap Agreements may be entered into payable from the Revenues on a parity with the Bonds hereby authorized, and secured by an equal pledge of and charge and lien on such Revenues in accordance with the provisions of this Trust Indenture for any lawful purpose of the SFPUC.

Section 3.3. Conditions for the Issuance of Bonds. Each Series of Bonds shall be executed by the SFPUC and delivered to the Trustee and thereupon authenticated by the Trustee and delivered to the SFPUC or upon its order, but only (except with respect to Refunding Bonds) upon receipt by the Trustee of the following:

(a) A copy of this Trust Indenture, including the Supplemental Trust Indenture authorizing the issuance of the Bonds of such Series, certified by the Secretary of the SFPUC;

(b) A written opinion of Bond Counsel to the effect that (i) such Series of Bonds are valid and binding limited obligations of the SFPUC enforceable against the SFPUC in accordance with their terms and (ii) the Trust Indenture, including the Supplemental Trust Indenture authorizing the issuance of such Series of Bonds, is a valid and binding obligation of the SFPUC enforceable in accordance with its terms; provided, that such opinions may be qualified to the extent that the enforceability of the Bonds and the Trust Indenture, including the Supplemental Trust Indenture authorizing the issuance of such Series of Bonds, may be limited by bankruptcy, insolvency, reorganization or similar laws affecting the enforcement of creditors' rights generally and by general equitable principles;

(c) An Order of the SFPUC as to the delivery of such Series of Bonds;

(d) A Certificate of the SFPUC stating that (i) no Event of Default, nor any event or condition which with notice and/or the passage of time would constitute an Event of Default, has occurred and is continuing under this Trust Indenture as of the date of issuance of such Series of Bonds and (ii) the issuance of such Series of Bonds, in and of itself, will not cause an Event of Default under this Trust Indenture;

(e) Evidence acceptable to the Trustee (which may be a Certificate of the SFPUC so stating) that provision has been made for the immediate deposit into the Reserve Account for such Series of Bonds of money, Authorized Investments, Reserve Account Credit Facility or Facilities or any combination of the foregoing in an aggregate amount equal to the Reserve Requirement, if any, for such Series of Bonds; and

(f) The document specified in Section 3.4.

Section 3.4. Additional Bonds Certification.

(a) In connection with the issuance of a Series of Bonds, the requirements of subsection (f) of Section 3.3 or of paragraph (ii) of subsection (b) of Section 3.5 may be fulfilled by either:

(i) A Certificate of the SFPUC stating that, in each of the first three (3) full Fiscal Years after the sale of such Series of Bonds, projected Net Revenues:

A. *Plus* Available Funds, are at least 1.25 times Annual Debt Service on the Outstanding Bonds, after giving effect to the issuance of such Series of Bonds, and

B. Are at least 1.0 times Annual Debt Service on the Outstanding Bonds, plus required deposits into the Reserve Fund, after giving effect to the issuance of such Series of Bonds; or

(ii) A Certificate of the SFPUC stating that Net Revenues from any twelve (12) consecutive months of the prior twenty-four (24) months:

A. *Plus* Available Funds, are at least 1.25 times Annual Debt Service on the Bonds Outstanding, after giving effect to the issuance of such Series of Bonds, and

B. Are at least 1.0 times Annual Debt Service on the Bonds Outstanding, plus required deposits into the Reserve Fund after giving effect to the issuance of such Series of Bonds.

For purposes of this paragraph (a)(ii) the following adjustments may be made to Net Revenues for such period, if so stated in the Certificate of the SFPUC:

(I) An allowance for additional Revenues anticipated from any additions, extensions and improvements to the Power Enterprise to be acquired or constructed from proceeds of such or a prior Series of Bonds and for any changes in Operation and Maintenance Expenses resulting therefrom, that are not reflected in Net Revenues for such Fiscal Year, but only if such additional Revenues and changes in Operation and Maintenance Expenses represent a full twelve (12) months' change in Net Revenues attributable to such additions, extensions and improvements; and

(II) An allowance for additional Revenues attributable to any increase in the rates and charges imposed by the SFPUC that (A) was in effect prior to the issuance of such Series of Bonds but which, during all or part of such Fiscal Year, was not in effect, or (B) was adopted by the SFPUC prior to the issuance of such Series of Bonds and will be in effect within 90 days after such issuance, but in either case only if such additional Revenues represent a full twelve (12) months' change in Net Revenues attributable to such increase in rates and charges.

Section 3.5. Conditions for Issuance of Refunding Bonds.

(a) A Series of Refunding Bonds may be issued by the SFPUC to provide funds sufficient for the payment of any or all of the following:

(i) The Principal, Purchase Price or Redemption Price of the Bonds or Original Bonds to be refunded;

(ii) All expenses incident to the purchase, call, redemption, retirement or payment of the Bonds or Original Bonds to be refunded;

(iii) The costs of issuance of such Series of Refunding Bonds;

(iv) Interest on the Bonds or Original Bonds to be refunded to the date such Bonds or Original Bonds will be purchase, redeemed, retired or paid;

(v) Interest on such Series of Refunding Bonds from the date thereof to the date of purchase, redemption, retirement or payment of the Bonds or Original Bonds to be refunded; and

(vi) Any other lawful payment obligations, costs or expenses in connection with the issuance of the Refunding Bonds and the purchase, redemption, retirement or payment of the Bonds or Original Bonds to be refunded.

(b) A Series of Refunding Bonds may be issued by the SFPUC only upon receipt by the Trustee of the following:

(i) The documents specified in subsections (a), (b), (c) and (e) of Section 3.3;

(ii) Either (A) the document specified in Section 3.4, or (B) a Certificate of the SFPUC stating that the issuance of such Series of Refunding Bonds will not result in any aggregate increase in Annual Debt Service for the Bonds greater than \$100,000 in any Fiscal Year that such Series of Refunding Bonds is scheduled to be Outstanding;

(iii) If any of the Bonds or Original Bonds to be refunded are to be purchased or redeemed prior to their stated maturity dates, irrevocable instructions (A) to the Trustee to give the applicable notice of purchase or redemption of such Bonds or (B) to the trustee for the owners of such Original Bonds to give the applicable notice of purchase or redemption of such Original Bonds; and

(iv) An opinion of Bond Counsel that (A) all liability of the SFPUC in respect of the Bonds to be refunded has ceased, terminated and been discharged, pursuant to the terms of this Trust Indenture and the Supplemental Trust Indenture pursuant to which such Bonds were issued, and the Owners of such Bonds are entitled to payment of the Principal, Purchase Price or Redemption Price of and interest on such Bonds only out of the money or securities deposited with the Trustee for the payment of such Bonds or (B) all liability of the SFPUC in respect of the Original Bonds to be refunded has ceased, terminated and been discharged, pursuant to the terms of the resolution or resolutions pursuant to which such Original Bonds were issued, and the owners of such Original Bonds are entitled to payment of the principal, purchase price or redemption price of and interest on such Original Bonds only out of the money or securities deposited with the trustee for the owners of such Original Bonds for the payment of such Original Bonds.

Section 3.6. Subordinate Obligations. Nothing in this Trust Indenture shall prohibit the issuance by the SFPUC of Subordinate Obligations.

Section 3.7. Application of Proceeds. Proceeds of each Series of Bonds shall be applied as provided in the Supplemental Trust Indenture pursuant to which such Series of Bonds is authorized. All Bonds paid, purchased, redeemed or retired from proceeds of the sale of Refunding Bonds, and all Bonds surrendered to the Trustee against the issuance of Refunding Bonds, shall be forthwith cancelled and, unless otherwise provided in the Supplemental Trust Indenture authorizing the issuance thereof, shall not be reissued.

ARTICLE IV REDEMPTION OF BONDS

Section 4.1. Terms of Redemption. No Bond may be called for redemption by the SFPUC except as provided in the Supplemental Trust Indenture authorizing the issuance of the Series of Bonds of which such Bond is a part.

Section 4.2. Selection of Bonds for Redemption. Except as otherwise provided in the Supplemental Trust Indenture authorizing the issuance thereof, if less than all of a Series of Bonds are called for redemption, they shall be redeemed from maturities in such order as determined by the SFPUC, and by lot within any maturity subject to selection by the Trustee as provided below; provided, that if an Event of Default has occurred and is continuing any Bonds called for redemption shall be redeemed in proportion by maturity and within maturities by lot. The portion of any Bond to be redeemed shall be an authorized denomination and in selecting Bonds for redemption, each Bond shall be considered as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by the minimum authorized denomination thereof. If a portion of a Bond shall be called for redemption, a new Bond in principal amount equal to the unredeemed portion thereof shall be issued to the Owner upon the surrender thereof. If for any reason the principal amount of Bonds called for redemption would result in a redemption of Bonds less than the authorized denomination, the Trustee, to the extent possible within the principal amount of Bonds to be redeemed, is hereby authorized to adjust the selection of Bonds for such purpose in order to minimize any such redemption. Notwithstanding the foregoing, the Securities Depository for Book-Entry Bonds shall select the Bonds for redemption within particular maturities according to its stated procedures.

Section 4.3. Notice of Redemption.

(a) Notice of the redemption of Bonds (or portions thereof) shall be given as set forth in this Section unless otherwise provided in the Supplemental Trust Indenture authorizing the issuance thereof.

(b) When Bonds (or portions thereof) are to be redeemed, the SFPUC shall give or cause to be given notice of the redemption of such Bonds to the Trustee no later than 45 days prior to the redemption date or such shorter time as may be acceptable to the Trustee. In the case of an optional redemption, the notice may state (i) that it is conditioned upon the deposit of money, in an amount equal to the amount necessary to effect the redemption, with the Trustee no later than the redemption date or (ii) that the SFPUC retains the right to rescind such notice on or prior to the scheduled redemption date (in either case, a “Conditional Redemption”), and such notice and optional redemption shall be of no effect if such money is not so deposited or if the notice is rescinded as described in subsection (e) of this Section. The Trustee, at the expense of the SFPUC, shall send notice of any redemption, identifying the Bonds to be redeemed, the redemption date and the method and place of payment and the information required by subsection (c) of this Section, by first class mail to each Owner of a Bond called for redemption to the Owner’s address set forth on the Bond Register. Unless otherwise provided in the Supplemental Trust Indenture authorizing the issuance of the Series of Bonds of which such Bond is a part, such notice shall be sent by the Trustee by first class mail between 30 and 60 days prior to the scheduled redemption date. With respect to Book-Entry Bonds, if the Trustee sends

notice of redemption to the Securities Depository pursuant to the Letter of Representations, the Trustee shall not be required to give the notice set forth in the immediately preceding sentence. If notice is given as stated in this subsection, failure of any Owner to receive such notice, or any defect in the notice, shall not affect the redemption or the validity of the proceedings for the redemption of the Bonds.

(c) In addition to the foregoing, the redemption notice shall contain with respect to each Bond being redeemed, (i) the CUSIP number, (ii) the date of issue, (iii) the interest rate, (iv) the maturity date and (v) any other descriptive information determined by the Trustee to be needed to identify the Bonds. If a redemption is a Conditional Redemption, the notice shall so state. The Trustee shall also send each notice of redemption at least 30 days (or such shorter period as may be otherwise provided in the Supplemental Trust Indenture authorizing the issuance of the Series of Bonds of which such Bond is a part) before the redemption date to (A) any securities credit rating agency then rating the Bonds to be redeemed; (B) all of the registered clearing agencies known to the Trustee to be in the business of holding substantial amounts of bonds of a type similar to the Bonds; (C) one or more national information services that disseminate notices of redemption of bonds such as the Bonds, such services to be identified by the Trustee; and (D) the Beneficial Owners set forth on the Beneficial Owner Register.

(d) On or before the date fixed for redemption, subject to the provisions of subsections (b) and (e) of this Section, money shall be deposited with the Trustee to pay the Redemption Price of and accrued interest to the redemption date on the Bonds called for redemption. Upon the deposit of such money, unless the SFPUC has given notice of rescission as described in subsection (e) of this Section, the Bonds shall cease to bear interest on the redemption date, shall no longer be entitled to the benefits of this Trust Indenture (other than for payment and transfer and exchange) and shall no longer be considered Outstanding.

(e) Any Conditional Redemption may be rescinded in whole or in part at any time prior to the redemption date if the SFPUC delivers a Certificate of the SFPUC to the Trustee instructing the Trustee to rescind the redemption notice. The Trustee shall give prompt notice of such rescission to the affected Owners. Any Bonds subject to Conditional Redemption where redemption has been rescinded shall remain Outstanding, and the rescission shall not constitute an Event of Default. Further, in the case of a Conditional Redemption, the failure of the SFPUC to make funds available in part or in whole on or before the redemption date shall not constitute an Event of Default, and the Trustee shall give prompt notice to the Securities Depository or the affected Owners that the redemption did not occur and that the Bonds called for redemption and not so paid remain Outstanding.

Section 4.4. Purchase at Any Time. Nothing in this Trust Indenture shall prevent the SFPUC from purchasing Bonds or from delivering any such Bonds to the Trustee for cancellation pursuant to Section 2.9. Term Bonds purchased pursuant to this Section may be credited against future Mandatory Sinking Fund Payments pursuant to the provisions of the Supplemental Trust Indenture authorizing the issuance of such Term Bonds. The principal amount of Bonds to be redeemed by optional redemption under this Trust Indenture may be reduced by the principal amount of Bonds purchased by the SFPUC and delivered to the Trustee for cancellation at least 45 days prior to the redemption date.

ARTICLE V
REVENUE FUND; PLEDGE OF REVENUES;
CREATION OF FUNDS AND PAYMENTS THEREFROM; INVESTMENTS

Section 5.1. Revenue Fund. The Revenue Fund of the Power Enterprise previously established by the SFPUC and held by the Treasurer is hereby continued for so long as any Bonds are Outstanding. Upon and after the issuance of any Bonds pursuant to this Trust Indenture, the SFPUC covenants and agrees that it will pay into the Revenue Fund as received all Revenues. The SFPUC further covenants and agrees that all Revenues shall be trust funds in the hands of the SFPUC and shall be used and applied as provided by this Trust Indenture, solely for the purpose of operating and maintaining the Power Enterprise and paying all costs, charges and expenses in connection therewith and for the purpose of making repairs, renewals and replacements to the Power Enterprise and constructing additions, betterments and extensions thereto, and for the purpose of paying the Bonds, the Swap Agreement Payments and all other charges or obligations against the Revenues of whatever nature now or hereafter imposed thereon by law or contract.

Section 5.2. Pledge of Revenues.

(a) The Bonds are special limited obligations of the SFPUC payable from and secured by the Revenues, after payment of Operation and Maintenance Expenses and any Priority R&R Fund Deposits. The Bonds shall not in any manner or to any extent constitute general obligations of the SFPUC or the City, or of the State or any political subdivision of the State. The Bonds are not a charge upon the general fund or upon any moneys or other property of the SFPUC or the City, or of the State or any political subdivision of the State, other than the Revenues. Neither the full faith and credit nor the taxing power of the City, or of the State or any political subdivision of the State, are pledged to the payment of the Bonds. The Bonds shall not constitute indebtedness of the City within the meaning of any State constitutional or statutory provisions or limitations or under the Charter.

(b) The SFPUC hereby pledges and places a lien and charge upon the Revenues, after payment of Operation and Maintenance Expenses and any Priority R&R Fund Deposits, to secure the payment of the Bonds and, to the extent permitted by law, Swap Agreement Payments and other payments due under Swap Agreements, in accordance with their respective terms without priority or distinction of one over the other, subject only to the provisions of this Trust Indenture permitting the application of such Revenues for the purposes and on the terms and conditions set forth therein and herein, and the Revenues, after payment of Operation and Maintenance Expenses and any Priority R&R Fund Deposits, shall constitute a trust for the security and payment of the Bonds and Swap Agreement Payments and other payments due under Swap Agreements. The pledge of and lien and charge on the Revenues herein made shall be irrevocable until there are no Bonds Outstanding and until all Swap Agreement Payments and other payments due in accordance with the provisions of the Swap Agreements and this Trust Indenture have been made. The pledge of and lien and charge on the Revenues and other money and obligations shall be valid and binding from the time made, and the Revenues so pledged and thereafter received by the SFPUC shall immediately be subject to the pledge, lien and charge hereof without any physical delivery or further act, and such pledge, lien and charge shall be

valid and binding as against any parties having claims of any kind in tort, contract, or otherwise against the SFPUC irrespective of whether such parties have notice thereof.

Section 5.3. Equality of Security. The covenants and agreements set forth in this Trust Indenture to be performed by or on behalf of the SFPUC shall be for the equal and proportionate benefit, security and protection of all Owners, without preference, priority or distinction as to security or otherwise of any Bond over any other Bond by reason of the Series, time of issue, sale or negotiation thereof or for any cause whatsoever, except as expressly provided therein or herein. Notwithstanding the foregoing, nothing herein shall prevent additional security being provided for a particular Series of Bonds under any Supplemental Trust Indenture.

Section 5.4. Flow of Funds. Revenues deposited in the Revenue Fund shall be disbursed in the following order of priority:

- (a) *First*, for the payment of Operation and Maintenance Expenses;
- (b) *Second*, for any Priority R&R Fund Deposits into the Reconstruction and Replacement Fund;
- (c) *Third*, for deposit in the Interest Account of each Bond Fund under Section 5.5;
- (d) *Fourth*, for deposit in the Bond Retirement Account of each Bond Fund under Section 5.5;
- (e) *Fifth*, for deposit in the Reserve Fund under Section 5.6;
- (f) *Sixth*, (i) for the payment of principal and premium, if any, and interest on any Subordinate Obligations; (ii) for deposit into a reserve fund securing any Subordinate Obligations; (iii) for Swap Agreement Payments pursuant to Swap Agreements entered into by the SFPUC with respect to any Subordinate Obligations; and (iv) for payment to any financial institution or insurance company providing any letter of credit, line of credit, or other credit or liquidity facility, including municipal bond insurance and guarantees, that secures the payment of principal of or interest on any Subordinate Obligations; in each case in any order of priority within this paragraph (f) which may be hereafter established by the SFPUC by resolution;
- (g) *Seventh*, for any Additional R&R Fund Deposits into the Reconstruction and Replacement Fund;
- (h) *Eighth*, for any necessary or desirable capital additions or improvements to the Power Enterprise;
- (i) *Ninth*, for any payment under a Take-or-Pay Power Purchase Agreement that does not constitute an Operation and Maintenance Expense;
- (j) *Tenth*, for any payment under a Swap Agreement that does not constitute a Swap Agreement Payment; and

(k) *Eleventh*, for any other lawful purpose of the SFPUC.

Section 5.5. Bond Funds.

(a) There is hereby created for each Series of Bonds a special fund of the SFPUC to be known as the “Power Enterprise Revenue Bonds, Series _____ Bond Fund” (each, a “Bond Fund”). Each Bond Fund and the accounts therein shall be held and administered by the Trustee appointed as provided for in Section 9.1, and shall be used solely for the purpose of paying the Bonds and the Swap Agreement Payments of the related Series in the manner herein provided. The SFPUC obligates and binds itself irrevocably to set aside and to pay to the Trustee (to the extent not otherwise provided) out of the Revenues, after payment of Operation and Maintenance Expenses, in trust for the account of the Bond Fund, certain fixed amounts, without regard to any fixed proportion of the Revenues, after payment of Operation and Maintenance Expenses, sufficient to pay the Bonds and the Swap Agreement Payments of the related Series issued pursuant to this Trust Indenture and the Supplemental Trust Indenture authorizing the issuance thereof and from time to time Outstanding as the same respectively become due and payable. Such fixed amounts to be paid to the Trustee and deposited into the related Bond Fund shall be a charge and lien upon the Revenue Fund and payable therefrom as set forth in this Section.

(b) There is hereby created an Interest Account in each Bond Fund. Promptly upon receipt thereof the Trustee shall deposit in the Interest Account money received by the SFPUC as accrued interest on the Bonds of the related Series and any Swap Agreement Receipts related to such Series of Bonds. The SFPUC shall pay or cause to be paid to the Trustee for deposit into such Interest Account such amounts, taking into account amounts then on deposit in such Interest Account, as shall be necessary to pay the interest on and any Swap Agreement Payments with respect to such Series of Bonds as the same shall become due. The money in such Interest Account shall be applied by the Trustee on the date upon which any such interest or payment is due and in amounts sufficient to pay such interest or payment.

(c) There is hereby created a Capitalized Interest Account in each Bond Fund for each Series of Bonds for which a portion of the proceeds of sale of such Series of Bonds or other available moneys of the SFPUC, if any, are to be used for the purpose of paying interest on such Series of Bonds. Upon the issuance, sale and delivery of such Series of Bonds, the SFPUC shall pay or cause to be paid to the Trustee for deposit into the Capitalized Interest Account for such Series of Bonds such portion of the proceeds of sale or such other available moneys, if any. Money in the Capitalized Interest Account for such Series of Bonds shall be applied by the Trustee to the extent available for the purpose of paying interest on such Series of Bonds during the period specified in the Supplemental Trust Indenture authorizing the issuance thereof. On or before the date on which interest on such Series of Bonds becomes due and payable, the Trustee shall transfer from the Capitalized Interest Account for such Series of Bonds to the Interest Account for such Series of Bonds an amount which, together with any money theretofore received or held by the Trustee for such purpose, shall be sufficient to pay the interest on such Series of Bonds coming due on such date.

(d) There is hereby created a Bond Retirement Account in each Bond Fund. The SFPUC shall pay or cause to be paid to the Trustee for deposit into such Bond Retirement Account such amounts, taking into account amounts then on deposit in the Bond Retirement

Account, as shall be necessary to pay the Mandatory Sinking Fund Payments and Principal of such Series of Bonds as the same shall become due. The money in such Bond Retirement Account shall be applied by the Trustee on the date upon which any such Mandatory Sinking Fund Payments or Principal is due and in amounts sufficient to pay such Mandatory Sinking Fund Payments or Principal.

(e) Each Bond Fund shall be drawn upon for the sole purpose of paying the Principal, Mandatory Sinking Fund Payments and Redemption Price of and interest on the Bonds of and the Swap Agreement Payments for the related Series. Money set aside from time to time with the Trustee for the payment of such Principal, Mandatory Sinking Fund Payments, Redemption Price, interest and Swap Agreement Payments shall be held in trust equally and ratably for the Owners or Qualified Counterparties in respect of which the same shall have been so set aside. Each Series of Bonds and the interest thereon shall be a valid claim of the Owners thereof only against the Bond Fund for such Series of Bonds (and the Reserve Account for such Series of Bonds, if such Series of Bonds are secured by a Reserve Account) and the amount of the Revenues pledged to such Bond Fund (and, if applicable, such Reserve Account), and together with the related Swap Agreement Payments shall constitute a prior charge over all other charges or claims whatsoever against the Bond Fund (and, if applicable, such Reserve Account) for such Series of Bonds.

(f) If at any time there shall be insufficient money in the Revenue Fund to make the payments required to be made into the respective Bond Funds, the SFPUC shall make payments to the Trustee for deposit into such Bond Funds in the same ratio as the Principal amount of each Series of Bonds then Outstanding bears to the aggregate Principal amount of all Series of Bonds then Outstanding. If in any month there is a failure for any reason to pay into any Bond Fund for credit to the Interest Account or the Bond Retirement Account the amounts prescribed above, the amount of any such deficiency shall be added to the amount otherwise required to be paid into the Bond Fund for credit to the Interest Account or the Bond Retirement Account during the succeeding month or months.

(g) Whenever the assets of the Bond Fund for a Series of Bonds (together, if such Series of Bonds are secured by a Reserve Account, with the assets of such Reserve Account allocable to such Series of Bonds) shall be sufficient to provide money to pay all Bonds of such Series then Outstanding, including such interest thereon as thereafter may become due and payable and any premiums upon redemption thereof, and all related Swap Agreement Payments, no further payments need be made into the Bond Fund or such Reserve Account for such Series of Bonds.

Section 5.6. Reserve Fund.

(a) There is hereby created a special fund of the SFPUC to be known as the “Power Enterprise Revenue Bonds Reserve Fund” (the “Reserve Fund”). The Reserve Fund and the Reserve Accounts therein shall be held and administered by the Trustee appointed as provided for in Section 9.1, and shall be used solely for the purpose of paying the Bonds and the Swap Agreement Payments secured by the Reserve Accounts in the manner provided herein. The SFPUC obligates and binds itself irrevocably to set aside and to pay to the Trustee (to the extent not otherwise provided) out of the Revenues, after payment of Operation and Maintenance

Expenses and required deposits into the Bond Funds, in trust for the account of the respective Reserve Accounts, certain fixed amounts, without regard to any fixed proportion of the Revenues, after payment of Operation and Maintenance Expenses and required deposits into the Bond Funds, sufficient to make the balance in the Reserve Fund equal the aggregate Reserve Requirements of the Bonds secured by the Reserve Accounts. Such fixed amounts to be paid to the Trustee and deposited into the Reserve Fund shall be a charge and lien upon the Revenue Fund and payable therefrom as set forth in this Section.

(b) The SFPUC hereby establishes the Common Reserve Account and may establish one or more additional accounts in the Reserve Fund (each, a “Reserve Account”), each of which may secure one or more Series of Bonds pursuant hereto and to the Supplemental Trust Indenture or Indentures authorizing the issuance thereof. Promptly upon receipt thereof the Trustee shall deposit in each Reserve Account proceeds of sale of each Series of Bonds to be secured thereby or other available money, Authorized Investments or Reserve Account Credit Facility or Facilities, or any combination of the foregoing, in such amount as shall be necessary to bring the amount on deposit therein to the Reserve Requirement for such Series of Bonds.

(c) Each Reserve Account shall thereafter be maintained at all times at the respective Reserve Requirement of the Bonds secured by such Reserve Account by additional deposits into such Reserve Account from the Revenue Fund after payment of Operation and Maintenance Expenses and required deposits into the Bond Funds, until such time as the Principal or Redemption Price of the Bonds secured by such Reserve Account, together with interest thereon to the date of retirement or redemption, can be paid from amounts in the Bond Fund or Funds established for such Bonds, together with amounts in such Reserve Account. Each Reserve Account shall be replenished in the following priority: first, to make all payments required under all reimbursement agreements with the providers of Reserve Account Credit Facilities credited to such Reserve Account (and if there is not sufficient money on deposit in such Reserve Account to make all such payments, then on a *pro rata* basis to each provider); and second, after all such payments are made in full, the amount necessary to make the money, Authorized Investments, and Reserve Account Credit Facility or Facilities or any combination of the foregoing deposited in or credited to such Reserve Account equal to the aggregate Reserve Requirements of the Bonds secured by such Reserve Account. If at any time there is not sufficient money to make all of the foregoing payments, such payments shall be made to the extent of available money into each Reserve Account in the same ratio as the Principal amount of the Outstanding Bonds secured thereby bears to the aggregate Principal amount of all Outstanding Bonds secured by the Reserve Fund.

(d) In the event of a deficiency in the Bond Fund for Bonds secured by a Reserve Account, the Trustee shall make up such deficiency from such Reserve Account in the following priority: first, by the withdrawal of cash held therein; second, by the sale or redemption of Authorized Investments held therein; and third, from draws upon the Reserve Account Credit Facility or Facilities credited thereto, on a *pro rata* basis, in sufficient amounts to make up such deficiency. Such draws shall be made at such times and under such conditions as provided in such Reserve Account Credit Facility or Facilities.

(e) At the option of the SFPUC, amounts on deposit in a Reserve Account may be substituted at any time, in whole or in part, by the deposit with the Trustee of a Reserve Account

Credit Facility or Facilities in a stated amount equal to the amounts so substituted. Any amounts released from a Reserve Account as a result of such substitution shall be applied for any lawful purpose of the Power Enterprise as provided in an Order of the SFPUC.

(f) Each Reserve Account may be drawn upon for the sole purpose of paying the Principal, Mandatory Sinking Fund Payments and Redemption Price of and interest on the Bonds and the Swap Agreement Payments relating to the Bonds secured by such Reserve Account; provided, that excess amounts in any Reserve Account may be withdrawn therefrom upon a written request to the Trustee by the SFPUC and applied to any lawful purposes of the Power Enterprise. Money set aside from time to time with the Trustee for the payment of such Principal, Mandatory Sinking Fund Payments, Redemption Price, interest and Swap Agreement Payments shall be held in trust equally and ratably for the Owners or Qualified Counterparties in respect of which the same shall have been so set aside.

Section 5.7. Project Funds. There is hereby created for each Series of Bonds a special fund of the SFPUC to be known as the “Power Revenue Bonds, Series ____ Project Fund” (each, a “Project Fund”). Each Project Fund shall be held by the Treasurer and administered by the SFPUC. Immediately upon the issuance, sale and delivery of a Series of the Bonds, the SFPUC shall pay or cause to be paid into the Project Fund for such Series such amount of the proceeds derived from the sale of such Series of Bonds as shall be designated pursuant to the Supplemental Trust Indenture authorizing the issuance thereof. Money so deposited in the Project Fund shall be applied to the costs of issuance of such Series of Bonds and to the costs of acquiring and constructing the additions, betterments and improvements to, and repairs, renewals and replacements of, the Power Enterprise or other lawful purposes of the Power Enterprise to be funded out of the proceeds of such Series of Bonds.

Section 5.8. Payments from the Project Funds. Each payment by the SFPUC from the Project Fund shall constitute the representation of the SFPUC that (a) an obligation in such amount has been incurred by the SFPUC, (b) such obligation is a proper and reasonable charge against such Project Fund, (c) such amount has not been theretofore paid, (d) insofar as any such obligation was incurred for work, materials, equipment or supplies, such work was actually performed, or such materials, equipment or supplies were actually installed or delivered, or such amount is a progress payment due thereon and (e) there has not been filed with or served upon the SFPUC any notice of any lien, right to lien, or attachment upon or claim affecting the right to receive payment of such amount that has not been released or will not be released simultaneously with the payment of such amount.

Section 5.9. Reconstruction and Replacement Fund. There is hereby created a special fund of the SFPUC to be known as the “Power Enterprise Reconstruction and Replacement Fund,” to be held by the Treasurer and administered by the SFPUC. The SFPUC covenants and agrees to deposit and maintain in the Reconstruction and Replacement Fund such amount so that the balance therein shall be at least equal to the amount, if any, required to be on deposit therein pursuant to the Charter. Amounts in the Reconstruction and Replacement Fund shall be applied to pay costs for reconstruction and replacements of the properties constituting a part of the Power Enterprise due to physical and functional depreciation.

Section 5.10. Rebate Funds.

(a) Unless otherwise provided pursuant to a Supplemental Trust Indenture, there is hereby established a Rebate Fund for each Series of Tax-Exempt Bonds to be held by the Treasurer and administered by the SFPUC as set forth in this Section. The SFPUC shall maintain each Rebate Fund until the expiration of 60 days after the retirement of such Series of Tax-Exempt Bonds. Within 30 days after the end of each Computation Period, the SFPUC shall determine or cause to be determined the Rebate Amount attributable to each Rebate Fund for such Computation Period. Subject to the provisions of this Trust Indenture, the SFPUC shall transfer from the Revenue Fund into the Rebate Fund money to the extent required to provide for any Rebate Amount the SFPUC has determined to exist. The Trustee shall not be responsible for calculating Rebate Amounts or for the adequacy or correctness of any rebate report.

(b) The SFPUC shall make the following payments from the money and Authorized Investments in each Rebate Fund to the United States and shall file with the Internal Revenue Service such forms and/or reports as required for such purpose: (i) not later than the 60th day after the end of each fifth Bond Year for the related Series of Tax-Exempt Bonds, an amount equal to 90% of the Rebate Amount for the Computation Period ending immediately prior to the date of payment, and (ii) not earlier than the date of retirement of such Series of Tax-Exempt Bonds, nor later than the 60th day thereafter, the amount, if any, which, when added to amounts previously paid to the United States as Rebate Amounts for such Series of Tax-Exempt Bonds, will equal 100% of the Rebate Amount with respect to such Series of Tax-Exempt Bonds.

ARTICLE VI
INVESTMENT OR DEPOSIT OF FUNDS

Section 6.1. Deposits and Security Therefor. All money received by the Trustee under this Trust Indenture for deposit in the Funds shall be considered trust funds pending their application as provided in this Trust Indenture and shall be subject to a prior and paramount pledge, lien and charge in favor of the Owners of the Series of Bonds and Qualified Counterparties payable from or secured by each such Fund, and for the further security of such Series of Bonds until paid out or transferred as herein provided. All money on deposit with the Trustee shall be secured in the manner required by State or other applicable law. All security for deposits shall be perfected in such manner as may be required or permitted under applicable law in order to provide to the Trustee a perfected lien on and security interest in such security.

Section 6.2. Investment or Deposit of Funds.

(a) All money on deposit in the Funds shall be invested and reinvested by the Trustee or the Treasurer, as the case may be, in Authorized Investments that mature, or are subject to repurchase, withdrawal without penalty or redemption at the option of the holder on or before the dates on which the amounts invested are reasonably expected to be needed for the purposes hereof.

(b) All purchases or sales of Authorized Investments made by the Trustee shall be made at the direction of the SFPUC (given in writing or orally, confirmed in writing). In the absence of such direction, the Trustee shall invest all money on deposit in the Funds held by the Trustee in Government Securities.

(c) Any Authorized Investments held by the Trustee may be transferred by the Trustee, if required in writing by the SFPUC, from any of the Funds to any other Fund at the then current market value thereof without having to be sold and purchased or repurchased; provided, that after any such transfer or transfers, the Authorized Investments in each such Fund shall be in accordance with the provisions of this Trust Indenture, and whenever any other transfer or payment is required to be made from any particular Fund, such transfer or payment shall be made from such combination of maturing principal, redemption premiums, liquidation proceeds and withdrawals of principal as the Trustee deems appropriate for such purpose.

(d) The Trustee shall not be accountable for any depreciation in the value of Authorized Investments or for any losses incurred upon any authorized disposition thereof.

(e) Subject to the foregoing, the Trustee is expressly authorized to invest money in two or more Funds in a single investment; provided, that the portion of the investment allocable to each such Fund, and all payments received with respect to such allocable portion, shall be applied in accordance with the applicable provisions governing such Fund hereunder.

Section 6.3. Valuation of Funds. The Trustee shall determine the market value of the Authorized Investments in each of the Funds held by the Trustee as of (a) June 30 of each year (or if such day is not a Business Day, the preceding Business Day) and (b) the date of issuance of each Series of Bonds. As soon as practicable after each such valuation date, the Trustee shall furnish to the SFPUC a report of the status of each Fund held by the Trustee as of such date. In computing the value of Authorized Investments in any Fund, Authorized Investments shall be valued at the fair market value thereof; provided, that investments in any Reserve Account shall be valued at cost plus accreted value.

ARTICLE VII
COVENANTS OF THE COMMISSION

The SFPUC hereby covenants and agrees with the Owners from time to time of the Bonds issued pursuant to this Trust Indenture and any Supplemental Trust Indenture as follows:

Section 7.1. Maintenance of Existence and Powers. The SFPUC shall at all times maintain its existence as a separate department of the City and the existence of the Power Enterprise as a separate utility of the SFPUC formed under the authority of the Charter, and shall

at all times use its best efforts to maintain all the powers of the SFPUC and of the Power Enterprise as a separate utility of the SFPUC. The SFPUC shall undertake any City-wide retail electric power program as a Separate System.

Section 7.2. Operation and Maintenance of the Power Enterprise.

(a) Subject to the other provisions of this Trust Indenture, the SFPUC shall at all times operate the Power Enterprise and the business in connection therewith in an efficient manner and at reasonable cost, and shall maintain, preserve and keep, or cause to be maintained, preserved and kept, the properties and facilities constituting any part of the Power Enterprise, and all additions and betterments thereto and extensions thereof, and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, renewals, replacements, additions, extensions and betterments thereto, so that at all times the business carried on in connection therewith shall be properly and advantageously conducted. Without limiting the generality of the foregoing, the SFPUC will at all times operate and maintain the Hetch Hetchy Project for so long as any Bonds remain Outstanding.

(b) The SFPUC shall at all times comply with the terms and conditions of any statutes, permits and licenses for the Power Enterprise, and any properties or facilities constituting a part thereof, including the Hetch Hetchy Project, enacted or issued by any federal or state governmental agency or body having jurisdiction thereof and with the power to adopt laws and issue orders with respect thereto and enforce the same, and with any federal or state law or regulation applicable to the construction, operation, maintenance and repair of the Power Enterprise; provided, that the SFPUC shall not be required to comply with any such terms, conditions or provisions which the SFPUC is contesting in good faith. The SFPUC shall use its best efforts to obtain renewals of such permits or licenses or obtain new permits or licenses unless such renewals or new permits or licenses are not, in the judgment of the SFPUC, in the best interests of the SFPUC and the Owners.

(c) The SFPUC shall allocate costs of those portions of the Hetch Hetchy Project used jointly by the Power Enterprise and the Water Enterprise, including operating and capital costs, between the Power Enterprise and the Water Enterprise on a consistent basis in such manner as the SFPUC shall reasonably determine.

Section 7.3. Sufficiency of Revenues.

(a) The Revenues in each Fiscal Year shall be sufficient:

(i) To pay, to the extent not paid from other available moneys, (A) the Operation and Maintenance Expenses during such Fiscal Year, (B) Annual Debt Service on the Bonds due and payable in such Fiscal Year, (C) the amounts, if any, required to be deposited into the Reserve Fund during such Fiscal Year and (D) any and all other amounts the SFPUC is obligated to pay or set aside from the Revenues by law or contract in such Fiscal Year;

(ii) To maintain a Bond Coverage Ratio of at least 1.0 to 1.0; and

(iii) Together with Available Funds, to maintain a Bond Coverage Ratio of at least 1.25 to 1.00.

(b) The failure of the SFPUC to maintain the Bond Coverage Ratios in any Fiscal Year shall not constitute a default in the observance of the covenants of this Section if:

(i) within 60 days after the SFPUC first determines that the Bond Coverage Ratio was not met or 60 days after the SFPUC's receipt of audited financial statements showing that the Bond Coverage Ratio was not met (whichever is earlier), the SFPUC engages a Consulting Engineer to deliver a report to the SFPUC within 60 days after such engagement which includes recommendations as to how the SFPUC can increase Revenues and/or reduce Operation and Maintenance Expenses so as to satisfy the Bond Coverage Ratios; and

(ii) (A) within 120 days after receipt of the Consulting Engineer's report the SFPUC implements the recommendations set forth in such report; or (B) the report states that the Power Enterprise cannot generate Revenues and/or reduce Operation and Maintenance Expenses sufficient to enable the SFPUC to maintain the Bond Coverage Ratios while satisfying the other covenants set forth in this Trust Indenture, and the SFPUC increases its Revenues and/or reduces its Operation and Maintenance Expenses to the extent otherwise recommended in such report; or (C) the SFPUC is prevented from taking any such action by order of any court of competent jurisdiction. Notwithstanding the foregoing, failure for two (2) consecutive Fiscal Years to maintain the Bond Coverage Ratios shall in all events constitute an Event of Default.

Section 7.4. Rates and Charges. (a) The SFPUC shall fix, establish, maintain and collect rates and charges for electric power and energy and other services, facilities and commodities sold, furnished or supplied through the facilities of the Power Enterprise, which shall be fair and nondiscriminatory and adequate to provide the SFPUC with Revenues sufficient to satisfy the covenants set forth in subsection (a) of Section 7.3 (without giving effect to subsection (b) of Section 7.3).

(b) Anything herein to the contrary notwithstanding, the SFPUC shall not be required to impose rates and charges in violation of (i) applicable provisions of the Raker Act of 1913 or any successor statute; (ii) any other applicable federal or state statutes or regulations; or (iii) any current or future contract or agreement between (A) any City enterprise department, agency or commission, and (B) its customers, tenants or users.

Section 7.5. Protection of Security. The SFPUC is duly authorized under all applicable laws to issue the Bonds and to adopt this Trust Indenture and to pledge the Revenues purported to be pledged by this Trust Indenture in the manner and to the extent provided in this Trust Indenture. The Revenues so pledged are and shall be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by this Trust Indenture, except as otherwise expressly provided herein. The Bonds and this Trust Indenture are and will be valid and binding obligations of the SFPUC enforceable in accordance with their terms and the terms of this Trust Indenture; provided, that the rights of the Owners under this Trust Indenture and under the Bonds may be subject to the exercise of judicial

discretion, to bankruptcy, insolvency, reorganization, moratorium and other laws for the relief of debtors, and to limitations on remedies against cities and their departments and commissions under the laws of the State. The SFPUC shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and the rights of the Owners under this Trust Indenture against all claims and demands of all persons whatsoever.

Section 7.6. Take-or-Pay Power Sales Contracts. So long as any Take-or-Pay Power Sales Contract is in effect, the SFPUC shall enforce the provisions of such Take-or-Pay Power Sales Contract and shall not waive any right or fail to declare any default under or in connection with such Take-or-Pay Power Sales Contract that would reduce the payments provided therein or would materially adversely affect the security of the Owners; provided, that the SFPUC may, in the event the purchaser under such Take-or-Pay Power Sales Contract fails or refuses to take power and energy pursuant to such Take-or-Pay Power Sales Contract or to make payment therefor, sell such power and energy to others.

Section 7.7. Take-or-Pay Power Purchase Agreements. The SFPUC shall not hereafter enter into any Take-or-Pay Power Purchase Agreement payable from Revenues as an Operation and Maintenance Expense unless the SFPUC shall first deliver to the Trustee a Certificate of the SFPUC demonstrating compliance with the requirements set forth in Section 3.4 for the first three (3) full Fiscal Years following the Fiscal Year in which such Take-or-Pay Power Purchase Agreement will become effective.

Section 7.8. Not to Dispose of Power Enterprise Properties. The SFPUC shall not sell, lease or otherwise dispose of, or cause the sale, lease or other disposition of, or permit to be sold, leased or otherwise disposed of, any real or personal properties constituting part of the Power Enterprise unless:

(a) Such sale, lease or disposal is of properties that in the judgment of the SFPUC have become unserviceable, inadequate, obsolete, unfit or no longer needed for the efficient and economical operation of the Power Enterprise; or

(b) Such sale, lease or disposal will not materially impair the ability of the SFPUC to comply with the provisions of Section 7.4 for a period of three (3) Fiscal Years after such sale, lease or disposal, as set forth in a certificate of the SFPUC; or

(c) The SFPUC applies the proceeds of such sale, lease or disposal to redeem or defease the Outstanding Bonds on a *pro rata* basis across all maturities thereof.

The foregoing shall not preclude the SFPUC from providing a security or leasehold interest in property to secure obligations for borrowed money entered into to finance the acquisition or construction of such properties.

Section 7.9. Insurance.

(a) The SFPUC shall maintain property, liability and other insurance with respect to the business, operations, works, plants and facilities of the Power Enterprise, to the extent available at a reasonable cost from responsible insurers, with policies payable to the SFPUC for the benefit of the Power Enterprise, in such amounts and against such risks as are typically

carried by similar municipally-owned electric utilities; provided, that the SFPUC shall not be required to carry insurance for losses to the Power Enterprise caused by earthquake.

(b) In the event of any loss or damage to the properties or facilities of the Power Enterprise covered by insurance exceeding in any Fiscal Year 5% of the net book value of the capital assets of the Power Enterprise, the SFPUC shall apply the proceeds received by the SFPUC of any insurance policy or policies covering such damage or loss for the purposes of (i) repairing or replacing such properties or facilities; (ii) acquiring or constructing other properties or facilities; and/or (iii) to pay, redeem or defease Outstanding Bonds of such maturity or maturities as the SFPUC shall determine in its discretion.

(c) The SFPUC may provide any insurance coverage otherwise required by subsection (a) through a self-insurance program.

Section 7.10. Eminent Domain. In the event of transfer of the properties of the Power Enterprise by operation of law or under threat of condemnation, the SFPUC shall apply the proceeds received by the SFPUC of any such condemnation award or any such sale under threat of condemnation for the purpose of replacing or restoring such properties of the Power Enterprise, or to defease the Outstanding Bonds on a *pro rata* basis across all maturities thereof.

Section 7.11. Financial Reports. The SFPUC shall prepare and make available for inspection at the principal administrative office of the SFPUC and shall provide to the Trustee the most recent audited annual financial statements of the Power Enterprise within 270 days after the end of each Fiscal Year.

Section 7.12. Economically Sound Improvements. The SFPUC shall undertake any additions, betterments or improvements to the Power Enterprise in a sound and economical manner and in accordance with applicable law.

Section 7.13. Payment of Bonds. The SFPUC shall duly and punctually pay or cause to be paid, but only from the Revenues and other available moneys, the Bonds on the dates and in the manner provided herein and in the Bonds, and shall faithfully do and perform and fully observe and keep any and all covenants, undertakings, stipulations and provisions contained in the Bonds and in this Trust Indenture and the Supplemental Trust Indentures.

Section 7.14. Payment of Taxes and Claims. The SFPUC shall from time to time duly pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, or required payments in lieu thereof, lawfully imposed upon the properties constituting part of the Power Enterprise or on the Revenues when the same shall become due, and all lawful claims for labor and material and supplies which, if not paid, might become a lien or charge upon such properties, or any part thereof, or upon the Revenues, or which might in any material way impair the security for the Bonds; provided, that the SFPUC shall not be required to pay any such taxes, assessments, charges or claims which the SFPUC shall in good faith contest by proper legal proceedings.

Section 7.15. Further Assurances. The SFPUC shall at any and all times, insofar as it may be authorized to do so by law, pass, make, do, execute, acknowledge and deliver all and every such further resolutions, acts, assignments, instruments and assurances as may be

necessary or desirable for the better assuring, granting, pledging, assigning and confirming any and all of the rights, revenues, funds and other property hereby granted, pledged or assigned to pay or secure the payment of the Bonds, in the manner and to the extent provided herein.

ARTICLE VIII

DEFAULTS AND REMEDIES

Section 8.1. Events of Default. Each of the following is an “Event of Default” hereunder:

(a) The SFPUC shall default in the payment of any Principal, Purchase Price or Redemption Price of or interest on any Bond when the same becomes due and payable; or

(b) Subject to the provisions of Section 8.7, default in the performance, or breach, of any covenant, warranty or representation of the SFPUC contained in this Trust Indenture (other than a default under subsection (a) of this Section); or

(c) (i) The filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceedings) by the SFPUC or the City as debtor, under federal or state bankruptcy law; (ii) the filing of a petition in bankruptcy (or other commencement of a bankruptcy or similar proceedings) against the SFPUC or the City as debtor, under federal or state bankruptcy law, which petition is not dismissed within 60 days after filing; (iii) the appointment of a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of the SFPUC or the City or of any substantial portion of its property; or (iv) the ordering of the winding up or liquidation of the affairs of the SFPUC or the City.

Section 8.2. Remedies Upon Default.

(a) If an Event of Default under Section 8.1 occurs and is continuing, the Trustee may, and upon the written request to the Trustee by the Owners of a majority in aggregate Principal amount of the Outstanding Bonds the Trustee shall, subject to the requirements of Section 9.2(e), by written notice to the SFPUC, declare the Principal of the Bonds and all interest accrued thereon to the date of acceleration to be immediately due and payable.

(b) At any time after such a declaration of acceleration has been made and before the entry of a judgment or decree for payment of the money due, the Trustee may, or the Owners of a majority in aggregate Principal amount of the Outstanding Bonds, may by written notice to the SFPUC and the Trustee, and subject to the requirements of Section 9.2(e), direct the Trustee to, rescind and annul such declaration and its consequences if:

(i) there has been paid to or deposited with the Trustee by or for the account of the SFPUC, or provision satisfactory to the Trustee has been made for the payment of a sum sufficient to pay: (A) all overdue installments of interest on the Bonds; (B) the Principal, Purchase Price, and Redemption Price of any Bonds that have become due other than by such declaration of acceleration and interest thereon; (C) to the extent lawful, interest upon overdue interest and redemption premium, if any; and (D) all sums paid or advanced by the Trustee hereunder, together with the reasonable compensation,

expenses, disbursements and advances of the Trustee and its agents and counsel prior to the date of notice of rescission; and

(ii) all Events of Default have been cured or waived, other than the nonpayment of Principal, Purchase Price or Redemption Price of and interest on the Bonds that occasioned such acceleration.

(c) No such rescission and annulment shall affect any subsequent default or impair any consequent right.

Section 8.3. Additional Remedies.

(a) The Trustee, upon the occurrence of an Event of Default may, and upon the written request of the Owners of a majority in aggregate Principal amount of the Outstanding Bonds, and subject to the requirements of Section 9.2(e), shall proceed to protect and enforce its rights and the rights of the Owners of the Bonds under this Trust Indenture by a suit or suits in equity or at law, either for the specific performance of any covenant or agreement contained in this Trust Indenture or in aid of the execution of any power herein or therein granted, or for the enforcement of any other appropriate legal or equitable remedy, and the Trustee in reliance upon the advice of counsel may deem most effective to protect and enforce any of the rights or interests of the Owners of the Bonds under the Bonds or this Trust Indenture.

(b) Without limiting the generality of the foregoing, the Trustee shall at all times have the power to institute and maintain such proceedings as it may deem expedient: (i) to prevent any impairment of the money and other property then held under this Trust Indenture by any acts that may be unlawful or in violation of this Trust Indenture, and (ii) to protect its interests and the interests of the Owners in the money and other property then held under this Trust Indenture and in the issues, profits, revenues and other income arising therefrom, including the power to maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of, or compliance with, such enactment, rule or order would impair the money and other property then held under this Trust Indenture or be prejudicial to the interests of the Owners or the Trustee.

Section 8.4. Marshaling of Assets. Upon the occurrence of an Event of Default, all money in all Funds shall be available to be utilized by the Trustee in accordance with this Article. The rights of the Trustee under Section 9.5 shall be applicable. During the continuance of any such Event of Default, all provisions of this Trust Indenture relating to the utilization of the Funds shall be superseded by this Article. Subsequent to the curing or waiver of any such Event of Default, the provisions of this Trust Indenture relating to utilization of the Funds shall be reinstated.

Section 8.5. Trustee May File Proofs of Claim.

(a) In case of the pendency of any receivership, insolvency, liquidation, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceeding under the federal bankruptcy code relating to the SFPUC, any other obligor upon the Bonds or any property of the SFPUC, the Trustee (whether or not the Principal of the Bonds shall then be due

and payable by acceleration or otherwise, and whether or not the Trustee shall have made any demand upon the SFPUC for the payment of overdue Principal, Purchase Price, Redemption Price and interest) shall be entitled and empowered, by intervention in such proceeding or other means: (i) to file and prove a claim for the whole amount of the Principal, Purchase Price, Redemption Price and interest owing and unpaid in respect of the Bonds then Outstanding or for breach of this Trust Indenture and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Trustee (including any claim for the reasonable compensation, expenses, disbursements and advances of the Trustee and its agents and counsel) and of the Owners allowed in such proceeding; and (ii) to collect and receive any money or other property payable or deliverable on any such claims and to distribute the same; and each Owner, by holding the Bonds, thereby authorizes any receiver, assignee, trustee, liquidator, sequestrator or similar official in any such judicial proceeding to make such payments to the Trustee, and, in the event that the Trustee shall consent to the making of such payments directly to the Owners, to pay to the Trustee any amount due it for the reasonable compensation, expenses, disbursements and advances of the Trustee and its agents and counsel, and any other amounts due the Trustee under Section 9.5.

(b) No provision of this Trust Indenture empowers the Trustee to authorize or consent to or accept or adopt on behalf of any Owners any plan of reorganization, arrangement, adjustment or composition affecting any of the Bonds or the rights of any Owner, or to authorize the Trustee to vote in respect of the claim of any Owner in any proceeding described in subsection (a) of this Section.

Section 8.6. Possession of Bonds Not Required. All rights under this Trust Indenture and the Bonds may be enforced by the Trustee without possession of any Bonds or the production of them at trial or other proceedings. Any proceedings instituted by the Trustee may be brought in its name for itself or as representative of the Owners without the necessity of joining Owners as parties, and any recovery resulting from such proceedings shall, subject to Section 8.8, be for the ratable benefit of the Owners.

Section 8.7. Notice and Opportunity to Cure Certain Defaults. No default under Section 8.1(b) shall constitute an Event of Default until written notice of such default shall have been given to the SFPUC by the Trustee or by the Owners of at least 25% in aggregate Principal amount of the Bonds Outstanding, and the SFPUC shall have had 60 days after receipt of such notice to correct such default or cause such default to be corrected, and shall have failed to do so. In the event, however, that the default is such that it cannot be corrected within such 60-day period, it shall not constitute an Event of Default if corrective action is instituted by the SFPUC within such period and diligently pursued (as determined by the Trustee) until the default is corrected.

Section 8.8. Priority of Payment Following Event of Default.

(a) If at any time after the occurrence of an Event of Default the money held by the Trustee under this Trust Indenture shall not be sufficient to pay the Bonds as the same become due and payable, such money, together with any money then available or thereafter becoming available for such purpose, whether through the exercise of remedies in this Article or otherwise, shall, subject to subsections (b) and (c) of this Section, be applied by the Trustee as follows:

- (i) *First*, to the payment of all amounts due the Trustee under Section 9.5;
- (ii) *Second*, to the payment of Operation and Maintenance Expenses;
- (iii) *Third*, to the payment of all interest on the Bonds and Swap Agreement Payments then due and payable in the order in which the same became due and payable, and, if the amount available shall not be sufficient to make any payment in full, then to the payment, ratably, according to the amounts due with respect to such payments, without discrimination or preference;
- (iv) *Fourth*, to the payment of the unpaid Principal amount of any of the Bonds that shall have become due and payable, in the order of due dates (other than Bonds called for redemption or contracted to be purchased for the payment of which money is held pursuant to the provisions of this Trust Indenture), with interest upon the Principal amount of the Bonds from the respective dates upon which they shall have become due and payable, and, if the amount available shall not be sufficient to pay in full the Principal of such Bonds due and payable on any particular due date, together with such interest, then to the payment first of such interest, ratably, according to the amount of Principal due on such date, without any discrimination or preference;
- (v) *Fifth*, to the payment of the Redemption Price of Bonds called for optional redemption, if any;
- (vi) *Sixth*, to the payment under all reimbursement agreements with the providers of Reserve Account Credit Facilities of all amounts due and payable thereunder (and if there is not sufficient money to make all such payments, then on a *pro rata* basis to each provider);
- (vii) *Seventh*, (A) for the payment of principal and premium, if any, and interest on Subordinate Obligations; (B) for deposit into a reserve fund securing any Subordinate Obligations; (C) for Swap Agreement Payments pursuant to any Swap Agreements entered into by the SFPUC with respect to any Subordinate Obligations; and (D) for payment to any financial institution or insurance company providing any letter of credit, line of credit, or other credit or liquidity facility, including municipal bond insurance and guarantees, that secures the payment of principal of or interest on any Subordinate Obligations; in each case in any order of priority which may be hereafter established by the SFPUC;
- (viii) *Eighth*, for any payment under a Take-or-Pay Power Purchase Agreement that does not constitute an Operation and Maintenance Expense;
- (ix) *Ninth*, for any payment under a Swap Agreement that does not constitute a Swap Agreement Payment; and
- (x) *Tenth*, to the payment of all other charges or obligations against the Revenues of whatever nature now or hereafter imposed thereon by law or contract, in any order of priority which may be hereafter established by the SFPUC.

(b) If the Principal of all Bonds shall have become due and payable, subject to clause (i) of subsection (a) of this Section regarding payment to the Trustee, all such money shall be applied to the payment of the Principal and interest then due and unpaid upon the Bonds, without preference or priority of Principal over interest or of interest over Principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bond, ratably, according to the amounts due respectively for Principal and interest, without any discrimination or preference.

(c) Whenever money is to be applied pursuant to the provisions of this Section, the Trustee may, in its discretion, establish and maintain a reserve for future fees and expenses, and may apply money to be distributed at such times, and from time to time, as the Trustee shall determine, having due regard for the amount of such money available for application and the likelihood of additional money becoming available for such application in the future. Whenever the Trustee shall apply such funds, it shall fix a date (which shall be an interest payment date unless it shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of Principal to be paid on such dates, and for which money is available, shall cease to accrue. The Trustee shall also select a record date for such payment date. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any money and of the fixing of any such record date and payment date, and shall not be required to make payment to the Owner of any Bond until such Bond shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

Section 8.9. Owners May Direct Proceedings. The Owners of a majority in aggregate Principal amount of the Outstanding Bonds shall, subject to the requirements of Section 9.2(e), have the right, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all remedial proceedings by the Trustee hereunder, provided that such direction shall not be in conflict with any rule of law or this Trust 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 unduly prejudicial to the rights of Owners not parties to such direction or would subject the Trustee to personal liability or expense. Notwithstanding the foregoing, the Trustee shall have the right to select and retain counsel of its choosing to represent it in any such proceedings. The Trustee may take any other action which is not inconsistent with any direction under this Section.

Section 8.10. Limitations on Rights of Owners.

(a) No Owner shall have any right to pursue any other remedy under this Trust Indenture or the Bonds unless: (i) an Event of Default shall have occurred and is continuing; (ii) the Owners of a majority in aggregate Principal amount of the Outstanding Bonds have requested the Trustee, in writing, to exercise the powers hereinabove granted or to pursue such remedy in its or their name or names; (iii) the Trustee has been offered indemnity satisfactory to it against costs, expenses and liabilities reasonably anticipated to be incurred; (iv) the Trustee has declined to comply with such request, or has failed to do so, within 60 days after its receipt of such written request and offer of indemnity; and (v) no direction inconsistent with such request has been given to the Trustee during such 60-day period by the Owners of a majority in aggregate Principal amount of the Outstanding Bonds.

(b) The provisions of subsection (a) of this Section are conditions precedent to the exercise by any Owner of any remedy hereunder. The exercise of such rights is further subject to the provisions of Sections 8.9, 8.11 and 8.14. No one or more Owners shall have any right in any manner whatever to enforce any right under this Trust Indenture, except in the manner herein provided. All proceedings at law or in equity with respect to an Event of Default shall be instituted and maintained in the manner herein provided for the equal and ratable benefit of the Owners of all Bonds Outstanding.

Section 8.11. Unconditional Right of Owners To Receive Payment. Notwithstanding any other provision of this Trust Indenture, the Owner of each Bond shall have the absolute and unconditional right to receive payment of Principal, Purchase Price and Redemption Price of and interest on such Bond on and after the due date thereof, and to institute suit for the enforcement of any such payment.

Section 8.12. Restoration of Rights and Remedies. If the Trustee or any Owner has instituted any proceeding to enforce any right or remedy under this Trust Indenture, and any such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Trustee or such Owner, then the SFPUC, the Trustee and the Owners shall, subject to any determination in such proceeding, be restored to their former positions hereunder, and all rights and remedies of the Trustee and the Owners shall continue as though no such proceeding had been instituted.

Section 8.13. Rights and Remedies Cumulative. No right or remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other right or remedy, but each such right or remedy shall, to the extent permitted by law, be cumulative of and in addition to every other right or remedy given hereunder or now or hereafter existing at law, in equity or otherwise. The assertion or employment of any right or remedy hereunder shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 8.14. Delay or Omission Not Waiver. No delay or omission by the Trustee or any Owner to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of such Event of Default. Every right and remedy given by this Article or by law to the Trustee or the Owners may be exercised from time to time, and as often as may as deemed expedient, by the Trustee or the Owners, as the case may be.

Section 8.15. Waiver of Defaults.

(a) The Owners of a majority in aggregate Principal amount of the Outstanding Bonds may, by written notice to the Trustee and subject to the requirements of Section 9.2(e), waive any existing default or Event of Default and its consequences, except an Event of Default under Section 8.1(a). Upon any such waiver, the default or Event of Default shall be deemed cured and shall cease to exist for all purposes. No waiver of any default or Event of Default shall extend to or effect any subsequent default or Event of Default or shall impair any right or remedy consequent thereto.

(b) Notwithstanding any provision of this Trust Indenture, in no event shall any Person, other than all of the affected Owners, have the ability to waive any Event of Default

under this Trust Indenture if such event results or may result, in the opinion of Bond Counsel, in interest on any of the Tax-Exempt Bonds becoming includable in gross income for federal income tax purposes.

Section 8.16. Notice of Events of Default. If an Event of Default occurs of which the Trustee has or is deemed to have notice under Section 9.2(h), the Trustee shall give prompt notice thereof to the SFPUC. Within 30 days thereafter (unless such Event of Default has been cured or waived), the Trustee shall give notice of such Event of Default to each Owner of Bonds then Outstanding; provided, that except in the instance of an Event of Default under Section 8.1(a), the Trustee may withhold such notice to Owners if and so long as the Trustee in good faith determines that the withholding of such notice is in the interests of Owners; and provided further, that notice to Owners of any Event of Default under Section 8.1(b) shall be subject to the provisions of Section 8.7 and shall not be given until the grace period has expired.

ARTICLE IX THE TRUSTEE

Section 9.1. Appointment; Duties and Responsibilities of the Trustee.

(a) The SFPUC hereby designates and appoints [_____] as the initial Trustee with respect to the Bonds.

(b) Prior to the occurrence of an Event of Default of which it has or is deemed to have notice hereunder, and after the curing or waiver of any Event of Default that may have occurred: (i) the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Trust Indenture, and no implied covenants or obligations shall be read into this Trust Indenture against the Trustee; and (ii) in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Trustee that conform to the requirements of this Trust Indenture; but the Trustee is under a duty to examine such certificates and opinions to determine whether they conform to the requirements of this Trust Indenture.

(c) In case an Event of Default of which the Trustee has or is deemed to have notice hereunder has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Trust Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use in the conduct of such person's own affairs.

(d) No provision of this Trust Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that: (i) this subsection shall not be construed to limit the effect of subsection (b) of this Section; (ii) the Trustee is not liable for any error of judgment made in good faith by an authorized officer of the Trustee, unless it is proven that the Trustee was negligent in ascertaining the pertinent facts; (iii) the Trustee is not liable with respect to any action it takes or omits to be taken by it in good faith in accordance with the direction of the Owners under any provision of this Trust Indenture relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or

power conferred upon the Trustee under this Trust Indenture; and (iv) no provision of this Trust Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it has reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(e) The Trustee shall maintain records of all investments and disbursements of proceeds in the Funds through the date ending six (6) years following the date on which all the Bonds have been retired.

(f) Whether or not expressly so provided, every provision of this Trust Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee is subject to the provisions of this Section.

Section 9.2. Certain Rights of the Trustee. Except as otherwise provided in Section 9.1:

(a) The Trustee may rely and is protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) Any statement or certification of the SFPUC under this Trust Indenture shall be sufficiently evidenced by a Certificate of the SFPUC (unless other evidence thereof is specifically prescribed), any request, direction, order or demand of the SFPUC under this Trust Indenture shall be sufficiently evidenced by an Order of the SFPUC (unless other evidence thereof is specifically prescribed) and any resolution of the SFPUC may be sufficiently evidenced by a copy thereof certified by the Secretary of the SFPUC;

(c) Whenever in the administration of this Trust Indenture the Trustee deems it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Trustee (unless other evidence thereof is specifically prescribed) may, in the absence of bad faith on its part, rely upon a Certificate of the SFPUC;

(d) The Trustee may consult with counsel and the written advice of such counsel or an opinion of counsel or of Bond Counsel shall be full and complete authorization and protection for any action taken, suffered or omitted by it in good faith and in accordance with such advice or opinion;

(e) The Trustee is under no obligation to exercise any of the rights or powers vested in it by this Trust Indenture at the request or direction of any of the Owners unless the Owners have offered to the Trustee security or indemnity satisfactory to the Trustee as to its terms, coverage, duration, amount and otherwise with respect to the costs, expenses and liabilities which may be incurred by it in compliance with such request or direction, and the provision of such indemnity shall be mandatory for any remedy taken upon direction of the Owners of a majority in aggregate Principal amount of the Outstanding Bonds;

(f) The Trustee is not required to make any inquiry or investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, approval, bond, debenture or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit and, if the Trustee determines to make such further inquiry or investigation, it is entitled to examine the books, records and premises of the SFPUC, in person or by agent or attorney;

(g) The Trustee may execute any of its trusts or powers or perform any duties under this Trust Indenture either directly or by or through agents or attorneys, and may in all cases pay, subject to reimbursement as provided in Section 9.5, such reasonable compensation as it deems proper to all such agents and attorneys reasonably employed or retained by it, and the Trustee shall not be responsible for any misconduct or negligence of any agent or attorney appointed with due care by it;

(h) The Trustee is not required to take notice or deemed to have notice of any default or Event of Default hereunder, except an Event of Default under Section 8.1(a), unless an officer of the Trustee has actual knowledge thereof or has received notice in writing of such default or Event of Default from the SFPUC or the Owners of at least 25% in aggregate Principal amount of the Outstanding Bonds, and in the absence of any such notice, the Trustee may conclusively assume that no such default or Event of Default exists;

(i) The Trustee is not required to give any bond or surety with respect to the performance of its duties or the exercise of its powers under this Trust Indenture;

(j) In the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of Owners, each representing less than a majority in aggregate Principal amount of the Outstanding Bonds, pursuant to the provisions of this Trust Indenture, the Trustee, in its sole discretion, may determine what action, if any, shall be taken;

(k) The Trustee's immunities and protections from liability and its right to indemnification in connection with the performance of its duties under this Trust Indenture shall extend to the Trustee's officers, directors, agents, attorneys and employees. Such immunities and protections and right to indemnification, together with the Trustee's right to compensation, shall survive the Trustee's resignation or removal, the defeasance or discharge of this Trust Indenture and final payment of the Bonds;

(l) The permissive right of the Trustee to take the actions permitted by this Trust Indenture shall not be construed as an obligation or duty to do so; and

(m) Except for information provided by the Trustee concerning the Trustee, the Trustee shall have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to the Bonds, and the Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

Section 9.3. Trustee Not Responsible for Recitals. The recitals contained in this Trust Indenture and in the Bonds (other than the certificate of authentication on the Bonds) are

statements of the SFPUC, and the Trustee assumes no responsibility for their correctness. The Trustee makes no representations as to the value, condition or sufficiency of any assets pledged or assigned as security for the Bonds, the right, title or interest of the SFPUC therein, the security provided thereby or by this Trust Indenture or the tax status of interest on the Bonds. The Trustee is not accountable for the use or application by the SFPUC of any of the Bonds or the proceeds of the Bonds, or for the use or application of any money paid over by the Trustee in accordance with any provision of this Trust Indenture.

Section 9.4. Trustee May Own Bonds. The Trustee, in its commercial banking or in any other capacity, may in good faith buy, sell, own, hold and deal in any of the Bonds and may join in any action which any Owner may be entitled to take with like effect as if it were not Trustee. The Trustee, in its commercial banking or in any other capacity, may also engage in or be interested in any financial or other transaction with the SFPUC and may act as depository, trustee or agent for any committee of Owners secured hereby or other obligations of the SFPUC as freely as if it were not Trustee. The provisions of this Section shall extend to affiliates of the Trustee.

Section 9.5. Compensation and Expenses of the Trustee.

(a) The SFPUC hereby covenants and agrees:

(i) to pay to the Trustee compensation for all services rendered by it hereunder and under the other agreements relating to the Bonds to which the Trustee is a party in accordance with terms agreed to from time to time, and, subsequent to default, in accordance with the Trustee's then-current fee schedule for default administration (the entirety of which compensation shall not be limited by any provision of law regarding compensation of a trustee of an express trust);

(ii) to reimburse the Trustee upon its request for all reasonable expenses, disbursements and advances incurred or made by the Trustee in accordance with any provision of this Trust Indenture, any other agreement relating to the Bonds to which it is a party or in complying with any request by the SFPUC or any securities credit rating agency with respect to the Bonds, including the reasonable compensation, expenses and disbursements of its agents and counsel, except any such expense, disbursement or advance attributable to the Trustee's negligence or bad faith; and

(iii) to indemnify, defend and hold the Trustee harmless from and against any loss, liability or expense incurred without negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of the office of Trustee under this Trust Indenture, including the costs of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder or thereunder.

(b) In the event the Trustee incurs expenses or renders services in any proceedings under federal or state bankruptcy law relating to the SFPUC, the expenses so incurred and compensation for services so rendered are intended to constitute expenses of administration under federal or state bankruptcy law. As security for the performance of the obligations of the

SFPUC under this Section, the Trustee shall have a lien prior to the lien securing the Bonds and Swap Agreement Payments, which it may exercise through a right of setoff, upon all property or funds held or collected by the Trustee pursuant to this Trust Indenture. The obligations of the SFPUC to make the payments described in this Section shall survive discharge of this Trust Indenture, the resignation or removal of the Trustee and payment in full of the Bonds.

Section 9.6. Qualifications of the Trustee. There shall at all times be a trustee hereunder which shall be a corporation or banking association organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise corporate trust powers, which has a combined capital and surplus of at least \$100,000,000, or is an affiliate of, or has a contractual relationship with, a corporation or banking association meeting such capital and surplus requirement which guarantees the obligations and liabilities of the proposed trustee, and which is subject to supervision or examination by federal or state banking authority. If such corporation or banking association publishes reports of condition at least annually, pursuant to law or the requirements of any supervising or examining authority above referred to, then for purposes of this Section, the combined capital and surplus of such corporation or banking association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section, it shall resign promptly in the manner and with the effect specified in this Article.

Section 9.7. Resignation or Removal of the Trustee; Appointment of Successor Trustee.

(a) No resignation or removal of the Trustee and no appointment of a successor Trustee pursuant to this Article shall become effective until the acceptance of appointment by the successor Trustee under Section 9.8.

(b) The Trustee may resign at any time by giving written notice to the SFPUC. Upon receiving such notice of resignation, the SFPUC shall promptly appoint a successor Trustee by an instrument in writing. If an instrument of acceptance has not been delivered to the resigning Trustee within 30 days after the giving of such notice of resignation, the resigning Trustee or any Owner of a Bond then Outstanding may petition a court of competent jurisdiction for the appointment of a successor Trustee.

(c) Prior to the occurrence and continuance of an Event of Default hereunder, or after the curing or waiver of any such Event of Default, the SFPUC or the Owners of a majority in aggregate Principal amount of the Outstanding Bonds may remove the Trustee and shall appoint a successor Trustee. In the event there shall have occurred and be continuing an Event of Default hereunder, the Owners of a majority in aggregate Principal amount of the Outstanding Bonds may remove the Trustee and shall appoint a successor Trustee. In each instance such removal and appointment shall be accomplished by an instrument or concurrent instruments in writing signed by the SFPUC or such Owners, as the case may be, and delivered to the Trustee, the SFPUC and Owners of the Outstanding Bonds.

(d) If at any time: (i) the Trustee shall cease to be eligible and qualified under Section 9.6 and shall fail or refuse to resign after written request to do so by the SFPUC or the

Owner of any Bond, or (ii) the Trustee shall become Insolvent, then in either such case (A) the SFPUC may remove the Trustee and appoint a successor Trustee in accordance with the provisions of subsection (c) of this Section; or (B) any Owner of a Bond then Outstanding may, on behalf of the Owners of all Outstanding Bonds, petition a court of competent jurisdiction for removal of the Trustee and appointment of a successor Trustee.

(e) The SFPUC shall give written notice of each resignation or removal of the Trustee and each appointment of a successor Trustee to each Owner of Bonds then Outstanding as listed in the Bond Register. Each such notice shall include the name and address of the applicable corporate trust office of the successor Trustee.

Section 9.8. Acceptance of Appointment by Successor Trustee.

(a) Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to the SFPUC and the predecessor Trustee an instrument accepting its appointment. The resignation or removal of the retiring Trustee shall thereupon become effective, and the successor Trustee shall, without further act, deed or conveyance, become vested with all the estates, properties, rights, powers and duties of the predecessor Trustee. Upon the request of the SFPUC or the successor Trustee, the predecessor Trustee shall execute and deliver an instrument transferring to the successor Trustee all the estates, properties, rights, powers and duties of the predecessor Trustee under this Trust Indenture, and shall duly assign, transfer, deliver and pay over to the successor Trustee all money and other property then held under this Trust Indenture, subject, however, to the lien provided for in Section 9.5. The successor Trustee shall promptly give written notice of its appointment to the Owners of all Bonds Outstanding in the manner prescribed herein, unless such notice has previously been given.

(b) No successor Trustee shall accept appointment as provided in this Section unless, as of the date of such acceptance, it is eligible and qualified under the provisions of Section 9.6.

Section 9.9. Merger, Succession or Consolidation of Trustee. Any corporation or association: (a) into which the Trustee is merged or with which it is consolidated; (b) resulting from any merger or consolidation to which the Trustee is a party; or (c) succeeding to all or substantially all of the corporate trust business of the Trustee, shall be the successor Trustee without the execution or filing of any document or the taking of any further action. Any such successor must nevertheless be eligible and qualified under the provisions of Section 9.6.

Section 9.10. Notices to Owners; Waiver.

(a) Where this Trust Indenture provides for notice to Owners of any event, such notice shall be sufficiently given (unless otherwise expressly provided herein) if in writing and mailed, first-class postage prepaid, to each Owner affected by each event, at such Owner's address as it appears on the Bond Register, not later than the latest date, and not earlier than the earliest date, prescribed for the first giving of such notice. In any case where notice to Owners is given by mail, neither the failure to mail such notice, nor any default in any notice so mailed to any particular Owner shall affect the sufficiency of such notice with respect to other Owners. Where this Trust Indenture provides for notice in any manner, such notice may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such

waiver shall be the equivalent of such notice. Waivers of notice by Owners shall be filed with the Trustee, but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

(b) The Trustee, on behalf of and at the expense of the SFPUC, shall maintain the Beneficial Owner Register in which the Trustee shall record the name and address of any person that is identified to the Trustee as a Beneficial Owner and for which the Trustee has: (i) information sufficient to permit delivery of first class mail and (ii) either: (x) a certificate executed, as depository or securities intermediary, by any trust company, bank, banker or member of a national securities exchange (wherever situated), if such certificate is in form satisfactory to the Trustee, or (y) a certificate or affidavit of the Person executing such instrument or writing as a Beneficial Owner if such certificate or affidavit is in form satisfactory to the Trustee or (z) such other instrument or writing as the Trustee deems sufficient for the purposes of this Section. Neither the Trustee nor the SFPUC shall be responsible for the accuracy of the Beneficial Owner Register, and no Person listed in the Beneficial Owner Register shall be entitled to any rights under this Trust Indenture other than the right to receive notices in the manner provided in subsection (c) of this Section.

(c) With respect to Book-Entry Bonds, where this Trust Indenture provides for notice to the Owners of the existence of, or during the continuance of, any Event of Default, or at any time upon the written request of the SFPUC, the Trustee, at the expense of the SFPUC, shall: (i) establish a record date for determination of the Persons entitled to receive such notice; (ii) request a securities position listing from the Securities Depository showing the participants holding positions in the Book-Entry Bonds affected by such notice as of the record date for such notice; (iii) mail, first class postage prepaid, copies of the notice as provided above to each participant identified in the securities position listing as holding a position in the Book-Entry Bonds as of the record date for the notice, to each Person listed in the Beneficial Owner Register, to each nationally recognized municipal securities information repository and state information depository (within the meaning of Rule 15c2-12 of the United States Securities and Exchange SFPUC under the Securities Exchange Act of 1934, as amended), and to any Person identified to the Trustee as a non-objecting Beneficial Owner pursuant to the immediately following clause; (iv) request that the participant retransmit the notice to all Persons for which it served as nominee on the record date, including non-objecting Beneficial Owners, or retransmit the notice to objecting Beneficial Owners and provide a listing of non-objecting Beneficial Owners for whom the participant served as nominee on the record date to the Trustee, (v) provide on behalf of the SFPUC and not as its agent, an undertaking of the SFPUC to pay to any participant or other nominee (other than the Securities Depository) the reasonable costs of transmitting the notice to Persons for whom the participant acts as nominee; and (vi) provide as many copies of the notice as may be requested by any nominee owner of the Bonds. Any default in performance of the duties required by this subsection shall not affect the sufficiency of notice to the Owners given in accordance with subsection (a) of this Section, nor the validity of any action taken under this Trust Indenture in reliance on such notice to Owners.

(d) Where this Trust Indenture provides for notice to the Owners of any event, the form of the notice shall prominently include a title block, separate from the body of the notice, which shall include the following information: (i) the complete title of the Bonds; (ii) the complete name of the SFPUC; (iii) the entire nine-digit CUSIP number of each affected Bond;

(iv) the record date for the notice; and (v) a summary that is no more than the maximum number of characters permitted by the Securities Depository.

(e) Any notice required or permitted by this Trust Indenture to be given to the Securities Depository shall be given to it in the manner provided by this Section for giving notice to Owners, and also shall be given in the format requested by the Securities Depository to such address as may be specified by the Securities Depository in writing to the Trustee.

Section 9.11. City Contracting Provisions. The Trustee agrees to observe and perform the covenants and agreements set forth in Appendix A hereto, which is incorporated herein by this reference, and any amendments thereof or supplements thereto as may be set forth in a Supplemental Trust Indenture.

ARTICLE X

DISCHARGE AND DEFEASANCE

Section 10.1. Discharge. If (a) the Principal of any Bonds and the interest due or to become due thereon together with any premium required by redemption of any of such Bonds prior to maturity shall be paid, or is caused to be paid, or is provided for under Section 10.2, at the times and in the manner to which reference is made in such Bonds, according to the true intent and meaning thereof, or such Bonds shall have been paid and discharged in accordance with this Article, and (b) all Swap Agreement Payments and other payments due in accordance with the provisions of the Swap Agreements and this Trust Indenture have been made and (c) all of the covenants, agreements, obligations, terms and conditions of the SFPUC under this Trust Indenture shall have been kept, performed and observed and there shall have been paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions hereof, then the right, title and interest of the Trustee in all money and other property then held under this Trust Indenture shall thereupon cease and the Trustee, on request of and at the expense of the SFPUC, shall release this Trust Indenture and shall execute such documents to evidence such release as may be reasonably required by the SFPUC and shall turn over to the SFPUC, or to such other Person as may be entitled to receive the same, all balances remaining in any Funds except for amounts required to pay such Bonds or held pursuant to Section 2.11.

Section 10.2. Defeasance. If the SFPUC deposits with the Trustee money or non-callable Government Securities which, together with the earnings thereon, are sufficient to pay the Principal, Purchase Price or Redemption Price of any particular Bond or Bonds, or portions thereof, becoming due, together with all interest accruing thereon to the due date or redemption date, and pays or makes provision for payment of all fees, costs and expenses of the Trustee due or to become due with respect to such Bonds, all liability of the SFPUC with respect to such Bond or Bonds (or portions thereof) shall cease, such Bond or Bonds (or portions thereof) shall be deemed not to be Outstanding hereunder and the Owner or Owners of such Bond or Bonds (or portions thereof) shall be restricted exclusively to the money or Government Securities so deposited, together with any earnings thereon, for any claim of whatsoever nature with respect to such Bond or Bonds (or portions thereof), and the Trustee shall hold such money, Government Securities and earnings in trust exclusively for such Owner or Owners and such money, Government Securities and earnings shall not secure any other Bonds under this Trust Indenture.

In determining the sufficiency of the money and Government Securities deposited pursuant to this Section, the Trustee shall receive, at the expense of the SFPUC, and may rely upon: (a) a verification report of a firm of nationally recognized independent certified public accountants or other qualified firm acceptable to the SFPUC and the Trustee; and (b) an opinion of Bond Counsel to the effect that (1) all conditions set forth in this Article have been satisfied and (2) that defeasance of the Bonds will not cause interest on any Tax-Exempt Bonds to be includable in gross income for federal income tax purposes. Upon such defeasance all rights of the SFPUC, including its right to provide for optional redemption of Bonds on dates other than planned pursuant to such defeasance, shall cease unless specifically retained by filing a written notification thereof with the Trustee on or prior to the date the Government Securities are deposited with the Trustee. When a Bond is deemed to be paid hereunder, as aforesaid, it shall no longer be secured by or entitled to the benefits of this Trust Indenture, except for the purposes of any such payment from such money or Government Securities and except for the provisions of this Section.

Section 10.3. Notice of Defeasance.

(a) If money or non-callable Government Securities have been deposited with the Trustee pursuant to Section 10.2 for payment of less than all Bonds of a Series and maturity, the Bonds of such Series and maturity to be so paid from such deposit shall be selected by the Trustee by lot by such method as shall provide for the selection of portions (in authorized denominations) of the Principal of Bonds of such Series and maturity of a denomination larger than the smallest authorized denomination. Such selection shall be made within seven days after the money or Government Securities have been deposited with the Trustee. This selection process shall be in lieu of the selection process otherwise provided with respect to redemption of Bonds in Article IV. After such selection is made, Bonds that are to be paid from such deposit (including Bonds issued in exchange for such Bonds pursuant to the transfer or exchange provisions of this Trust Indenture) shall be identified by a separate CUSIP number or other designation satisfactory to the Trustee. The Trustee shall notify Owners whose Bonds (or portions thereof) have been selected for payment from the money or Government Securities on deposit and shall direct such Owners to surrender their Bonds to the Trustee in exchange for Bonds with the appropriate designation. The selection of Bonds for payment from such deposit pursuant to this subsection shall be conclusive and binding on the SFPUC. The SFPUC shall give to the Trustee in form satisfactory to it irrevocable instructions to give notice of the deposit of money or Government Securities, the selection of Bonds to be redeemed including CUSIP numbers and the anticipated date of redemption. The Trustee shall promptly give such notice to the Owners including the information required under Section 4.3.

(b) In case any of the Bonds, for the payment of which money or Government Securities have been deposited with the Trustee pursuant to Section 10.2, are to be redeemed on any date prior to their maturity, the SFPUC, in addition to any notice required under subsection (a) of this Section, shall give to the Trustee in form satisfactory to it irrevocable instructions to give notice of redemption of such Bonds on the redemption date for such Bonds as provided in Section 4.3.

(c) In addition to the foregoing notice, in the event such Bonds to be redeemed are not by their terms subject to redemption within the next succeeding 65 days, the Trustee shall

give further notice to the Owners that the deposit required by Section 10.2 has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Article and stating the maturity or redemption date or dates upon which money is to be available for the payment of the Principal, Purchase Price or Redemption Price of said Bonds; such further notice shall be given promptly following the making of the deposit required by Section 10.2; and such further notice also shall be given in the manner set forth in Section 4.3(c); but no defect in such further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of the deposit.

(d) If the SFPUC has retained any rights pursuant to the last sentence of Section 10.2, notice thereof shall be sent to Owners of such Bonds as soon as practicable and not later than any notice required by subsections (a) or (b) of this Section.

ARTICLE XI

SUPPLEMENTAL INDENTURES

Section 11.1. Supplemental Trust Indentures Without Owner Consent.

(a) The SFPUC may from time to time and at any time adopt a Supplemental Trust Indenture, without the consent of or notice to any Owner, to effect any one or more of the following:

(i) provide for the issuance of Bonds in accordance with the provisions of this Trust Indenture;

(ii) cure any ambiguity or defect or omission or correct or supplement any provision herein or in any Supplemental Trust Indenture;

(iii) grant to or confer upon the Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Trustee that are not contrary to or inconsistent with this Trust Indenture as then in effect or to subject to the pledge and lien of this Trust Indenture additional revenues, properties or collateral;

(iv) add to the covenants and agreements of the SFPUC in this Trust Indenture other covenants and agreements thereafter to be observed by the SFPUC or to surrender any right or power herein reserved to or conferred upon the SFPUC that are not contrary to or inconsistent with this Trust Indenture as then in effect;

(v) permit the appointment of a co-trustee under this Trust Indenture;

(vi) modify, alter, supplement or amend this Trust Indenture in such manner as shall permit the qualification of this Trust Indenture, if required, under the Trust Indenture Act of 1939 or, the Securities Act of 1933, as from time to time amended, or any similar federal statute hereafter in effect;

(vii) make any other change herein that the Trustee determines shall not be materially adverse to the interests of the Owners and which does not involve a change

described in Section 11.2 requiring consents of specific Owners; provided, that whether a Credit Facility is in place to further secure a Series of Bonds shall not be taken into account in determining whether an amendment is materially adverse to the interests of such Owners; or

(viii) amend, modify, alter or replace the Letter of Representations as provided in Section 2.10 or other provisions relating to Book Entry Bonds.

Section 11.2. Supplemental Trust Indentures Requiring Owner Consent. The SFPUC, at any time and from time to time, may adopt a Supplemental Trust Indenture for the purpose of making any modification or amendment to this Trust Indenture, but only with the written consent, given as provided in Section 11.3, of the Owners of a majority in aggregate Principal amount of the Outstanding Bonds at the time such consent is given, and in case less than all of the Bonds then Outstanding are affected by the modification or amendment, of the Owners of a majority in aggregate Principal amount of the Outstanding Bonds so affected at the time such consent is given; provided, that if such modification or amendment will, by its terms, not take effect so long as any Bonds so affected remain Outstanding, the consent of the Owners of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. Notwithstanding the foregoing, no modification or amendment contained in any such Supplemental Trust Indenture shall permit any of the following, without the consent of each Owner whose rights are affected thereby: (a) a change in the terms of stated maturity or redemption of any Bond or of any interest thereon; (b) a reduction in the Principal, Purchase Price or Redemption Price of any Bond or in the rate of interest thereon or a change in the currency in which such Bond is payable; (c) the creation of a lien on or a pledge of any part of the money or assets pledged under this Trust Indenture other than as permitted hereby; (d) the granting of a preference or priority of any Bond over any other Bond; (e) a reduction in the aggregate Principal amount of Bonds of which the consent of the Owners is required to effect any such modification or amendment; or (f) a change in the provisions of Section 8.15. Notwithstanding the foregoing, the Owner of any Bond may extend the time for payment of the Principal, Purchase Price or Redemption Price of or interest on such Bond; provided, that upon the occurrence of an Event of Default, funds available hereunder for the payment of the Principal, Purchase Price or Redemption Price of and interest on the Bonds shall not be applied to any payment so extended until all Principal, Purchase Price, Redemption Price and interest payments that have not been extended have first been paid in full. Notice of any Supplemental Trust Indenture executed pursuant to this Section shall be given to the Owners promptly following the adoption thereof by the SFPUC.

Section 11.3. Consent of Owners and Opinions. Each Supplemental Trust Indenture executed and delivered pursuant to the provisions of Section 11.2 shall take effect only when and as provided in this Section. A copy of such Supplemental Trust Indenture (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to Owners for their consent thereto in form satisfactory to the Trustee, shall be sent by the Trustee to the Owners, at the expense of the SFPUC, by first class mail, postage prepaid; provided, that a failure to mail such request shall not affect the validity of the Supplemental Trust Indenture when consented to as provided hereinafter. Such Supplemental Trust Indenture shall not be effective unless and until there shall have been filed with the Trustee (a) the written consents of Owners of the percentage of Bonds specified in Section 11.2 given as provided in

Section 13.12, and (b) the written opinion of Bond Counsel described in Section 11.6. Any such consent shall be binding upon the Owner giving such consent and upon any subsequent Owner of such Bonds and of any Bonds issued in exchange therefor or in lieu thereof (whether or not such subsequent Owner has notice thereof), unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner of such Bonds by filing such revocation with the Trustee prior to the date the Trustee receives the material required in subsections (a) and (b) of this Section. Notwithstanding anything else herein, if a Supplemental Trust Indenture is to become effective under Section 11.2 on the same date as the date of issuance of a Series of Bonds, the consents of the underwriters of such Series of Bonds shall be counted for purposes of Section 11.2 and this Section.

Section 11.4. Consent of Trustee and Qualified Counterparties.

(a) Notwithstanding any provision of this Article to the contrary, the SFPUC shall not adopt any Supplemental Trust Indenture that adversely affects the rights, duties or immunities of the Trustee under this Trust Indenture without having received the prior written consent of the Trustee.

(b) Notwithstanding any provision of this Article to the contrary, the SFPUC shall not adopt any Supplemental Trust Indenture that materially and adversely affects the rights or duties of any Qualified Counterparty under this Trust Indenture without having received the prior written consent of each such Qualified Counterparty.

Section 11.5. Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as provided in this Article may, and, if the SFPUC so determines, shall bear a notation by endorsement or otherwise in form approved by the Trustee as to such action, and in that case upon demand of the Owner of any Outstanding Bond at such effective date and presentation of such Bond for the purpose at the office of the Trustee, or upon any transfer of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer by the Trustee as to any such action. If the SFPUC shall so determine, new Bonds so modified as in the opinion of the Trustee and the SFPUC to conform to such action shall be prepared, authenticated and delivered, and upon demand of the Owner of any Bond then Outstanding shall be exchanged, without cost to such Owner for Bonds then Outstanding, upon surrender of such Bonds for Bonds of an equal aggregate principal amount and of the same Series, maturity and interest rate, in any authorized denomination.

Section 11.6. Delivery of Opinion. Subject to the provisions of Section 9.1, the Trustee in executing or accepting the additional trusts permitted by this Article or the modifications thereby of the trusts created by this Trust Indenture may rely, and shall be fully protected in relying, on an opinion of Bond Counsel acceptable to it stating that (a) the execution of such Supplemental Trust Indenture is authorized or permitted by this Trust Indenture, (b) all conditions precedent to the execution and delivery of such Supplemental Trust Indenture have been complied with and (c) the execution and performance of such Supplemental Trust Indenture will not, in and of itself, adversely affect the federal income tax status of interest on the Tax-Exempt Bonds. The Trustee may accept and rely upon such opinion of Bond Counsel as conclusive evidence that any Supplemental Trust Indenture executed pursuant to the provisions of this Article complies with the requirements of this Article.

Section 11.7. Effect of Supplemental Trust Indentures. Upon the adoption of any Supplemental Trust Indenture under this Article, this Trust Indenture shall be modified in accordance therewith, and such Supplemental Trust Indenture shall form a part of this Trust Indenture for all purposes; and every Owner of any Bond theretofore or thereafter authenticated and delivered hereunder shall be bound thereby.

ARTICLE XII MISCELLANEOUS

Section 12.1. Trust Indenture a Contract. This Trust Indenture is executed and delivered under the authority of and in full compliance with the Constitution and Laws of the State and the Charter of the City, each as amended and supplemented. In consideration of the purchase and acceptance of the Bonds by those who shall own the same from time to time, the provisions of this Trust Indenture and of any Supplemental Trust Indenture and of such laws shall constitute a contract with the Owner of each Bond, and the obligations of the SFPUC and its SFPUC under such acts and under this Trust Indenture shall be enforceable by any court of competent jurisdiction; and the covenants and agreements herein set forth to be performed on behalf of the SFPUC shall be for the equal benefit, protection and security of the Owners of any and all of such Bonds, all of which, regardless of the time or times of their issue or maturity or date of, shall be of equal rank without preference, priority or distinction of any of such Bonds over any others thereof except as expressly provided herein or in any Supplemental Trust Indenture.

Section 12.2. Liability of SFPUC Limited to Revenues. The Bonds are special limited obligations of the SFPUC. The SFPUC is not obligated to pay the principal of, premium, if any, or interest on the Bonds from any source of funds other than Revenues, after payment of Operation and Maintenance Expenses and any Priority R&R Fund Deposits. Neither the general funds of the SFPUC nor the funds of any SFPUC enterprise (other than the Revenues and the funds pledged therefor under this Trust Indenture) shall be liable for the payment on the Bonds. The SFPUC has no taxing power. The General Fund of the City is not liable for the payment of the principal of, premium, if any, or interest on the Bonds, and neither the credit nor the taxing power of the City is pledged to the payment of the principal of, premium, if any, or interest on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien, or encumbrance upon, any of the property of the City or of the SFPUC or any of its income or receipts, except Revenues, after payment of Operation and Maintenance Expenses and any Priority R&R Fund Deposits.

Section 12.3. No Personal Liability. No SFPUC member, officer, agent or employee of the SFPUC or the Trustee shall be individually or personally liable for the payment of the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such SFPUC member, officer, agent or employee of the SFPUC or the Trustee from the performance of any official duty provided by law or by this Trust Indenture.

Section 12.4. Limitation of Rights. Nothing in this Trust Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the SFPUC, the Trustee, each Credit Facility Provider, each Qualified Counterparty and the Owners

from time to time of the Bonds any rights, remedies or claims under or by reason of this Trust Indenture or any covenant, condition or provision herein or therein contained; and all the covenants, conditions and provisions in this Trust Indenture contained are and shall be held to be for the sole and exclusive benefit of the SFPUC, the Trustee, each Credit Facility Provider, each Qualified Counterparty and the Owners from time to time of the Bonds. Each such Credit Facility Provider and Qualified Counterparty shall be a third-party beneficiary of this Trust Indenture.

Section 12.5. Credit Facility Provider Rights. Except as otherwise provided in the Supplemental Trust Indenture authorizing the issuance of a Series of Bonds, if the Credit Facility Provider with respect to such Series of Bonds is not in default in respect of any of its obligations under the Credit Facility securing such Series of Bonds and is not Insolvent, the following shall apply:

(a) Such Credit Facility Provider, and not the actual Owners, shall be deemed to be the Owner of such Series of Bonds at all times for the purposes of (i) giving any approval or consent to the effectiveness of any Supplemental Trust Indenture other than a Supplemental Trust Indenture providing for (A) a change in the terms of redemption, purchase or maturity of the principal of any Outstanding Bond of such Series or any interest thereon or a reduction in the Principal amount, Purchase Price or Redemption Price thereof or in the rate of interest thereon, or (B) a reduction in the percentage of Owners required to approve or consent to the effectiveness of any Supplemental Trust Indenture, and (ii) giving any approval or consent or exercising any remedies in connection with the occurrence of an Event of Default.

(b) Any amendment to this Trust Indenture requiring the consent of Owners of such Series of Bonds shall also require the prior written consent of such Credit Facility Provider.

(c) Any amendment to this Trust Indenture not requiring the consent of Owners of such Series of Bonds shall require the prior written consent of such Credit Facility Provider if its rights shall be materially and adversely affected by such amendment.

(d) The prior written consent of such Credit Facility Provider shall be a condition precedent to the substitution by the SFPUC of any Reserve Account Credit Policy for cash deposited in any Reserve Account securing such Series of Bonds.

(e) In the event the maturity of the Bonds is accelerated, such Credit Facility Provider may elect, in its sole discretion, to pay the accelerated Principal of such Series of Bonds and interest thereon to the date of acceleration (to the extent unpaid by the SFPUC). Upon payment of such accelerated Principal and interest, the obligations of such Credit Facility Provider under such Credit Facility with respect to such Series of Bonds shall be fully discharged.

(f) Such Credit Facility Provider shall have the right to institute any suit, action or proceeding at law or in equity under the same terms as an Owner of such Series of Bonds in accordance with this Trust Indenture.

(g) Such Credit Facility Provider shall, to the extent it makes any payment of Principal or Purchase Price of or interest on such Series of Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of such Credit Facility.

(h) The Principal or Purchase Price of or interest on such Series of Bonds paid by such Credit Facility Provider under such Credit Facility shall not be deemed paid for purposes of this Trust Indenture, and the Bonds with respect to which such payments were made shall remain Outstanding and continue to be due and owing until paid by the SFPUC in accordance with this Trust Indenture.

(i) In the event of any defeasance of such Series of Bonds, the SFPUC shall provide such Credit Facility Provider with copies of all documents required by Article X to be delivered to the Trustee.

(j) The SFPUC shall not discharge this Trust Indenture unless all amounts due or to become due to such Credit Facility Provider have been paid in full or duly provided for.

(k) The SFPUC shall send or cause to be sent to such Credit Facility Provider copies of notices required to be sent to Owners or the Trustee under this Trust Indenture.

(l) The SFPUC shall observe any payment procedures under such Credit Facility required by such Credit Facility Provider as a condition to the issuance and delivery of the Credit Facility.

Section 12.6. Severability. If any term or provision of this Trust Indenture or the Bonds shall be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any other provision or provisions hereof or any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions herein contained invalid, inoperative, or unenforceable to any extent whatever, and such term and provision shall be valid and enforced to the fullest extent permitted by law.

Section 12.7. Notices. Except as otherwise provided herein, all notices, certificates or other communications hereunder shall be in writing and shall be deemed given upon receipt, by hand delivery, mail, overnight delivery, telecopy or other electronic means addressed as follows: to the SFPUC at 525 Golden Gate Avenue, San Francisco, California 94102, Attention: General Manager; and to the Trustee at [_____]. If the Trustee determines that it is impracticable to give a required notice to any Owner by first class mail, , then the Trustee shall give such notice in such other manner as the Trustee determines is sufficient. The SFPUC and the Trustee may, by notice pursuant to this Section, designate any different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 12.8. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Trust Indenture, is not a Business Day, such payment may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Trust Indenture and except as otherwise provided in a Supplemental Trust Indenture, no interest shall accrue on the payment so deferred during the intervening period.

Section 12.9. Applicable Law. This Trust Indenture shall be governed in all respects including validity, interpretation and effect by, and shall be enforceable in accordance with, the laws of the State.

Section 12.10. Successors and Assigns. All the covenants, promises and agreements in this Trust Indenture contained by or on behalf of the SFPUC, or by or on behalf of the Trustee, shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

Section 12.11. Form of Documents Delivered to Trustee. In any case where several matters are required to be certified by, or covered by an opinion of, any specified person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such person, or that they be so certified or covered by only one document, but one such person may certify or give an opinion with respect to some matters and one or more other such persons as to other matters, and any such person may certify or give an opinion as to such matters in one or several documents. Any Certificate of the SFPUC may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel, unless such official or officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which such official's certificate or opinion is based are erroneous. Any opinion of counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an official or officials of the SFPUC stating that the information with respect to such factual matters is in the possession of the SFPUC, unless such counsel knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to such matters are erroneous. Where any person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Trust Indenture, they may, but need not, be consolidated and form one instrument.

Section 12.12. Consent of Owners. Any consent, request, direction, approval, objection or other instrument required by this Trust Indenture to be signed and executed by the Owners may be in any number of concurrent writings of similar tenor and must be signed or executed by such Owners in person or by agent appointed in writing. Proof of the execution of any such consent, request, direction, approval, objection or other instrument or of the writing appointing any such agent and of the ownership of Bonds, if made in the following manner, shall be sufficient for any of the purposes of this Trust Indenture, and shall be conclusive in favor of the Trustee with regard to any action taken by it under such request or other instrument, namely: (a) the fact and date of the execution by any person of any such writing may be proved by the certificate of any officer in any jurisdiction who by law has power to take acknowledgments within such jurisdiction that the person signing such writing acknowledged the execution thereof, or by an affidavit of any witness to such execution; and (b) the Trustee may establish a record date for the purpose of identifying Owners entitled to issue any such consent, request, direction, approval or instrument.

IN WITNESS WHEREOF, the SFPUC and the Trustee have caused this Trust Indenture to be executed on their behalf by their duly authorized representatives, all as of the day and year first written above.

**PUBLIC UTILITIES COMMISSION OF THE
CITY AND COUNTY OF SAN FRANCISCO**

By: _____
General Manager

Approved as to Form:

DENNIS J. HERRERA
City Attorney of the
City and County of San Francisco

By _____
Deputy City Attorney

[TRUSTEE]

By: _____
Authorized Officer

**APPENDIX A
CITY CONTRACTING PROVISIONS**

Section 1. Nondiscrimination; Penalties.

(a) Trustee Shall Not Discriminate. In the performance of this Agreement, the Trustee agrees not to discriminate against any employee, City employee working with the Trustee, applicant for employment with the Trustee, or against any person seeking accommodations, advantages, facilities, privileges, services, or membership in all business, social, or other establishments or organizations, on the basis of the fact or perception of a person's race, color, creed, religion, national origin, ancestry, age, height, weight, sex, sexual orientation, gender identity, domestic partner status, marital status, disability or Acquired Immune Deficiency Syndrome or HIV status (AIDS/HIV status), or association with members of such protected classes, or in retaliation for opposition to discrimination against such classes.

(b) Subcontracts. The Trustee shall incorporate by reference in all subcontracts related to this Agreement the provisions of §§12B.2(a), 12B.2(c)-(k), and 12C.3 of the San Francisco Administrative Code (copies of which are available from the Commission) and shall require all subcontractors to comply with such provisions. The Trustee's failure to comply with the obligations in this subsection shall constitute a material breach of this Agreement.

(c) Nondiscrimination in Benefits. Trustee does not as of the date of this Agreement and will not during the term of this Agreement, in any of its operations in San Francisco, on real property owned by the City, or where work is being performed for the City elsewhere in the United States, discriminate in the provision of bereavement leave, family medical leave, health benefits, membership or membership discounts, moving expenses, pension and retirement benefits or travel benefits, as well as any benefits other than the benefits specified above, between employees with domestic partners and employees with spouses, and/or between the domestic partners and spouses of such employees, where the domestic partnership has been registered with a governmental entity pursuant to state or local law authorizing such registration, subject to the conditions set forth in §12B.2(b) of the San Francisco Administrative Code.

(d) Condition to Contract. As a condition to this Agreement, Trustee shall execute the "Chapter 12B Declaration: Nondiscrimination in Contracts and Benefits" form (form HRC-12B-101) with supporting documentation and secure the approval of the form by the San Francisco Human Rights Commission.

(e) Incorporation of Administrative Code Provisions by Reference. The provisions of Chapters 12B and 12C of the San Francisco Administrative Code are incorporated in this Section by reference and made a part of this Agreement as though fully set forth herein. Trustee shall comply fully with and be bound by all of the provisions that apply to this Agreement under such Chapters, including but not limited to the remedies provided in such Chapters. Without limiting the foregoing, Trustee understands that pursuant to §§12B.2(h) and 12C.3(g) of the San Francisco Administrative Code, a penalty of \$50 for each person for each calendar day during which such person was discriminated against in violation of the provisions of this Agreement may be assessed against Trustee and/or deducted from any payments due Trustee.

Section 2. MacBride Principles -- Northern Ireland. Pursuant to San Francisco Administrative Code §12F.5, the City urges companies doing business in Northern Ireland to move towards resolving employment inequities, and encourages such companies to abide by the MacBride Principles. The City urges San Francisco companies to do business with corporations that abide by the MacBride Principles. By signing this Agreement, the person executing this agreement on behalf of Trustee acknowledges and agrees that he or she has read and understood this section.

Section 3. Tropical Hardwood and Virgin Redwood. Pursuant to §804(b) of the San Francisco Environment Code, the Commission urges contractors not to import, purchase, obtain, or use for any purpose, any tropical hardwood, tropical hardwood wood product, virgin redwood or virgin redwood wood product.

Section 4. Sunshine Ordinance. In accordance with San Francisco Administrative Code §67.24(e), contracts, bids, responses to solicitations and all other records of communications between the Commission or the City and persons or firms seeking contracts, shall be open to inspection immediately after a contract has been awarded. Nothing in this provision requires the disclosure of a private person or organization's net worth or other proprietary financial data submitted for qualification for a contract or other benefit until and unless that person or organization is awarded the contract or benefit. Information provided which is covered by this paragraph will be made available to the public upon request.

Section 5. Limitations on Contributions. Through execution of this Agreement, the Trustee acknowledges that it is familiar with section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, or for a grant, loan or loan guarantee, from making any campaign contribution to (1) an individual holding a City elective office if the contract must be approved by the individual, a board on which that individual serves, or the board of a state agency on which an appointee of that individual serves, (2) a candidate for the office held by such individual, or (3) a committee controlled by such individual, at any time from the commencement of negotiations for the contract until the later of either the termination of negotiations for such contract or six months after the date the contract is approved. The Trustee acknowledges that the foregoing restriction applies only if the contract or a combination or series of contracts approved by the same individual or board in a fiscal year have a total anticipated or actual value of \$50,000 or more. The Trustee further acknowledges that the prohibition on contributions applies to each prospective party to the contract; each member of the Trustee's board of directors; the Trustee's chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 20% in the Trustee; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by the Trustee. Additionally, the Trustee acknowledges that the Trustee must inform each of the persons described in the preceding sentence of the prohibitions contained in Section 1.126. The Trustee further agrees to provide to the City the names of each person, entity or committee described above.

Section 6. Requiring Minimum Compensation for Covered Employees.

(a) The Trustee agrees to comply fully with and be bound by all of the provisions of the Minimum Compensation Ordinance (MCO), as set forth in San Francisco Administrative Code Chapter 12P (Chapter 12P), including the remedies provided, and implementing guidelines and rules. The provisions of Sections 12P.5 and 12P.5.1 of Chapter 12P are incorporated herein by reference and made a part of this Agreement as though fully set forth. The text of the MCO is available on the web at www.sfgov.org/olse/mco. A partial listing of some of the Trustee's obligations under the MCO is set forth in this Section. The Trustee is required to comply with all the provisions of the MCO, irrespective of the listing of obligations in this Section.

(b) The MCO requires the Trustee to pay the Trustee's employees a minimum hourly gross compensation wage rate and to provide minimum compensated and uncompensated time off. The minimum wage rate may change from year to year and the Trustee is obligated to keep informed of the then-current requirements. Any subcontract entered into by the Trustee shall require the subcontractor to comply with the requirements of the MCO and shall contain contractual obligations substantially the same as those set forth in this Section. It is the Trustee's obligation to ensure that any subcontractors of any tier under this Agreement comply with the requirements of the MCO. If any subcontractor under this Agreement fails to comply, the City may pursue any of the remedies set forth in this Section against the Trustee.

(c) The Trustee shall not take adverse action or otherwise discriminate against an employee or other person for the exercise or attempted exercise of rights under the MCO. Such actions, if taken within 90 days of the exercise or attempted exercise of such rights, will be rebuttably presumed to be retaliation prohibited by the MCO.

(d) The Trustee shall maintain employee and payroll records as required by the MCO. If the Trustee fails to do so, it shall be presumed that the Trustee paid no more than the minimum wage required under State law.

(e) The City, upon reasonable notice to the Trustee and subject to applicable laws and regulations, is authorized to inspect the Trustee's job sites and conduct interviews with employees and conduct audits of the Trustee.

(f) The Trustee's commitment to provide the Minimum Compensation required by the MCO is a material element of the City's consideration for this Agreement. The City in its sole discretion shall determine whether such a breach has occurred. The City and the public will suffer actual damage that will be impractical or extremely difficult to determine if the Trustee fails to comply with these requirements. The Trustee agrees that the sums set forth in Section 12P.6.1 of the MCO as liquidated damages are not a penalty, but are reasonable estimates of the loss that the City and the public may incur for the Trustee's noncompliance. The procedures governing the assessment of liquidated damages shall be those set forth in Section 12P.6.2 of Chapter 12P.

(g) The Trustee understands and agrees that if it fails to comply with the requirements of the MCO, the City shall have the right to pursue any rights or remedies available

under Chapter 12P (including liquidated damages), under the terms of the contract, and under applicable law. If, within 30 days after receiving written notice of a breach of this Agreement for violating the MCO, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Trustee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue any rights or remedies available under applicable law, including those set forth in Section 12P.6(c) of Chapter 12P. Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(h) The Trustee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the MCO.

(i) If the Trustee is exempt from the MCO when this Agreement is executed because the cumulative amount of agreements with the Commission for the fiscal year is less than \$25,000, but the Trustee later enters into an agreement or agreements that cause the Trustee to exceed that amount in a fiscal year, the Trustee shall thereafter be required to comply with the MCO under this Agreement. This obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Trustee and the Commission to exceed \$25,000 in the fiscal year.

Section 7. Requiring Health Benefits for Covered Employees. The Trustee agrees to comply fully with and be bound by all of the provisions of the Health Care Accountability Ordinance (HCAO), as set forth in San Francisco Administrative Code Chapter 12Q, including the remedies provided, and implementing regulations, as the same may be amended from time to time. The provisions of Section 12Q.5.1 of Chapter 12Q are incorporated by reference in this Section and made a part of this Agreement as though fully set forth herein. The text of the HCAO is available on the web at www.sfgov.org/olse. Capitalized terms used in this Section and not defined in this Agreement shall have the meanings assigned to such terms in Chapter 12Q.

(a) For each Covered Employee, the Trustee shall provide the appropriate health benefit set forth in Section 12Q.3 of the HCAO. If the Trustee chooses to offer the health plan option, such health plan shall meet the minimum standards set forth by the San Francisco Health Commission.

(b) Notwithstanding the above, if the Trustee is a small business as defined in Section 12Q.3(e) of the HCAO, it shall have no obligation to comply with part (a) above.

(c) The Trustee's failure to comply with the HCAO shall constitute a material breach of this agreement. City shall notify the Trustee if such a breach has occurred. If, within 30 days after receiving City's written notice of a breach of this Agreement for violating the HCAO, the Trustee fails to cure such breach or, if such breach cannot reasonably be cured within such period of 30 days, the Trustee fails to commence efforts to cure within such period, or thereafter fails diligently to pursue such cure to completion, the City shall have the right to pursue the remedies set forth in 12Q.5.1 and 12Q.5(f)(1-6). Each of these remedies shall be exercisable individually or in combination with any other rights or remedies available to the City.

(d) Any Subcontract entered into by the Trustee shall require the Subcontractor to comply with the requirements of the HCAO and shall contain contractual obligations substantially the same as those set forth in this Section. The Trustee shall notify City's Office of Contract Administration when it enters into such a Subcontract and shall certify to the Office of Contract Administration that it has notified the Subcontractor of the obligations under the HCAO and has imposed the requirements of the HCAO on Subcontractor through the Subcontract. Each Trustee shall be responsible for its Subcontractors' compliance with this Chapter. If a Subcontractor fails to comply, the City may pursue the remedies set forth in this Section against the Trustee based on the Subcontractor's failure to comply, provided that the City has first provided the Trustee with notice and an opportunity to obtain a cure of the violation.

(e) The Trustee shall not discharge, reduce in compensation, or otherwise discriminate against any employee for notifying City with regard to the Trustee's noncompliance or anticipated noncompliance with the requirements of the HCAO, for opposing any practice proscribed by the HCAO, for participating in proceedings related to the HCAO, or for seeking to assert or enforce any rights under the HCAO by any lawful means.

(f) The Trustee represents and warrants that it is not an entity that was set up, or is being used, for the purpose of evading the intent of the HCAO.

(g) The Trustee shall maintain employee and payroll records in compliance with the California Labor Code and Industrial Welfare Commission orders, including the number of hours each employee has worked on the Agreement.

(h) The Trustee shall keep itself informed of the current requirements of the HCAO.

(i) The Trustee shall provide reports to the City in accordance with any reporting standards promulgated by the City under the HCAO, including reports on Subcontractors and Subtenants, as applicable.

(j) The Trustee shall, subject to applicable laws and regulations, provide City with access to records pertaining to compliance with HCAO after receiving a written request from City to do so and being provided at least ten business days to respond.

(k) The Trustee shall, subject to applicable laws and regulations, allow City to inspect Trustee's job sites and have access to Trustee's employees in order to monitor and determine compliance with HCAO.

(l) City may, subject to applicable laws and regulations, conduct random audits of the Trustee to ascertain its compliance with HCAO. The Trustee agrees to cooperate with City when it conducts such audits.

(m) If the Trustee is exempt from the HCAO when this Agreement is executed because its amount is less than \$25,000 (\$50,000 for nonprofits), but the Trustee later enters into an agreement or agreements that cause the Trustee's aggregate amount of all agreements with the City to reach \$75,000, all the agreements shall be thereafter subject to the HCAO. This

obligation arises on the effective date of the agreement that causes the cumulative amount of agreements between the Trustee and the City to be equal to or greater than \$75,000 in the fiscal year.

Section 8. Drug-Free Workplace Policy. The Trustee acknowledges that pursuant to the Federal Drug-Free Workplace Act of 1989, the unlawful manufacture, distribution, dispensation, possession, or use of a controlled substance is prohibited on City premises. The Trustee agrees that any violation of this prohibition by the Trustee, its employees, agents or assigns will be deemed a material breach of this Agreement.

Section 9. Compliance with Americans with Disabilities Act. The Trustee acknowledges that, pursuant to the Americans with Disabilities Act (ADA), programs, services and other activities provided by a public entity to the public, whether directly or through a contractor, must be accessible to the disabled public. The Trustee shall provide the services specified in this Agreement in a manner that complies with the ADA and any and all other applicable federal, state and local disability rights legislation. The Trustee agrees not to discriminate against disabled persons in the provision of services, benefits or activities provided under this Agreement and further agrees that any violation of this prohibition on the part of the Trustee, its employees, agents or assigns will constitute a material breach of this Agreement.

Section 10. Protection of Private Information. The Trustee has read and agrees to the terms set forth in San Francisco Administrative Code Sections 12M.2, “Nondisclosure of Private Information,” and 12M.3, “Enforcement” of Administrative Code Chapter 12M, “Protection of Private Information,” which are incorporated in this Section as if fully set forth. The Trustee agrees that any failure of the Trustee to comply with the requirements of Section 12M.2 of this Chapter shall be a material breach of this Agreement. In such an event, in addition to any other remedies available to it under equity or law, the City may terminate this Agreement, bring a false claim action against the Trustee pursuant to Chapter 6 or Chapter 21 of the Administrative Code, or debar the Trustee.

Section 11. Prohibition on Political Activity with City Funds. In accordance with San Francisco Administrative Code Chapter 12.G, the Trustee may not participate in, support, or attempt to influence any political campaign for a candidate or for a ballot measure (collectively, “Political Activity”) in the performance of the services provided under this Agreement. The Trustee agrees to comply with San Francisco Administrative Code Chapter 12.G and any implementing rules and regulations promulgated by the City’s Controller. The terms and provisions of Chapter 12.G are incorporated herein by this reference. In the event the Trustee violates the provisions of this section, the City may, in addition to any other rights or remedies available hereunder, (i) terminate this Agreement, and (ii) prohibit the Trustee from bidding on or receiving any new City contract for a period of two (2) years. The Controller will not consider the Trustee’s use of profit as a violation of this section.

Section 12. Airport Intellectual Property. Pursuant to Resolution No. 01-0118, adopted by the Airport Commission on April 18, 2001, the Airport Commission affirmed that it will not tolerate the unauthorized use of its intellectual property, including the SFO logo, CADD designs, and copyrighted publications. All proposers, bidders, contractors, tenants, permittees, and others doing business with or at the Airport (including subcontractors and subtenants) may

not use the Airport intellectual property, or any intellectual property confusingly similar to the Airport intellectual property, without the Airport Director's prior consent.

Section 13. Food Service Waste Reduction Requirements. The Trustee agrees to comply fully with and be bound by all of the provisions of the Food Service Waste Reduction Ordinance, as set forth in San Francisco Environment Code Chapter 16, including the remedies provided, and implementing guidelines and rules. The provisions of Chapter 16 are incorporated in this Section by reference and made a part of this Agreement as though fully set forth. This provision is a material term of this Agreement. By entering into this Agreement, the Trustee agrees that if it breaches this provision, the City may suffer actual damages that will be impractical or extremely difficult to determine; further, the Trustee agrees that the sum of one hundred dollars (\$100) liquidated damages for the first breach, two hundred dollars (\$200) liquidated damages for the second breach in the same year, and five hundred dollars (\$500) liquidated damages for subsequent breaches in the same year is a reasonable estimate of the damage that the City will incur based on the violation, established in light of the circumstances existing at the time this Agreement was made. Such amount shall not be considered a penalty, but rather agreed monetary damages sustained by the City because of the Trustee's failure to comply with this provision.

Section 14. Submitting False Claims; Monetary Penalties. Pursuant to San Francisco Administrative Code §21.35, any contractor, subcontractor or consultant who submits a false claim shall be liable to the City for the statutory penalties set forth in that section. The text of Section 21.35, along with the entire San Francisco Administrative Code is available on the web at:

http://www.amlegal.com/nxt/gateway.dll?f=templates&fn=default.htm&vid=amlegal:sanfrancisco_ca

A contractor, subcontractor or consultant will be deemed to have submitted a false claim to the City if the contractor, subcontractor or consultant: (a) knowingly presents or causes to be presented to an officer or employee of the City a false claim or request for payment or approval; (b) knowingly makes, uses, or causes to be made or used a false record or statement to get a false claim paid or approved by the City; (c) conspires to defraud the City by getting a false claim allowed or paid by the City; (d) knowingly makes, uses, or causes to be made or used a false record or statement to conceal, avoid, or decrease an obligation to pay or transmit money or property to the City; or (e) is a beneficiary of an inadvertent submission of a false claim to the City, subsequently discovers the falsity of the claim, and fails to disclose the false claim to the City within a reasonable time after discovery of the false claim.

Section 15. Conflict of Interest. By entering into this Agreement, the Trustee acknowledges that it is familiar with the provision of Section 15.103 of the City's Charter, Article III, Chapter 2 of City's Campaign and Governmental Conduct Code, and Section 87100 et seq. and Section 1090 et seq. of the Government Code of the State of California, and certifies that it does not know of any facts which constitutes a violation of said provisions and agrees that it will immediately notify the Commission or the City if it becomes aware of any such fact during the term of this Agreement.

Section 16. Proprietary or Confidential Information of Commission or City. The Trustee understands and agrees that, in the performance of the work or services under this Agreement or in contemplation thereof, the Trustee may have access to private or confidential information which may be owned or controlled by the Commission or the City and that such information may contain proprietary or confidential details, the disclosure of which to third parties may be damaging to the Commission or the City. The Trustee agrees that all information disclosed by the Commission or City to the Trustee shall be held in confidence and used only in performance of this Agreement. The Trustee shall exercise the same standard of care to protect such information as a reasonably prudent contractor would use to protect its own proprietary data.