

**CITY OF IMPERIAL
CITY COUNCIL ACTIONS
AGENDA REPORT**

DATE: 02/06/2019

SUBJECT: CITY COUNCIL ADOPTION OF A RESOLUTION APPROVING LEGAL DOCUMENTS AND AUTHORIZING THE TAKING OF CERTAIN ACTIONS IN CONNECTION WITH THE ISSUANCE BY THE IMPERIAL PUBLIC FINANCING AUTHORITY OF ITS REVENUE BONDS (WASTEWATER TREATMENT FACILITY) SERIES 2019 IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$17,000,000

DEPARTMENT: Finance

PRESENTER: _____

Imperial City Council adopts Resolution approving legal financing documents authorizing the issuance of Revenue Bonds (Wastewater Treatment Facility) Series 2019 in the aggregate principal amount not to exceed \$17,000,000_.

The City intends to cause the issuance of new debt for Wastewater System Improvements. The debt will be issued by the Imperil Public Financing Authority in a principal amount not to exceed \$17,000,000. The proceeds will fund capital improvement projects and refund 2005 bonds for wastewater.

The documents to be approved include an Indenture of Trust, Installment Purchase Agreement, Continuing Disclosure Agreement, Bond Purchase Agreement and Preliminary Official Statement.

FISCAL IMPACT:

\$17,000,000 principal amount of Wastewater Revenue Bonds expected to be issued to fund Wastewater Treatment Facility Improvements.

ATTACHMENTS:

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IMPERIAL APPROVING AN INDENTURE OF TRUST, INSTALLMENT PURCHASE AGREEMENT, CONTINUING DISCLOSURE AGREEMENT, BOND PURCHASE AGREEMENT AND PRELIMINARY OFFICIAL STATEMENT AND AUTHORIZING THE TAKING OF CERTAIN ACTIONS IN CONNECTION WITH THE ISSUANCE BY THE IMPERIAL PUBLIC FINANCING AUTHORITY OF ITS REVENUE BONDS (WASTEWATER TREATMENT FACILITY) SERIES 2019 IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$17,000,000.

RESOLUTION NO. 2019-02

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IMPERIAL APPROVING AN INDENTURE OF TRUST, INSTALLMENT PURCHASE AGREEMENT, CONTINUING DISCLOSURE AGREEMENT, BOND PURCHASE AGREEMENT, ESCROW AGREEMENT AND PRELIMINARY OFFICIAL STATEMENT; ADOPTING A CONTINUING DISCLOSURE UNDERTAKING POLICY AND A TAX-EXEMPT BONDS COMPLIANCE POLICY; AND AUTHORIZING THE TAKING OF CERTAIN ACTIONS IN CONNECTION WITH THE ISSUANCE BY THE IMPERIAL PUBLIC FINANCING AUTHORITY OF ITS REVENUE BONDS (WASTEWATER TREATMENT FACILITY) SERIES 2019 IN THE AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED \$17,000,000

WHEREAS, the City of Imperial (the “City”) owns and operates that certain water system (the “Water System”) and wastewater system (“Wastewater System”); and

WHEREAS, the City desires to finance certain improvements to the Wastewater System (the “Financing”); and

WHEREAS, it has been proposed that the Imperial Public Financing Authority (the “Authority”) assist the City in providing funds to accomplish a financing by (i) entering into an Installment Purchase Agreement with the City (the “2019 Wastewater Installment Purchase Agreement”), and providing for the issuance of its Revenue Bonds (Wastewater Treatment Facility) Series 2019 (the “2019 Wastewater Bonds”); and

WHEREAS, the City has determined that it is necessary and desirable to enter into the 2019 Installment Purchase Agreement, whereby the Authority will purchase certain improvements relating to the Wastewater System in consideration for providing funds to accomplish the Financing including the funding of a debt service reserve fund for the 2019 Wastewater Bonds and paying the costs of issuance of the 2019 Wastewater Bonds, and the City will purchase the same improvements from the Authority in consideration for installment payments to be made under the 2019 Installment Purchase Agreement in an amount equal in time and amount to the debt service payments on the 2019 Wastewater Bonds;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF IMPERIAL DOES HEREBY RESOLVE AS FOLLOWS:

Section 1. The City hereby approves the Indenture of Trust relating to the 2019 Wastewater Bonds, substantially in the form on file with the City Clerk, with such revisions, amendments and completions as shall be approved by the Mayor, the City Manager, the Finance Director, their designee, or any member of this Council (each, a “Responsible Officer”) with the advice of counsel to the City, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 2. The City hereby approves the 2019 Installment Purchase Agreement relating to the 2019 Wastewater Bonds, substantially in the form on file with the City Clerk, with such revisions, amendments and completions as shall be approved by a Responsible Officer with the advice of counsel to the City, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. The City hereby approves the Continuing Disclosure Agreement relating to the 2019 Wastewater Bonds, substantially in the form on file with the City Clerk, with such revisions, amendments and completions as shall be approved by a Responsible Officer with the advice of counsel to the City, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. The City hereby approves the Bond Purchase Agreement relating to the 2019 Wastewater Bonds, substantially in the form on file with the City Clerk, with such revisions, amendments and completions as shall be approved by a Responsible Officer with the advice of counsel to the City, such approval to be conclusively evidenced by the execution and delivery thereof. The Bond Purchase Agreement shall provide for an underwriter's discount of not greater than .70% and net interest cost of not greater than 4.80%.

Section 5. The City hereby approves the form of Escrow Agreement relating to the refunding of the 2005 Wastewater Certificates of Participation, substantially in the form on file with the City Clerk, with such revisions, amendments and completions as shall be approved by a Responsible Officer with the advice of counsel to the City, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. The City hereby approves the Preliminary Official Statement relating to the 2019 Wastewater Bonds, substantially in the form on file with the City Clerk, with such revisions, amendments and completions as shall be approved by a Responsible Officer with the advice of counsel to the City in order to make the Preliminary Official Statement final as of its date, except for the omission of certain information, as permitted by Section 240.15c2-12(b)(1) of Title 17 of the Code of Federal Regulations ("Rule 15c2-12"), and any certificate relating to the finality of the Official Statements under Rule 15c2-12. A Responsible Officer is authorized and directed to execute and deliver the final Official Statement in substantially the form hereby approved, with such additions and changes as may be approved by counsel and the Responsible Officer executing the same, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. The City hereby adopts the Continuing Disclosure Undertaking Policy and Tax-Exempt Bonds Compliance Policy, each on file with the City Clerk. Any Responsible Officer is authorized and directed to make any administrative changes necessary or desirable to further the purposes of either policy and shall modify either policy as necessary to comply with changes in law or Rule 15c2-12. Any such revised policy shall be submitted to City Council.

Section 8. The City Manager or any other Responsible Officer of the City, and each of them, is hereby authorized and directed to execute and deliver any and all documents and to do and cause to be done any and all acts and things necessary or proper for carrying out

the transactions contemplated by this Resolution, including obtaining a municipal bond insurance policy for all or a portion of the 2019 Wastewater Bonds.

Section 9. The City Clerk shall certify to the adoption of this Resolution, and thenceforth and thereafter the same shall be in full force and effect. Notwithstanding the foregoing, such certification and any of the other duties and responsibilities assigned to the City Clerk pursuant to this Resolution may be performed by a Deputy City Clerk with the same force and effect as if performed by the City Clerk hereunder.

Adopted and approved this 6th day of February, 2019.

STATE OF CALIFORNIA)
)
COUNTY OF IMPERIAL) ss.

I hereby certify that the foregoing Resolution No. 2019-02 was duly adopted by the City Council of the City of Imperial at a meeting thereof held on February 6, 2019 by the following vote:

Ayes:
Noes:
Abstain:
Absent:

ATTEST:

Debra Jackson, City Clerk

INDENTURE OF TRUST

by and among the

IMPERIAL PUBLIC FINANCING AUTHORITY

and

CITY OF IMPERIAL

and

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee

Dated as of March 1, 2019

Relating to:

\$ _____
Imperial Public Financing Authority
Revenue Bonds (Wastewater Treatment Facility) Series 2019

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EXHIBIT A – FORM OF BOND
EXHIBIT B – FORM OF REQUISITION

INDENTURE OF TRUST

THIS INDENTURE OF TRUST, is dated as of March 1, 2019, by and among the **IMPERIAL PUBLIC FINANCING AUTHORITY**, a joint exercise of powers agency organized and existing under the laws of the State of California (the “Authority”), the **CITY OF IMPERIAL**, a municipal corporation, duly organized and existing under the laws of the State of California (the “City”), and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, a national banking association organized and existing under the laws of the United States of America, and being qualified to accept and administer the trusts hereby created as Trustee (the “Trustee”).

WITNESSETH:

WHEREAS, the City owns and operates that certain wastewater treatment facility referred to herein as the “Wastewater Treatment Facility”; and

WHEREAS, under Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Bond Law”) and the Imperial Public Financing Authority Joint Exercise of Powers Agreement, dated as of November 20, 2002, the Authority is authorized to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to, public entities including the City, and to provide financing for public capital improvements of public entities including the City; and

WHEREAS, the City desires to finance certain improvements to the Wastewater Treatment Facility (the “Improvements”) and to refinance the outstanding 2005 Parity Certificates of Participation (Wastewater Facility) Series 2005 (the “2005 Wastewater Certificates of Participation”); and

WHEREAS, for the purpose of providing funds to finance the Improvements and to refinance the 2005 Wastewater Certificates of Participation, the Authority has determined to issue its Revenue Bonds (Wastewater Treatment Facility) Series 2019 (the “Bonds”) in the aggregate principal amount of \$ _____, all pursuant to and secured by this Indenture in the manner provided herein; and

WHEREAS, the City and the Authority have determined that it is necessary and desirable to enter into an Installment Purchase Agreement, dated the date hereof (the “Installment Purchase Agreement”), pursuant to which the Authority will sell the Improvements to the City in consideration for Installment Payments equal in time and amount to the debt service on the Bonds; and

WHEREAS, the Authority has determined that 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 and interest and premium (if any) thereon, the Authority has authorized the execution and delivery of this Indenture; and

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

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of and the interest and premium (if any) on all Bonds at any time issued and

Outstanding under this 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 and sufficiency of which is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS; EQUAL SECURITY

SECTION 1.1 Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Indenture and of any Supplemental Indenture and of the Bonds and of any certificate, opinion, request or other documents herein mentioned have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined. In addition, all capitalized terms used herein and not otherwise defined in this Section 1.1 shall have the respective meanings given such terms in the Installment Purchase Agreement.

“Acquisition and Construction Fund” means the fund by that name established and held by the Trustee pursuant to Section 3.5.

“Additional Payments” means the payments so designated and required to be paid by the City pursuant to Section 4.3 of the Installment Purchase Agreement.

“Annual Debt Service” means, for each Bond Year with respect to each of the Bonds, the sum of (a) the interest payable on the Outstanding Bonds in such Bond Year, and (b) the principal amount of the Outstanding Bonds scheduled to be paid in such Bond Year, including from mandatory sinking fund payments.

“Authority” means the Imperial Public Financing Authority, a public body corporate and politic duly organized and existing pursuant to a Joint Exercise of Powers Agreement, as amended, dated as of November 20, 2002.

“Authorized Investments” means any securities in which the City may legally invest funds subject to its control.

“Authorized Representative” means: (a) with respect to the Authority, its Chairman, Vice Chairman, Treasurer, Executive Director, Secretary or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Chairman, Vice Chairman, Treasurer, Executive Director or Secretary and filed with the City and the Trustee; and (b) with respect to the City, its Mayor, Mayor Pro Tem, City Manager, Finance Director, City Clerk or any other person designated as an Authorized Representative of the City by a Written Certificate of the City signed by its Mayor, Mayor Pro Tem, City Manager, Finance Director or City Clerk and filed with the Trustee.

“Bond Counsel” means (a) Norton Rose Fulbright US LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the City of nationally recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Tax Code.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State, as in existence on the Closing Date or as thereafter amended from time to time.

“Bond Payment Fund” means the fund by that name established and held by the Trustee pursuant to Section 4.2(a).

[“Bond Year” means any twelve-month period commencing on October 16 in a year and ending on the next succeeding October 15, both dates inclusive; except that the first Bond Year shall commence on the Closing Date and end on October 15, 2019.]

“Bonds” means the Imperial Public Financing Authority Revenue Bonds (Wastewater Treatment Facility) Series 2019, issued and at any time Outstanding pursuant to the Bond Law and this Indenture.

“Business Day” means a day (other than a Saturday or a Sunday) on which banks are not required or authorized to remain closed in the city in which the Office of the Trustee is located.

“City” means the City of Imperial, a general law city duly organized and existing under the laws of the State of California.

“Closing Date” means _____, 2019, being the date of delivery of the Bonds to the Original Purchaser.

“Costs of Issuance” means all items of expense directly or indirectly relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to printing expenses, rating agency fees, filing and recording fees, fees, expenses and charges of the City, the Authority, the Trustee, and their respective counsel, including the Trustee’s first annual administrative fee, costs of obtaining bond insurance, a Qualified Reserve Fund Credit Instrument or Permitted Investment for monies held in the funds and accounts created and held hereunder, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds and the execution and delivery of the Installment Purchase Agreement.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to Section 3.4.

“Depository” means DTC and its successors and assigns or if (a) the then Depository resigns from its functions as securities depository of the Bonds, or (b) the Authority discontinues use of the Depository pursuant to Section 2.12 hereof, any other securities depository which agrees to follow the procedures requested to be followed by a securities depository in connection with the Bonds and which is selected by the Authority with the consent of the Trustee.

“Depository Participant” means a member of, or participant in, the Depository.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Escrow Agent” means Wells Fargo Bank, National Association, a national banking association, duly organized and existing under and by virtue of the laws of the United States of America.

“Event of Default” means any of the events described in Section 8.1.

“Indenture” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions hereof.

“Independent Accountant” means any accountant or firm of such accountants appointed and paid by the City or the Authority, and who, or each of whom (a) is in fact independent and not under domination of the City or the Authority; (b) does not have any substantial interest, direct or indirect, with the City or the Authority; and (c) is not connected with the City or the Authority as an officer or employee of the City or the Authority, but who may be regularly retained to make annual or other audits of the books of or reports to the City or the Authority.

“Information Services” means Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board, at www.emma.msrb.org; provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, Information Services shall mean such other organizations providing information with respect to called Bonds as the Authority may designate in writing to the Trustee.

“Installment Payments” means the payments required to be paid by the City pursuant to Section 4.2 of the Installment Purchase Agreement, including all prepayments thereof.

“Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the Authority and the City, with respect to the sale of the Improvements, dated as of _____ 1, 2019, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Indenture.

“Interest Payment Date” means _____ and _____ in each year, beginning _____, 201____, and continuing so long as any Bonds remain Outstanding.

“Maximum Annual Debt Service” means the largest of the sums obtained for any Bond Year after totaling the following for each such Bond Year:

A. The principal amount of all Outstanding Bonds maturing or required to be redeemed by mandatory sinking account redemption in such year; and

B. The interest which would be due during such year on the aggregate principal amount of Bonds which would be Outstanding in such year if the Bonds Outstanding on the date of such computation were to mature or be redeemed in accordance with the applicable maturity or mandatory sinking account redemption schedule. At the time and for the purpose of making such computation, the amount of Bonds already retired in advance of the above mentioned schedule or schedules shall be deducted pro rata from the remaining amounts thereon.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Authority.

“Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant hereto.

“Office” means the corporate trust office of the Trustee in Los Angeles, California, or at such other or additional offices as may be specified in writing to the Authority and the City except that with

respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee in Minneapolis, Minnesota.

“Original Purchaser” means the original purchaser of the Bonds upon their delivery by the Trustee on the Closing Date.

“Outstanding”, when used as of any particular time with reference to Bonds, means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.3; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture.

“Owner”, when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Registration Books.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (the Trustee is entitled to conclusively rely upon a Written Request of the City directing investments as a certification to the Trustee that such investments are legal investments), but only to the extent that the same are acquired at fair market value:

(1) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series — “SLGS”)

(2) Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities.

(3) Resolution Funding Corp. (“REFCORP”) Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.

(4) Pre-refunded municipal bonds rated “Aaa” by Moody’s and “AA+” by S&P. If however, the issue is only rated by S&P (i.e., there is no Moody’s rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or “AA+” rated pre-refunded municipals to satisfy this condition.

(5) Obligations, debentures, notes or other evidence of indebtedness issued or fully and unconditionally guaranteed by any of the following: Federal Home Loan Bank System, Government National Mortgage Association, Farmer’s Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration; provided, that with respect to the funds and accounts established under this Indenture, such obligations shall at no time exceed an amount equal to ten percent (10%) of the aggregate principal amount of the Bonds Outstanding.

(6) Deposit accounts, including time deposits, trust accounts, demand deposits, trust funds, overnight bank deposits, interest bearing deposits, interest bearing money market accounts, certificates of deposit (including those placed by a third party pursuant to an agreement between the City and the Trustee and its affiliates) or savings accounts (i) fully insured by the Federal Deposit Insurance Corporation or (ii) with banks whose short term obligations are rated no lower than A-1 by S&P and P-1 by Moody’s, including those of the Trustee and its affiliates.

(7) Federal funds or banker's acceptances with a maximum term of one year of any bank that has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" by Moody's and "A-1" or "A" or better by S&P (including the Trustee and its affiliates).

(8) Repurchase obligations with a term not exceeding 30 days pursuant to a written agreement between the Trustee and either a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the Securities Investor Protection Corporation ("SIPC") or a federally chartered commercial bank whose long-term debt obligations are rated A or better by S&P and Moody's, with respect to any security described in clause (1); provided, that the securities which are the subject of such repurchase obligation (i) must be free and clear of all liens, (ii) in the case of a SIPC dealer, were not acquired pursuant to a repurchase or reverse repurchase agreement, (iii) must be deposited with the Trustee and maintained through weekly market valuations in an amount equal to 104% of the invested funds plus accrued interest; and further provided that the Trustee must have a valid first perfected security interest in such securities.

(9) Taxable government money market portfolios that have a rating by S&P of Am-G or Am or better and rated in one of the three highest rating categories of Moody's consisting of securities issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States, subject to a maximum permissible limit equal to six months of principal and interest on the Bonds, including those for which the Trustee or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise.

(10) Tax-exempt government money market portfolios that have a rating by S&P of Am-G or Am or better and rated in one of the three highest rating categories of Moody's consisting of securities which are rated in the highest Rating Categories of S&P and Moody's subject to a maximum permissible limit equal to six months of principal and interest on the Bonds including those for which the Trustee or an affiliate receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise.

(11) Money market mutual funds registered under the Investment Company Act of 1940, the shares in which are registered under the Securities Act of 1933 and that have a rating by S&P of AAAM-G or AAAM and rated in one of the two highest Rating Categories of Moody's, including those managed or advised by the Trustee or its affiliates or for which the Trustee or an affiliate of the Trustee serves as administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives and retains a fee for services provided to the fund, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee.

(12) Commercial paper having, at the time of investment or contractual commitment to invest therein, a rating from Moody's and S&P, of A1 and P1, respectively.

(13) Repurchase and reverse repurchase agreements collateralized with securities described in clause (1) of this definition, including those of the Trustee or any of its affiliates.

(14) The Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

(15) Investment agreements, including guaranteed investment contracts ("GICs") forward purchase agreements and reserve fund put agreements with banks or other financial institutions rated, or

guaranteed by institutions rated, or with senior unsecured debt rated, by S&P or Moody's, in one of the three highest rating categories assigned by such agencies.

(16) Any other investments which meet the criteria established by applicable published investment guidelines issued by each rating agency then rating the Bonds.

The Trustee shall have no responsibility to monitor the ratings of Permitted Investments after the initial purchase of an investment in such Permitted Investments.

“Qualified Reserve Fund Credit Instrument” means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to Section 3.3(d) provided that all of the following requirements are met: (i) the long-term credit rating of such bank or insurance company at the time of delivery of such letter of credit or surety bond is rated in one of the two highest rating categories by Moody's or S&P; (ii) such letter of credit or surety bond has a term of at least twelve (12) months; (iii) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to Section 3.3(d); and (iv) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the amounts available to repay the principal of and interest on the Bonds.

“Record Date” means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month preceding such Interest Payment Date.

“Redemption Fund” means the fund by that name established and held by the Trustee pursuant to Section 4.2(c).

“Registration Books” means the books maintained by the Trustee pursuant to Section 2.7 for the registration and transfer of ownership of the Bonds.

“Reserve Fund” means the fund by that name established and held by the Trustee pursuant to Section 3.3.

“Reserve Requirement” means, as of any date of calculation by the City, the least of (i) ten percent of the original principal amount of the Bonds (or, if there is less than 2% net original issue discount or premium, 10% of the proceeds of the Bonds); or (ii) 125% of average Annual Debt Service of any Bond Year on the Outstanding Bonds; or (iii) the Maximum Annual Debt Service on the Bonds.

“Responsible Officer” means any Vice President, Assistant Vice President or Trust Officer or any other officer of the Trustee having regular responsibility for corporate trust matters related to this Indenture.

“Revenue Fund” means the fund by that name established and held by the Trustee pursuant to Section 4.2.

“Revenues” means (a) all amounts received by the Authority or the Trustee pursuant or with respect to the Installment Purchase Agreement, including, without limiting the generality of the foregoing, all of the Installment Payments (including both timely and delinquent payments, any late charges, and whether paid from any source), prepayments, insurance proceeds, and condemnation proceeds, but excluding any Additional Payments; (b) all moneys and amounts held in the funds and accounts established hereunder; and (c) investment income with respect to any moneys held by the Trustee hereunder.

“S&P” means S&P Global Ratings, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the Authority.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, New York, New York 10041, Fax: (212) 855-1000 or 7320; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Written Request of the Authority delivered to the Trustee.

“State” means the State of California.

“Supplemental Indenture” means any indenture, agreement, resolution or other instrument hereafter duly adopted or executed in accordance with the provisions of Section 7.1 of this Indenture.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bond, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Tax Regulations” means temporary and permanent regulations promulgated under or with respect to Section 103 of the Tax Code.

“Trustee” means Wells Fargo Bank, National Association, appointed by the Authority to act as trustee hereunder pursuant to Section 6.1, and its assigns or any other corporation or association which may at any time be substituted in its place, as provided in Section 6.1.

“Written Certificate”, “Written Request” and “Written Requisition” of the Authority or the City mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the City by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

SECTION 1.2 Rules of Construction. All references in this Indenture to “Articles,” “Sections,” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; and the words “herein,” “hereof,” “hereunder,” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

SECTION 1.3 Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract among the Authority, the City, the Trustee and the Owners from time to time of the Bonds; and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

ARTICLE II

AUTHORIZATION AND ISSUANCE OF BONDS

SECTION 2.1 Authorization of Bonds. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines that, as of the date of issuance of the Bonds, all things, conditions, and acts required by law to exist, happen and be performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now authorized, pursuant to the Bond Law and each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture. Accordingly, the Authority hereby authorizes the issuance of the Bonds pursuant to the Bond Law and this Indenture.

SECTION 2.2 Terms of Bonds. The Bonds authorized to be issued by the Authority under and subject to the Bond Law and the terms of this Indenture shall be designated the "Imperial Public Financing Authority Revenue Bonds (Wastewater Treatment Facility) Series 2019", and shall be issued in the original principal amount of _____ (\$ _____).

The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond shall have more than one maturity date. The Bonds shall be dated the Closing Date, shall mature on _____ in each of the years and in the amounts, and shall bear interest at the rates, as follows:

Maturity Date <u>(October 15)</u>	Principal <u>Amount</u>	Interest Rate <u>Per Annum</u>
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Interest on the Bonds shall be payable semiannually calculated based on a 360-day year of twelve (12) thirty-day months on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed on the Interest Payment Date by first class mail to the Owner at the address of such Owner as it appears on the Registration Books; provided however, that payment of interest will be made by wire transfer in immediately available funds to an account at a financial institution in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Trustee before the applicable Record Date. Any such written request shall remain in effect until rescinded in writing by the Owner. Principal of any Bond and any premium upon redemption shall be paid by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

Principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

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

SECTION 2.3 Redemption of Bonds.

(a) Special Mandatory Redemption. The Bonds shall be subject to special mandatory redemption as a whole or in part, on any date, from proceeds of an eminent domain award or proceeds of casualty insurance not used to repair or rebuild the Wastewater Treatment System, which proceeds may be used for such purpose pursuant to Sections 6.8 or 6.14 of the Installment Purchase Agreement, at a redemption price equal to the principal amount of the Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium.

(b) Optional Redemption from Prepayments of Installment Payments. The Bonds maturing on or before _____ shall not be subject to optional redemption prior to maturity. The Bonds maturing on or after _____ shall be subject to redemption prior to their maturity date, at the option of the Authority, randomly within a maturity on any date on or after _____, from prepayment of Installment Payments made at the option of the City at the redemption price equal to the principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

(c) Mandatory Sinking Fund Redemption. The Bonds maturing on _____ are also subject to redemption prior to their stated maturity, on [_____] in each year, commencing [_____, _____], in part randomly, from mandatory sinking account payments at a redemption price equal to the principal amount thereof, plus accrued interest, if any, to the redemption date, without premium, as set forth below in the aggregate respective principal amounts and on the respective dates as set forth in the following tables; provided, however, that if some but not all of such Bonds have been redeemed pursuant to optional or special mandatory redemption provisions of the Indenture, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of such Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000. The City shall provide the Trustee with a revised sinking fund schedule upon any such optional or special mandatory redemption.

Schedule of Mandatory Sinking Fund Redemptions
Term Bonds Maturing [_____]

Redemption Date (_____)	Principal <u>Amount</u>
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\$

(maturity)

(d) Notice of Redemption. The Trustee on behalf and at the expense of the Authority shall mail (by first-class mail, postage prepaid) notice of any redemption to: (i) the respective Owners of any Bonds designated for redemption, at least twenty (20) but not more than sixty (60) days prior to the redemption date, at their respective addresses appearing on the Registration Books, and (ii) the Securities Depositories and to one or more Information Services, at least thirty (20) but not more than sixty (60) days prior to the redemption; provided, however, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. In addition to mailed notice, the notice to the Securities Depositories and Information Service shall be given by telephonically confirmed facsimile transmission or overnight delivery service or by such other means approved by such institutions. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date. Neither the Authority nor the Trustee shall have any responsibility for any defect in the CUSIP number that appears on any Bond or in any redemption notice with respect thereto, and any such redemption notice may contain a statement to the effect that CUSIP numbers have been assigned by an independent service for convenience of reference and that neither the Authority nor the Trustee shall be liable for any inaccuracy in such numbers.

Any notice given pursuant to this paragraph may be conditional and/or rescinded by written notice given to the Trustee by the Authority and the Trustee shall provide notice of such rescission as soon thereafter as practicable in the same manner, and to the same recipients, as notice of such redemption was given pursuant to this Section.

(e) Selection of Bonds for Redemption. Whenever provision is made in the foregoing subsection (a) or (b) of this Section for the redemption of Bonds of more than one maturity, the Bonds to be redeemed shall be selected in inverse order of maturity or, at the election of the Authority evidenced by a Written Request of the Authority filed with the Trustee at least sixty (60) days prior to the date of redemption, on a pro rata basis among maturities (provided that, in any event, the principal and interest due on the Bonds Outstanding following such redemption shall be equal in time and amount to the unpaid payments due under the Installment Purchase Agreement); and in each case, the Trustee shall select the Bonds to be redeemed within any maturity randomly in any manner which the Trustee in its sole discretion shall deem appropriate. For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 portions and such portions shall be treated as separate Bonds which may be separately redeemed.

(f) Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

(g) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. All Bonds redeemed pursuant to this Section shall be canceled and shall be destroyed by the Trustee pursuant to its retention policy then in effect.

SECTION 2.4 Form of Bonds. The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, shall be substantially in the respective forms set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

SECTION 2.5 Execution of Bonds. The Bonds shall be signed in the name and on behalf of the Authority with the manual or facsimile signature of its Chairman and attested by the manual or facsimile signature of its Secretary. The Bonds shall then be delivered to the Trustee for authentication by it. In case any officer who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been authenticated or delivered by the Trustee or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though the individual who signed the same had continued to be such officer of the Authority. Also, any Bond may be signed on behalf of the Authority by any individual who on the actual date of the execution of such Bond shall be the proper officer although on the nominal date of such Bond such individual shall not have been such officer.

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

SECTION 2.6 Transfer and Exchange of Bonds.

(a) Transfer of Bonds. The registration of any Bond may, in accordance with its terms, be transferred upon the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation at the Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Bond or Bonds shall be surrendered for registration of transfer, the Trustee shall execute and deliver a new Bond or Bonds of the same maturity, interest rate and aggregate principal amount, in any authorized denominations. The Authority shall pay all costs of the Trustee incurred in connection with any such transfer, except that the Trustee may require the payment by the Bond Owner of any tax or other governmental charge required to be paid with respect to such transfer. The transferor shall also provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045. The Trustee may rely on the

information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

(b) Exchange of Bonds. Bonds may be exchanged at the Office of the Trustee, for a like aggregate principal amount of Bonds of other authorized denominations of the same interest rate and maturity. The Authority shall pay all costs of the Trustee incurred in connection with any such exchange, except that the Trustee may require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

(c) Limitations on Transfer or Exchange. The Trustee may refuse to transfer or exchange either (i) any Bond during the period established by the Trustee for the selection of Bonds for redemption pursuant to Section 2.3, or (ii) the portion of any Bond which the Trustee has selected for redemption pursuant to the provisions of Section 2.3.

SECTION 2.7 Registration Books. The Trustee will keep or cause to be kept, at its Office, sufficient records for the registration and transfer of the Bonds, which shall at all times during normal business hours, and upon reasonable notice, be open to inspection by the City and the Authority; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, Bonds as hereinbefore provided.

SECTION 2.8 Issuance in Temporary Form. The Bonds may be issued initially in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and be registered and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

SECTION 2.9 Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like series, tenor and authorized denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Authority. If any Bond issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity for the Authority and the Trustee satisfactory to the Trustee shall be given, the Authority, at the expense of the Bond Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like series and tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond the Trustee may pay the same without surrender thereof upon receipt of indemnity for the Authority and the Trustee satisfactory to the Trustee). The Authority may require payment of a reasonable fee for each new Bond issued under this Section and of the expenses which may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the Authority whether or not the Bond alleged to be lost, destroyed or stolen be at any time

enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

SECTION 2.10 Book-Entry System; Limited Obligation. The Bonds shall be initially executed, authenticated and delivered in the form of a separate single fully registered Bond (which may be typewritten) for each of the maturities of the Bonds. Upon initial execution, authentication and delivery, the ownership of each such global Bond shall be registered in the Bond Register in the name of the Nominee as nominee of the Depository. Except as provided in Section 2.12 hereof, all of the Outstanding Bonds shall be registered in the Bond Register kept by the Trustee in the name of the Nominee and the Bonds may be transferred, in whole but not in part, only to the Depository, to a successor Depository or to another nominee of the Depository or of a successor Depository. Each global Bond shall bear a legend substantially to the following effect: "UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE INDENTURE OF TRUST) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN."

With respect to Bonds registered in the Bond Register in the name of the Nominee, the Authority and the Trustee shall have no responsibility or obligation to any Depository Participant or to any person on behalf of which such a Depository Participant holds a beneficial interest in the Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to (a) the accuracy of the records of the Depository, the Nominee or any Depository Participant with respect to any beneficial ownership interest in the Bonds, (b) the delivery to any Depository Participant, beneficial owner or any other person, other than the Depository, of any notice with respect to the Bonds, including any Redemption Notice, (c) the selection by the Depository and the Depository Participants of the beneficial interests in the Bonds to be redeemed in part, or (d) the payment to any Depository Participant, beneficial owner or any other person, other than the Depository, of any amount with respect to principal of, interest on, or premium, if any, of the Bonds. The Authority and the Trustee may treat and consider the person in whose name each Bond is registered in the Bond Register as the holder and absolute Owner of such Bond for the purpose of payment of principal of, premium, if any, and interest on, the Bond, for the purpose of giving Redemption Notices with respect to the Bonds and other notices with respect to the Bonds, and for all other purposes whatsoever, including, without limitation, registering transfers with respect to the Bonds.

The Trustee shall pay all principal of, premium, if any, and interest on, the Bonds only to or upon the order of the respective Bond Owners, as shown in the Bond Register kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments shall be valid hereunder with respect to payment of principal of, premium, if any, and interest on, the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner, as shown in the Bond Register, shall receive a Bond evidencing the obligation to make payments of principal of, premium, if any, and interest on, such Bond pursuant to this Indenture of Trust. Upon delivery by the Depository to the Trustee and the Authority of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Indenture of Trust shall refer to such new nominee of the Depository.

SECTION 2.11 Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the Authorized Representative is hereby authorized to execute, countersign and deliver on behalf of the Authority to such Depository a letter from the Authority representing such matters as shall be necessary to so qualify the Bonds (the "Representation Letter"). The execution and delivery of the Representation Letter shall not in any way limit the provisions of Section 2.10 hereof or in any other way impose upon the Authority or the City any obligation whatsoever with respect to persons having beneficial interests in the Bonds other than the Owners, as shown in the Bond Register kept by the Trustee. In the written acceptance by the Trustee of the Representation Letter, the Trustee shall agree, and hereby agrees, to take all actions necessary for all representations of the Trustee in the Representation Letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of the Representation Letter, the Authority Representative and all other officers of the Authority, and their respective deputies and designees, each is hereby authorized to take any other actions, not inconsistent with this Indenture of Trust, to qualify the Bonds for the Depository's book-entry program.

SECTION 2.12 Transfers Outside Book-Entry System. If at any time the Depository notifies the Authority that it is unwilling or unable to continue as Depository with respect to the Bonds or if at any time the Depository shall no longer be registered or in good standing under the Securities Exchange Act or other applicable statute or regulation and a successor Depository is not appointed by the Authority within 90 days after the Authority receives notice or becomes aware of such condition, as the case may be, Section 2.10 hereof shall no longer be applicable and the Authority shall execute and the Trustee shall authenticate and deliver bonds representing the Bonds as provided below. In addition, the Authority may determine at any time that the Bonds shall no longer be represented by global bonds and that the provisions of Section 2.10 hereof shall no longer apply to the Bonds. In any such event the Authority shall execute and the Trustee shall authenticate and deliver bonds representing the Bonds as provided below. Bonds executed, authenticated and delivered in exchange for global bonds pursuant to this Section 2.12 shall be registered in such names and delivered in such Authorized Denominations as the Depository, pursuant to instructions from the Depository Participants or otherwise, shall instruct the Authority and the Trustee. The Trustee shall deliver such bonds representing the Bonds to the persons in whose names such Bonds are so registered. In connection with any proposed transfer outside the Book-Entry Only system, the Authority, the City or DTC shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045. The Trustee may rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

If the Authority determines to replace the Depository with another qualified securities depository, the Authority shall prepare or cause to be prepared a new fully-registered global bond for each of the maturities of the Bonds, registered in the name of such successor or substitute securities depository or its nominee, or make such other arrangements as are acceptable to the Authority, the Trustee and such securities depository and not inconsistent with the terms of this Indenture of Trust.

SECTION 2.13 Payments and Notices to the Nominee. Notwithstanding any other provision of this Indenture of Trust to the contrary, so long as any Bond is registered in the name of the Nominee, all payments of principal of, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

SECTION 2.14 Initial Depository and Nominee. The initial Depository under this Indenture of Trust shall be DTC. The initial Nominee shall be Cede & Co., as nominee of DTC.

ARTICLE III

ISSUANCE OF BONDS AND APPLICATION OF PROCEEDS

SECTION 3.1 Issuance of Bonds. Upon the execution and delivery of this Indenture, the Authority shall execute and deliver Bonds in the aggregate principal amount of _____ (\$_____), and shall deliver the Bonds to the Trustee for authentication and delivery to the Original Purchaser upon the Written Request of the Authority.

SECTION 3.2 Application of Proceeds and Other Moneys. Upon the receipt of payment for the Bonds on the Closing Date, the Trustee shall deposit the full amount thereof as follows:

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

(b) The Trustee shall deposit in the Escrow Fund the amount of \$_____.

(c) The Trustee shall deposit into the Acquisition and Construction Fund the amount of \$_____.

(d) [The Trustee shall deposit into the Reserve Fund the amount of \$_____ equaling the Reserve Requirement.]

The Trustee may, in its discretion, establish a temporary fund or account in its books and records to facilitate such deposits.

SECTION 3.3 Reserve Fund. (a) There is hereby created a separate fund to be known as the "Reserve Fund", which shall be held in trust by the Trustee. An amount equal to the Reserve Requirement shall be maintained in the Reserve Fund at all times, subject to the provisions of Section 4.2(b), and any deficiency therein shall be replenished from the first available Revenues pursuant to Section 4.2(b).

(b) Moneys in the Reserve Fund shall be used solely for the purpose of paying the principal of and interest on the Bonds, including the redemption price of the Bonds coming due and payable by operation of mandatory sinking fund redemption pursuant to Section 2.3(c), in the event that the moneys in the Bond Payment Fund are insufficient therefor. In the event that the amount on deposit in the Bond Payment Fund on any date is insufficient to enable the Trustee to pay in full the aggregate amount of principal of and interest on the Bonds coming due and payable, including the redemption price of the Bonds coming due and payable by operation of mandatory sinking fund redemption pursuant to Section 2.3(c), the Trustee shall withdraw the amount of such insufficiency from the Reserve Fund and transfer such amount to the Bond Payment Fund.

(c) In the event that the amount on deposit in the Reserve Fund exceeds the Reserve Requirement on the fifteenth (15th) calendar day of the month preceding any Interest Payment Date, the amount of such excess shall be withdrawn therefrom by the Trustee and transferred to the Bond Payment Fund and credited against the Installment Payment or Installment Payments next due from the City.

(d) The Authority may fund all or a portion of the Reserve Requirement with one or more Qualified Reserve Fund Credit Instruments. Upon deposit of any Qualified Reserve Fund Credit Instrument with the Trustee, the Trustee shall transfer any excess amounts then on deposit in the Reserve Fund into a segregated account of the Bond Payment Fund, which monies shall be applied at the written

direction of the Authority either (i) to the payment within one year of the date of transfer of capital expenditures of the Authority permitted by law, or (ii) to the redemption of Bonds on the earliest succeeding date on which such redemption is permitted hereby, and pending such application shall be held either not invested in investment property (as defined in section 148(b) of the Code), or invested in such property to produce a yield that is not in excess of the yield on the Bonds; provided, however, that the Authority may by written direction to the Trustee cause an alternative use of such amounts if the Authority shall first have obtained a written opinion of Bond Counsel substantially to the effect that such alternative use will not adversely affect the exclusion pursuant to section 103 of the Code of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In any case where the Reserve Fund is funded with a combination of cash and a Qualified Reserve Fund Credit Instrument, the Trustee shall deplete all cash balances before drawing on the Qualified Reserve Fund Credit Instrument. With regard to replenishment, any available moneys provided by the Authority shall be used first to reinstate the Qualified Reserve Fund Credit Instrument and second, to replenish the cash in the Reserve Fund. In the event the Qualified Reserve Fund Credit Instrument is drawn upon, the Authority shall make payment of interest on amounts advanced under the Qualified Reserve Fund Credit Instrument after making any payments pursuant to subsection (a) of Section 4.2.

In the event the Qualified Reserve Fund Credit Instrument will lapse or expire, the Trustee shall draw upon such Qualified Reserve Fund Credit Instrument prior to its lapsing or expiring in the full amount of such Qualified Reserve Fund Credit Instrument, make deposits from available Revenues to the Reserve Fund to increase the amount on deposit therein to the Reserve Requirement or substitute such Qualified Reserve Fund Credit Instrument with a Qualified Reserve Fund Credit Instrument that satisfies the requirements of this subsection (d).

SECTION 3.4 Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund to be known as the "Costs of Issuance Fund". Except as otherwise provided herein, moneys in the Costs of Issuance Fund shall be used solely for the payment of the Costs of Issuance. The Trustee shall disburse moneys in the Costs of Issuance Fund from time to time to pay Costs of Issuance (or to reimburse the Authority for payment of Costs of Issuance) upon receipt by the Trustee of a Written Request of the Authority, substantially in the form of the first such request delivered by the Authority to the Trustee on the Closing Date, which: (a) states with respect to each disbursement to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment will be made, (iii) the amount to be disbursed, (iv) that each obligation mentioned therein is a proper charge against the Costs of Issuance Fund and has not previously been disbursed by the Trustee from amounts in the Costs of Issuance Fund, and (v) that the amount of such disbursement is for payment of Costs of Issuance incurred and payable by the Authority; (b) specifies in reasonable detail the nature of the obligation; and (c) is accompanied by a bill or statement of account (if any) for each obligation. Upon the earlier of 180 days from the Closing Date or the filing with the Trustee of a Written Certificate of the Authority stating that all Costs of Issuance have been paid, the Trustee shall withdraw all amounts then on deposit in the Costs of Issuance Fund and transfer such amounts to the Bond Payment Fund and the Costs of Issuance Fund shall then be closed.

SECTION 3.5 Acquisition and Construction Fund. The Trustee shall establish, maintain and hold in trust a separate fund to be known as the "Acquisition and Construction Fund." Except as otherwise provided herein, moneys in the Acquisition and Construction Fund shall be used solely for the payment of Acquisition and Construction Costs, as defined in the Installment Purchase Agreement. Before any payment from the Acquisition and Construction Fund shall be made, the City shall file or cause to be filed with the Trustee, a Requisition of the City which shall be substantially in the form attached hereto as Exhibit B. The Trustee shall be entitled to rely on the representations of the City

contained in such Requisition and shall not be required to independently verify the contents of such Requisition.

Within five (5) Business Days following receipt of each such Requisition, the Trustee shall pay the amount set forth in such Requisition as directed by the terms thereof out of the Acquisition and Construction Fund. Upon the Written Request of the City accompanied by a Written Certificate of the City stating that all Acquisition and Construction Costs have been paid or provision made for their payment, any unexpended moneys in the Acquisition and Construction Fund may be used to pay the costs associated with any other improvements to the Wastewater Treatment System, provided that in the opinion of Bond Counsel such use of the proceeds of the Bonds shall not adversely affect the exclusion of interest on the Bonds from gross income of the owners thereof. Any unexpended moneys in the Acquisition and Construction Fund subsequent to the payment of all Acquisition and Construction Cost which are not used to pay the cost of other improvements to the Wastewater Treatment System shall be transferred to the Bond Payment Fund upon receipt by the Trustee of a Written Request of the City accompanied by a Written Certificate of the City stating that all Acquisition and Construction Costs have been paid or provision made for their payment.

SECTION 3.6 Escrow Fund. The Trustee shall establish, maintain and hold in Trust a separate fund to be known as the "Escrow Fund." Moneys in the Escrow Fund shall be used solely for the payment and defeasance of the 2005 Certificates on _____, _____.

SECTION 3.7 Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be affected in any way by any proceedings taken by the Authority or the Trustee with respect to or in connection with the Installment Purchase Agreement and the recital contained in the Bonds that the same are issued pursuant to the Bond Law shall be conclusive evidence of their validity and of the regularity of their issuance.

ARTICLE IV

REVENUES; FLOW OF FUNDS

SECTION 4.1 Collateral Assignment of Revenues and of the Installment Purchase Agreement. The Authority hereby assigns to the Trustee, on behalf of the Owners, as additional security for its obligations hereunder, all of the Authority's right, title and interest to and in the Revenues and all of the right, title and interest of the Authority in the Installment Purchase Agreement (other than the rights of the Authority under Sections 8.3 and 10.14 thereof); provided nonetheless that should the Authority well and truly pay or cause to be paid the principal of the Bonds with interest thereon in accordance with the terms thereof, and perform all other obligations of the Authority hereunder, then such assignment shall cease, determine and become void and the Trustee shall acknowledge and deliver to the Authority such instruments of satisfaction or release thereof as may reasonably be requested by the Authority. Subject to Section 4.3, all Revenues the Trustee collects and receives shall be applied to the payment of principal of and interest and premium (if any) on the Bonds equally, without priority for series, issue, number or date, in accordance with the terms hereof. So long as any of the Bonds are Outstanding, the Revenues and such moneys shall not be used for any other purpose; except that a portion of the Revenues may be used for purposes as expressly permitted by Section 4.2 hereof.

The assignment under this section to the Trustee is solely in the Trustee's capacity as Trustee under this Indenture and the duties, powers and liabilities of the Trustee in acting pursuant to such assignment shall be subject to the provisions of this Indenture, including, without limitation, the provisions of Article VI hereof. The Trustee shall not be responsible for any representations, warranties, covenants or obligations of the Authority.

SECTION 4.2 Receipt, Deposit and Application of Revenues. Except as provided in Section 4.3 hereof with regard to the deposit of earnings on investments, all of the Revenues shall be deposited by the Trustee immediately upon receipt in the Revenue Fund (which the Trustee shall establish and hold in trust hereunder) or as otherwise instructed by the City. Amounts in the Revenue Fund shall be applied solely for the uses and purposes set forth herein. The Trustee shall withdraw amounts on deposit in the Revenue Fund and apply such amounts at the times and for the purposes, and in the priority, as follows:

(a) **Bond Payment Fund.** On or before each Interest Payment Date, so long as any Bonds remain Outstanding hereunder, the Trustee shall withdraw from the Revenue Fund and deposit into the Bond Payment Fund (which the Trustee shall establish and hold in trust hereunder) an amount which, together with other available amounts then on deposit in the Bond Payment Fund, is at least equal to the sum of (i) the aggregate amount of principal of and interest coming due and payable on the Bonds on such Interest Payment Date, and (ii) the redemption price of the Term Bonds coming due and payable on such Interest Payment Date by operation of mandatory sinking fund redemption pursuant to Section 2.3(c).

Amounts in the Bond Payment Fund shall be applied by the Trustee solely for the purpose of paying the principal of and interest on the Outstanding Bonds when and as such principal and interest becomes due and payable (including accrued interest on any Bonds purchased or redeemed pursuant hereto), and for the purpose of paying the principal of the Term Bonds at the maturity thereof or upon the mandatory sinking fund redemption thereof pursuant to Section 2.3(c).

If after all of the Bonds have been paid or deemed to have been paid, there are moneys remaining in the Bond Payment Fund, such moneys shall be transferred by the Trustee to the City, after the payment of any outstanding fees and expenses of the Trustee.

(b) **Reserve Fund.** In the event that the amount on deposit in the Reserve Fund at any time falls below the Reserve Requirement, the Trustee shall promptly notify the City and the Authority of such fact and the Trustee shall promptly (i) withdraw the amount of such insufficiency from available Revenues on deposit in the Revenue Fund, and (ii) transfer such amount to the Reserve Fund. No deposit need be made in the Reserve Fund so long as the balance therein at least equals the Reserve Requirement.

(c) **Redemption Fund.** The Trustee shall deposit into the Redemption Fund all amounts required to redeem any Bonds which are subject to redemption pursuant to Sections 2.3(a) and (b) when and as such amounts become available. Amounts in the Redemption Fund shall be applied by the Trustee solely for the purpose of paying the redemption price of Bonds to be redeemed pursuant to Sections 2.3(a) and (b). Following any redemption of all of the Bonds, any moneys remaining in the Redemption Fund shall be transferred by the Trustee to the City.

SECTION 4.3 Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to this Indenture shall be invested by the Trustee solely in Permitted Investments, as directed pursuant to the Written Request of the City filed with the Trustee at least two (2) Business Days in advance of the making of such investments. In the absence of any such directions from the City, the Trustee shall invest any such moneys in Permitted Investments described in paragraph (9) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a Written Request of the City specifying a specific money market fund that satisfies the requirements of said paragraph in which such investment is to be made and, if no such Written Request of the City is so received, the Trustee shall hold such moneys uninvested. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. All interest or gain derived from the investment

of amounts in any of the funds or accounts established hereunder shall be deposited in the fund or account from which such investment was made; except that all interest or gain derived from the investment of amounts in the Reserve Fund shall be deposited in the Bond Payment Fund to the extent not required to maintain the Reserve Requirement on deposit in the Reserve Fund. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee may act as sponsor, principal or agent in the acquisition or disposition of any investment. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section.

The Trustee may sell, or present for prepayment, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from any such Permitted Investment.

The Authority (and the City by its execution of the Installment Purchase Agreement) acknowledge that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority or the City the right to receive brokerage confirmations of security transactions as they occur, the Authority and the City specifically waive receipt of such confirmations to the extent permitted by law. The Authority and the City may receive brokerage confirmation at no additional costs upon their written request. The Trustee will furnish the Authority and the City periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

SECTION 4.4 Acquisition, Disposition and Valuation of Investments.

(a) Except as otherwise provided in subsection (b) of this Section, all investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Tax Code) shall be acquired and disposed of (as of the date that valuation is required by this Indenture or the Tax Code) at Fair Market Value, provided the Trustee is not responsible to determine Fair Market Value.

(b) Except as required pursuant to Section 5.7 hereof, the value of the investments held pursuant to this Indenture shall be determined as follows: "Value", which shall be determined as of the end of each month, means that the value of any investments shall be calculated as follows: (a) other than as provided in (2) and (3) below, the market value thereof determined by the Trustee at the end of each month using and relying conclusively and without liability upon any generally accepted industry standards and from a generally accepted pricing information service available to it (b) as to certificates of deposit and bankers acceptances; the face amount thereof, plus accrued interest; and (c) as to any investment not specified above; the value thereof established by prior agreement between the Authority and the Trustee.

Notwithstanding anything to the contrary herein, in making any valuations of investments hereunder, the Trustee may utilize computerized securities pricing services that may be available to it, including those available through its regular accounting system and rely thereon.

ARTICLE V

COVENANTS OF THE AUTHORITY; SPECIAL TAX COVENANTS

SECTION 5.1 Punctual Payment; Compliance With Documents. The Authority shall punctually pay or cause to be paid the interest and principal to become due with respect to all of the Bonds in strict conformity with the terms of the Bonds and of this Indenture, and will faithfully observe

and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures.

SECTION 5.2 Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section 5.2 shall be deemed to limit the right of the Authority to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

SECTION 5.3 Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds is Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

SECTION 5.4 Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of Article VI and to the extent permitted by law, defend, preserve and protect such pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

SECTION 5.5 Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds, the Revenues, the Installment Purchase Agreement, and all funds and accounts held by the Trustee under this Indenture. Such books of record and account shall be available for inspection by the Authority and the City, during business hours and under reasonable circumstances.

SECTION 5.6 No Additional Obligations. The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

SECTION 5.7 Tax Covenants Relating to the Bonds.

(a) General. The Authority and the City hereby covenant with the owners of the Bonds that, notwithstanding any other provisions of this Indenture, it shall not take any action, or fail to take action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest on the Bonds under Section 103 of the Code. Neither the Authority nor the City, directly or indirectly, shall use or permit the use of the proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, by any person other than a

governmental person (as such term is used in Section 141 of the Code and applicable Treasury Regulations), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest on the Bonds.

(b) Use of Proceeds. Neither the Authority nor the City shall take any action, or fail to take action, if any such action or failure to take action would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code and applicable Treasury Regulations, and in furtherance thereof, shall not make any use of the proceeds of the Bonds or any of the property financed or refinanced with proceeds of the Bonds, or any portion thereof, that would cause the Bonds to be “private activity bonds” within the meaning of Section 141 of the Code. So long as any Bonds are outstanding, the Authority and the City, with respect to such proceeds and property, will comply with the requirements of the Code and the Treasury Regulations, to the extent such requirements are, at the time, applicable and in effect. The City shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of the Bonds as “governmental bonds.”

(c) Arbitrage. Neither the Authority nor the City shall directly or indirectly use or permit the use of any proceeds of any Bonds, or of any property financed or refinanced thereby, or of other funds of the Authority or the City, that would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Treasury Regulations, and shall not otherwise take any action, or fail to take action, if such action or failure to take action would cause the Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code and applicable Treasury Regulations. The Authority and the City shall comply with all requirements of Section 148 of the Code and the Treasury Regulations to the extent such requirements are, at the time, in effect and applicable to the Bonds.

(d) Federal Guarantee. Neither the Authority nor the City shall make any use of the proceeds of the Bonds, or of any other funds of the Authority or the City, that would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code, and shall not otherwise take any action, or fail to take action, when such action or failure to take action would cause the Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(e) Compliance with Tax Certificate. In furtherance of the foregoing tax covenants of this Section 5.7, the Authority and the City each covenant that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or defeasance of the Bonds.

SECTION 5.8 Installment Purchase Agreement. The Trustee shall promptly collect all amounts due from the City pursuant to the Installment Purchase Agreement. Subject to the provisions of Article VI, the Trustee shall enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the City under the Installment Purchase Agreement.

SECTION 5.9 Waiver of Laws. The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

SECTION 5.10 Further Assurances. The Authority will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Trustee and Owners of the Bonds the rights and benefits provided in this Indenture.

SECTION 5.11 Continuing Disclosure. The City covenants and agrees that it will comply with the continuing disclosure requirements with respect to the Bonds promulgated under Securities and Exchange Commission Rule 15c2-12(b)(5) as it may from time to time hereafter be amended or supplemented. The Authority shall have no liability to the Bondholders or to any other person with respect to such disclosure matters. Notwithstanding any other provisions of this Indenture, failure of the City to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, any Bondholder or Beneficial Owner may take, and the Trustee shall take, at the request of the Holders of at least 25% aggregate principal amount of Outstanding Bonds, and upon receipt of satisfactory indemnification, such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under the Continuing Disclosure Agreement.

ARTICLE VI

THE TRUSTEE

SECTION 6.1 Appointment of Trustee. Wells Fargo Bank, National Association, a national banking association organized and existing under and by virtue of the laws of the United States of America, is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Authority agrees that it will maintain a Trustee having a combined capital and surplus of at least Seventy-Five Million Dollars (\$75,000,000), and subject to supervision or examination by federal or State authority, so long as any Bonds are Outstanding. If such bank, national banking association or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section 6.1 the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

SECTION 6.2 Payment of Bonds; Registration Books. The Trustee is hereby authorized to pay the Bonds when duly presented for payment at maturity, or on redemption or purchase prior to maturity, and to cancel all Bonds upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Bonds paid and discharged. The Trustee will keep or cause to be kept at its Office sufficient books for the registration and transfer of the Bonds, which shall at all times during regular business hours upon reasonable notice be open to inspection by the City and the Authority. Upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, as provided in this Indenture with respect to the Bonds.

SECTION 6.3 Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default hereunder has occurred (which has not been cured or waived) the Trustee may exercise such of the rights and powers vested in it by this

Indenture, and shall use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall have no liability for the actions of any such attorney, agent or receiver chosen with reasonable care, and the Trustee shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder. The Trustee shall not be liable for any action taken or not taken in reliance upon advice or opinion of such counsel.

(c) The Trustee shall not be responsible for any recital herein, or in the Bonds, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby and the Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority hereunder. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 4.3 of this Indenture.

(d) The Trustee shall not be accountable for the use of any proceeds of sale of the Bonds delivered hereunder. The Trustee may become the Owner of Bonds secured hereby with the same rights which it would have if not the Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the Authority with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee shall represent the Owners of the majority in principal amount of the Bonds then Outstanding.

(e) In the absence of bad faith on its part, the Trustee shall be protected in acting upon any notice, request, consent, certificate, order, affidavit, letter, telegram, requisition, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith and without negligence pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at his request unless the ownership of such Bond by such person shall be reflected on the Registration Books.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a Written Certificate of the City or a Written Certificate of the Authority as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default hereunder of which the Trustee has been given notice or is deemed to have notice, as provided in Section 6.3(h) hereof, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a Written Certificate of the Authority to the effect that an authorization in the form therein set forth has been adopted by the Authority, as conclusive evidence that such authorization has been duly adopted and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder or under the Installment Purchase Agreement, except failure by the City to make any of the payments to the Trustee required to be made by the City pursuant to the Installment Purchase Agreement, or failure by the Authority to file with the Trustee any document required by this Indenture to be so filed subsequent to the issuance of the Bonds, unless a Responsible Officer the Trustee shall be specifically notified in writing of such default by the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding and all notices or other instruments required by this Indenture or under the Installment Purchase Agreement to be delivered to the Trustee must, in order to be effective, be delivered at the Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default hereunder or thereunder except as aforesaid.

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right (but not the duty) fully to inspect the Wastewater Treatment System, all books, papers and records of the City or the Authority pertaining to the Wastewater Treatment System and the Bonds, and to take such memoranda from and with regard thereto as may be desired but which is not privileged by statute or by law.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Notwithstanding anything elsewhere in this Indenture with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing the right of the Authority to the execution of any Bonds, or the right of the City or the Authority to the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) Before taking the action referred to in Article VIII (other than declaring an acceleration of the Bonds as provided in Section 8.1) or this Article the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any such action.

(m) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. The Trustee shall not be under any liability for interest on any moneys received hereunder except such as may be agreed upon.

(n) No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder. The Trustee shall provide the Authority and the City with seven days' notice prior to making any advance of its own funds hereunder, and, if the City or the Authority does not provide moneys in the amount needed, the Trustee shall be entitled to interest on the amounts advanced at a rate equal to the then 3-month certificates of deposit rate (by reference to the Wall Street Journal); provided that no such prior notice shall need be given and such interest on amounts advanced shall accrue from the date of any such advance following the occurrence of an Event of Default hereunder. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

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

(p) The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of a majority (or other percentage provided for herein) in aggregate principal amount of the Bonds outstanding relating to the exercise of any right, power or remedy available to the Trustee.

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

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

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

(t) The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

(u) The Trustee may consult with counsel, who may or may not be counsel to the City, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith.

(v) The Trustee agrees to accept and act upon instructions or directions pursuant to this Indenture sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority or the City elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee’s understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly

from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

SECTION 6.4 Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all reasonable advances, reasonable counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services, but solely from Additional Payments made by the City under the Installment Purchase Agreement. Upon the occurrence of an Event of Default, the Trustee shall have a first lien with right of payment prior to payment of any Bond upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it respectively.

SECTION 6.5 Notice to Bond Owners of Default. If an Event of Default hereunder occurs with respect to any Bonds, of which the Trustee has been given or is deemed to have notice, as provided in Section 6.3(h), then the Trustee shall promptly give written notice thereof by first-class mail to the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice.

SECTION 6.6 Intervention by Trustee. In any judicial proceeding to which the Authority is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of any of the Bonds, the Trustee may intervene on behalf of such Bond Owners, and subject to Section 6.3(l), shall do so if requested in writing by the Owners of a majority in aggregate principal amount of such Bonds then Outstanding.

SECTION 6.7 Removal of Trustee. The Owners of a majority in aggregate principal amount of the Outstanding Bonds, or the Authority (so long as no Event of Default has occurred or is continuing), may at any time remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee.

SECTION 6.8 Resignation by Trustee. The Trustee and any successor Trustee may at any time resign by giving written notice by registered or certified mail to the City and the Authority. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee in accordance with Section 6.9. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the successor Trustee shall mail notice thereof to the Bond Owners at their respective addresses set forth on the Registration Books.

SECTION 6.9 Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to Sections 6.6 or 6.7, respectively, the Authority shall promptly appoint a successor Trustee; provided that any such successor shall be a bank, national banking association or trust company meeting the requirements of Section 6.1. In the event the Authority shall for any reason whatsoever fail to appoint a successor Trustee within sixty (60) days following the delivery to the Trustee of the instrument described in Section 6.6 or within sixty (60) days following the receipt of notice by the Authority pursuant to Section 6.7, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of Section 6.1. Any such successor Trustee appointed by such court shall become the successor Trustee hereunder notwithstanding any action by the Authority purporting to appoint a successor Trustee following the expiration of such sixty (60) day period. Upon the acceptance by any successor Trustee of appointment as such, the successor Trustee

shall cause notice thereof to be given by first class mail to the Bond Owners at their respective addresses set forth on the Registration Books.

SECTION 6.10 Merger or Consolidation. Any company into which the Trustee may be merged or converted or which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 6.1, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

SECTION 6.11 Concerning any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the Written Request of the Authority, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Should any instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority.

SECTION 6.12 Appointment of Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under this Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee. The following provisions of this Section 6.12 are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the Authority be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as

permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

SECTION 6.13 Indemnification; Limited Liability of Trustee. The Authority further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, costs, damages, claims, expense and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, costs, claims, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors or employees. No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder or pursuant to the Installment Purchase Agreement. The Trustee shall not be liable for any action taken or omitted to be taken by it in accordance with the direction of the Owners of a majority in aggregate principal amount of Bonds Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee under this Indenture. The obligations of the Authority under this paragraph shall be payable solely from Additional Payments made by the City under the Installment Purchase Agreement and shall survive the resignation or removal of the Trustee under this Indenture or any defeasance of the Bonds. The Trustee's rights to immunities and protection from liability hereunder and its rights to payment of its fees and expenses shall survive its resignation or removal and final payment or defeasance of the Bonds. All indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds. Before taking any action under Article VIII or this Article at the request of the Owners, the Trustee may require that a satisfactory indemnity bond be furnished by the Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

ARTICLE VII

MODIFICATION AND AMENDMENT OF THIS INDENTURE

SECTION 7.1 Amendment by Consent of Bond Owners; Amendment Without Consent of Bond Owners. Amendment without Consent of Bond Owners. This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 7.2 hereof, are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights, obligations, powers, privileges, indemnities, immunities or other security of the Trustee.

This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without the consent of any Bond Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Authority in this Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the Authority; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds, in the opinion of Bond Counsel; or

(c) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds.

The Trustee shall not be required to enter into or consent to any amendment or modification which, in the sole judgment of the Trustee, might adversely affect the rights, obligations, powers, privileges, indemnities, immunities or other security provided the Trustee herein.

SECTION 7.2 Disqualified Bonds. Bonds owned or held by or for the account of the City or the Authority (but excluding Bonds held in any employees' retirement fund) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds in this article provided for, and shall not be entitled to consent to, or take any other action in this article provided for, unless all of the Outstanding Bonds shall be owned or held by or for the account of the City or the Authority, provided however, that the Trustee shall not be deemed to have knowledge that any Bond is owned by the Authority or the City or for the account of the Authority or the City unless the Authority or the City is a Registered Owner or the Trustee has received written notice that any other Registered Owner is the Owner of a Bond for the account of the City or Authority.

SECTION 7.3 Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the Authority may determine that the Bonds shall bear a notation, by endorsement in form approved by the Authority, as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the Office of the Trustee, a suitable notation as to such action shall be made on such Bond. If the Authority shall so determine, new Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such Bond Owners' action shall be prepared and executed, and in that case upon demand of the Owner of any Bond Outstanding at such effective date such new Bonds shall be exchanged at the Office of the Trustee, without cost to each Bond Owner, for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

SECTION 7.4 Amendment by Mutual Consent. The provisions of this Article VII shall not prevent any Bond Owner from accepting any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

SECTION 8.1 Events of Default and Acceleration of Maturities. The following events shall be Events of Default hereunder:

(a) Default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for mandatory sinking fund redemption, by declaration or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the City and the Authority by the Trustee; provided, however, that if in the reasonable opinion of the Authority the default stated in the notice (other than a default in the payment of any fees and expenses owing to the Trustee) can be corrected, but not within such thirty (30) day period, such default shall not constitute an Event of Default hereunder if the Authority shall commence to cure such default within such thirty (30) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

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

(e) The occurrence and continuation of an Event of Default under and as defined in the Installment Purchase Agreement.

Upon the occurrence and during the continuance of any Event of Default the Trustee may, and at the written direction of the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding, the Trustee shall, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding. This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority shall deposit with the Trustee a sum sufficient to pay all of the principal of and interest on the Bonds having come due prior to such declaration, with interest on such overdue principal and interest calculated at the net effective rate of interest per annum then borne by the Outstanding Bonds, and the reasonable fees and expenses of the Trustee, together with interest thereon at the prime rate of the Trustee then in effect, and any and all other defaults known to the Trustee (other than in the payment of the principal of and interest on the Bonds having come due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee or the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding may, by written notice to the Authority and to the Trustee, on behalf of the Owners of all of the Outstanding Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

SECTION 8.2 Application of Funds Upon Acceleration. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of this Indenture

shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Indenture; and

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts to the extent permitted by law at the net effective rate of interest then borne by the Outstanding Bonds, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

SECTION 8.3 Other Remedies: Rights of Bond Owners. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy, in addition to the remedy specified in Section 8.1, at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Bonds, and to enforce any rights of the Trustee under or with respect to this Indenture.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of a majority in aggregate principal amount of Outstanding Bonds and indemnified as provided in Section 6.3(l), the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article VIII, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bond Owners hereunder or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

SECTION 8.4 Power of Trustee to Control Proceeding. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Any suit, action or proceeding which any Owner of Bonds shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Bonds issued hereunder, by taking and holding the same, shall be

conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

SECTION 8.5 Appointment of Receivers. Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bond Owners under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

SECTION 8.6 Non-Waiver. Nothing in this Article VIII or in any other provision of this Indenture, or in the Bonds, shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as herein provided, out of the Revenues and other moneys herein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Bond Owners shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Bond Owners by the Bond Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Bond Owners, as the case may be.

SECTION 8.7 Rights and Remedies of Bond Owners. No Owner of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, or the Installment Purchase Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) the Trustee has not received any inconsistent direction during such 60-day period from the Owners of a majority in aggregate principal amount of the Outstanding Bonds.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, or the Installment Purchase Agreement, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and interest and premium (if any) on such Bond as herein provided or to institute suit for the enforcement of any such

payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

SECTION 8.8 Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee and the Bond Owners shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

ARTICLE IX

MISCELLANEOUS

SECTION 9.1 Limited Liability of Authority. Notwithstanding anything in this Indenture contained, the Authority shall not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Revenues or any Additional Revenues). The Authority may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

The Bonds shall be revenue bonds, payable exclusively from the Revenues and other funds pledged hereunder as in this Indenture provided. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the interest on or principal of the Bonds. The Owners of the Bonds shall never have the right to compel the forfeiture of any property of the Authority. The principal of and interest on the Bonds, and any premiums upon the redemption of any thereof, shall not be a debt of the Authority, or a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues and other funds pledged to the payment thereof as in this Indenture provided.

SECTION 9.2 Benefits of Indenture Limited to Parties. Nothing in this Indenture, expressed or implied, is intended to give to any person other than the City, the Authority, the Trustee and the Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Trustee and the Owners of the Bonds.

SECTION 9.3 Discharge of Indenture. If the Authority shall pay and discharge each Outstanding Bond in any one or more of the following ways -

(a) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to this Indenture, is fully sufficient to pay such Bonds, including all principal, interest and redemption premiums;

(c) by irrevocably depositing with the Trustee, in trust, Permitted Investments described in paragraph (1) or (2) of the definition thereof in such amount as Bond Counsel or an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established pursuant to this Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates; and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been mailed pursuant to Section 2.3(d) or provision satisfactory to the Trustee shall have been made for the mailing of such notice; or

(d) by delivering such Bonds to the Trustee for cancellation -

then, at the election of the Authority, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the assignment of the Installment Purchase Agreement and pledge of the Revenues and other funds provided for in this Indenture securing its performance with respect to such Bonds, and all other pecuniary obligations of the Authority under this Indenture with respect to such Bonds, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all expenses and costs of the Trustee. Notice of such election shall be filed with the Trustee. Any funds thereafter held by the Trustee, which are not required for said purposes, shall be paid over to the City.

SECTION 9.4 Successor Is Deemed Included in All References to Predecessor. Whenever in this Indenture or any Supplemental Indenture either the Authority is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions, with respect to the management, administration and control of the affairs of the Authority, that are presently vested in the Authority, and all the covenants, agreements and provisions contained in this Indenture by or on behalf of the Authority shall bind and inure to the benefit of its successors whether so expressed or not.

SECTION 9.5 Execution of Documents by Bond Owners. Any request, consent or other instrument required by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Bond Owners in person or by agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this Section 9.5.

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

The ownership of Bonds shall be provided by the Registration Books. Any request, consent, direction or vote of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of any Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in pursuance of such request, consent, direction or vote.

In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the Authority (but excluding Bonds held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such

determination, provided, however, that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which are registered in the name of the Authority or the Trustee has received written notice that any other Owner is holding Bonds for the account of the Authority.

In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the Bond Owners upon such notice and in accordance with such rules and obligations as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

SECTION 9.6 Waiver of Personal Liability. No member of the Authority's Board of Directors or, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the interest on or principal of the Bonds; but nothing herein contained shall relieve any such officer, agent or employee from the performance of any official duty provided by law.

SECTION 9.7 Partial Invalidity. If any one or more of the covenants or agreements, or portions thereof, provided in this Indenture on the part of the Authority (or of the Trustee) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of this Indenture or of the Bonds; but the Bond Owners shall retain all rights and benefits accorded to them under the Bond Law or any other applicable provisions of law. The Authority hereby declares that it would have entered into this Indenture and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Indenture or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 9.8 Destruction of Canceled Bonds. Whenever in this Indenture provision is made for the surrender to the Authority of any Bonds which have been paid or canceled pursuant to the provisions of this Indenture, Trustee shall destroy such Bonds pursuant to its retention policy then in effect and furnish to the Authority upon the Authority's Written Request a certificate of such destruction.

SECTION 9.9 Funds and Accounts. Any fund or account required by this Indenture to be established and maintained by the Authority or the Trustee may be established and maintained in the accounting records of the Authority or the Trustee, as the case may be, either as a fund or an account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account. All such records with respect to all such funds and accounts held by the Authority shall at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such funds and accounts held by the Trustee shall be at all times maintained in accordance with corporate trust industry practices; in each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

SECTION 9.10 Notices. All written notices to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) upon receipt after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The City, the Authority or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the City: City of Imperial
420 South Imperial Avenue
Imperial, California 92251
Attention: City Manager
Telephone: (760) 355-4373
Facsimile: (760) 355-4718

If to the Authority: Imperial Public Financing Authority
420 South Imperial Avenue
Imperial, California 92251
Attention: Executive Director
Telephone: (760) 355-4373
Facsimile: (760) 355-4718

If to the Trustee: Wells Fargo Bank, National Association
333 South Grand Avenue, 5th Floor
MAC: E2064-05A
Los Angeles, California 90071
Attention: Corporate Trust Services
Telephone: (213) 253-7547
Facsimile: (213) 253-7598

SECTION 9.11 Unclaimed Moneys. Anything in this Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee after said date when such Bonds become due and payable, shall be repaid by the Trustee to the Authority, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the Authority for the payment of such Bonds; provided, however, that before being required to make any such payment to the Authority, the Trustee shall, at the Written Request of the Authority (and of its expense), cause to be mailed to the Owners of all such Bonds, at their respective addresses appearing on the Registration Books, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than thirty (30) days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

SECTION 9.12 Execution in Several Counterparts. This indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 9.13 Governing Law. This Indenture shall be governed by and construed in accordance with the laws of the State.

IN WITNESS WHEREOF, the IMPERIAL PUBLIC FINANCING AUTHORITY and the CITY OF IMPERIAL have caused this Indenture of Trust to be signed in their names by their respective authorized officers, and **WELLS FARGO BANK, NATIONAL ASSOCIATION**, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

IMPERIAL PUBLIC FINANCING AUTHORITY

By: _____
Title: Executive Director

CITY OF IMPERIAL

By: _____
Title: City Manager

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

EXHIBIT A
[FORM OF BOND]

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

NEITHER THE PAYMENT OF THE PRINCIPAL OR ANY PART THEREOF NOR ANY INTEREST THEREON CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE CITY OF IMPERIAL OR THE REDEVELOPMENT AGENCY OF THE CITY OF IMPERIAL.

No. _____ \$ _____

**IMPERIAL PUBLIC FINANCING AUTHORITY
REVENUE BOND (WASTEWATER TREATMENT FACILITY) SERIES 2019**

<u>INTEREST RATE:</u>	<u>MATURITY DATE:</u>	<u>ISSUE DATE:</u>	<u>CUSIP:</u>
_____ %	October 15, 20__	_____, 2019	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

The IMPERIAL PUBLIC FINANCING AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the "Authority") for value received, hereby promises to pay (but only out of the Revenues and other assets pledged therefor as hereinafter mentioned) to the Registered Owner stated above, or registered assigns, on the Maturity Date stated above (subject to any right of prior redemption hereinafter mentioned), the Principal Amount stated above, in lawful money of the United States of America; and to pay interest thereon in like lawful money from the Interest Payment Date next preceding the date of authentication of this Bond (unless this Bond is authenticated as of a day during the period commencing after the fifteenth day of the month preceding an Interest Payment Date and ending on or before such Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or before _____, in which event it shall bear interest from the Issue Date stated above) until payment of such principal sum shall be discharged as provided in the Indenture hereinafter mentioned, at the Interest Rate per annum stated above, payable semiannually on each _____ and _____, commencing _____ (each, an "Interest Payment Date").

The principal (or redemption price) hereof is payable at the Office (as defined in the Indenture referred to below) of Wells Fargo Bank, National Association, (together with any successor trustee under the Indenture, the "Trustee"). Interest hereon is payable by check of the Trustee mailed on each Interest Payment Date to the Registered Owner as of the Record Date (as defined in the Indenture) for such Interest Payment Date at the address shown on the registration books maintained by the Trustee; provided however, that payment of interest will be made by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Trustee not later than the Record Date for the applicable Interest Payment Date.

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

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

This Bond is one of a duly authorized issue of bonds of the Authority designated as its "Imperial Public Financing Authority Revenue Bonds (Wastewater Treatment Facility) Series 2019" (the "Bonds"), in the aggregate principal amount of _____ (\$_____), authorized pursuant to the provisions of Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6584) of the California Government Code (the "Bond Law"), and issued pursuant to an Indenture of Trust, dated as of March 1, 2019 (the "Indenture"), by and among the Authority, the City of Imperial (the "City"), and the Trustee.

Reference is hereby made to the Indenture (a copy of which is on file at said Office of the Trustee) and all indentures supplemental thereto and to the Bond Law for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the security, of the rights, duties and immunities of the Trustee and of the rights and obligations of the Authority thereunder. The Registered Owner of this Bond, by acceptance hereof, assents and agrees to all the provisions of the Indenture.

The Bonds have been issued by the Authority to assist the City in financing certain improvements to the Wastewater Treatment System. Pursuant to an Installment Purchase Agreement, dated as of March 1, 2019, by and between the City and the Authority, the Authority will sell to the City such improvements and the City will pay, in consideration therefor, Installment Payments, secured by the Net Revenues of the Wastewater Treatment System, as defined in the Indenture. The scheduled Installment Payments are equal to the debt service payments on the Bonds.

The Bonds and the interest thereon are payable from Revenues (as such term is defined in the Indenture), consisting primarily of Installment Payments to be made by the City under the Installment Purchase Agreement as consideration for the purchase of Wastewater Treatment System Improvements, and are secured by a pledge and assignment of said Revenues, subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture. The Bonds are special obligations of the Authority and are not a lien or charge upon the funds or property of the Authority, except to the extent of the aforesaid pledge and assignment.

The Bonds shall be subject to redemption as provided in the Indenture.

The Bonds are issuable as fully registered Bonds in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations provided in the Indenture, Bonds may be exchanged, at said Office of the Trustee, for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity.

The Trustee has no obligation or liability to the Registered Owners to make payments of principal of or interest on the Bonds, except from amounts on deposit for such purposes with the Trustee. The Trustee's sole obligations are to administer for the benefit of the Registered Owners the various funds and accounts established under the Indenture of Trust and, to the extent provided in the Indenture of Trust, to enforce the rights of the Authority under the Installment Purchase Agreement.

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

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

The Indenture and the rights and obligations of the Authority and of the owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee, all as more fully set forth in the Indenture.

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

IN WITNESS WHEREOF, the Imperial Public Financing Authority has caused this Bond to be executed in its name and on its behalf by the manual signature of its Chairman and attested to by the manual signature of its Secretary, all as of the Issue Date stated above.

IMPERIAL PUBLIC FINANCING AUTHORITY

By _____
Chairman

Attest:

Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

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

Dated: _____, 2019

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Officer

ASSIGNMENT

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

(Name, Address and Tax Identification or Social Security Number)
the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____

attorney, to transfer the same on the registration books of the Trustee with full
power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Signature(s) must be guaranteed by a qualified
guarantor.

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

EXHIBIT B

**IMPERIAL PUBLIC FINANCING AUTHORITY
REVENUE BONDS (WASTEWATER TREATMENT FACILITY) SERIES 2019**

(Issue Dated Date: _____, 2019)

Requisition of the City
(Acquisition and Construction Fund)
(Section 3.5 of the Indenture)

Wells Fargo Bank, National Association
Attention: Corporate Trust Department

Request No.: P-___ (to be sequentially numbered)

<u>Project Component</u>	<u>Amount of This Draw</u>	<u>Aggregate Amount Draws Including This Draw</u>
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____
	_____	_____

(Continue on Additional Sheet if Necessary)

Name and Address of party to whom payment is to be made:

Purpose for which the obligation was incurred:

The undersigned (the "City") hereby certifies that (i) each such cost or expense constitutes a proper charge against the Acquisition and Construction Fund for services rendered, and has not been the subject of any other payment request filed with you; and (ii) if the payment is to be made to the City for amounts that it has paid or will pay to third parties, then the City has either made payment or will make payment within three business days of receipt of moneys requisitioned hereunder and that the aggregate number of business days during this calendar year during which it has held such amounts before making payment does not exceed twenty.

Date: _____

CITY OF IMPERIAL

By: _____

Title: _____

INSTALLMENT PURCHASE AGREEMENT

by and between

CITY OF IMPERIAL,
as Purchaser

and

IMPERIAL PUBLIC FINANCING AUTHORITY,
as Seller

Dated as of March 1, 2019

Relating to

\$ _____
Imperial Public Financing Authority
Revenue Bonds (Wastewater Treatment Facility)
Series 2019

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INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, made and entered into as of March 1, 2019, by and between the CITY OF IMPERIAL, a municipal corporation duly organized and existing under and by virtue of the laws of the State of California (the “Purchaser”), and the IMPERIAL PUBLIC FINANCING AUTHORITY, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California (the “Authority”):

WITNESSETH:

WHEREAS, the Purchaser proposes to finance certain improvements to the Purchaser’s wastewater treatment facility (the “Improvements”) and to refund the Parity Certificates of Participation (Water Facility) Series 2005;

WHEREAS, the Authority has agreed to assist the Purchaser by financing the Improvements for the Purchaser on the terms and conditions set forth in this Agreement;

WHEREAS, the Purchaser and the Authority have duly authorized the execution of this Agreement;

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Installment Purchase Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Installment Purchase Agreement;

NOW, THEREFORE, IN CONSIDERATION OF THESE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH IS HEREBY ACKNOWLEDGED, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I.

DEFINITIONS

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. All capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Indenture.

Accountant's Report

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

Acquisition and Construction

The term "Acquisition and Construction" means, with respect to the Improvements, the acquisition, construction, improvement, equipping, renovation, remodeling or reconstruction thereof.

Acquisition and Construction Costs

The term "Acquisition and Construction Costs" means, with respect to any of the Improvements, all costs of the Acquisition and Construction thereof which are paid from moneys on deposit in the Acquisition and Construction Fund, including but not limited to:

- (a) all costs required to be paid to any person under the terms of any agreement for or relating to the Acquisition and Construction of the Improvements;
- (b) obligations incurred for labor and materials in connection with the Acquisition and Construction of the Improvements;
- (c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the Acquisition and Construction of the Improvements;
- (d) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper Acquisition and Construction of the Improvements;
- (e) any sums required to reimburse the Authority or the City for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the Acquisition and Construction of the Improvements;
- (f) all financing costs incurred in connection with the Acquisition and Construction of the Improvements, including but not limited to Costs of Issuance and other costs incurred in connection with this Agreement and the financing of the Improvements; and
- (g) the interest components of the Installment Payments during the period of Acquisition and Construction of the Improvements, to the extent not paid from the proceeds of the Bonds deposited in the Interest Account pursuant to the Indenture.

Additional Wastewater Revenues

The term “Additional Wastewater Revenues” means, with respect to the execution of any Contract or the issuance of any Bonds, any or all of the following amounts:

a. An allowance for Net Wastewater Revenues from any additions or improvements to or extensions of the Wastewater Treatment System to be financed from the proceeds of such Contracts or Bonds or from any other source, all in an amount equal to seventy-five percent (75%) of the estimated additional Net Wastewater Revenues to be derived from such additions, improvements and extensions for the first twelve (12) month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by the Purchaser.

b. An allowance for Net Wastewater Revenues arising from any increase in the charges made for service from the Wastewater Treatment System that has become effective prior to the execution of such Contracts or the issuance of such Bonds in an amount equal to the total amount by which the Net Wastewater Revenues would have been increased if such increase in charges had been in effect during the whole of the most recent completed Fiscal Year or during any more recent twelve (12) month period selected by the Purchaser, all as shown by the certificate or opinion of an Independent Certified Public Accountant.

Agreement

The term “Agreement” means this Installment Purchase Agreement, by and between the Purchaser and the Authority, dated as of March 1, 2019, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

Authority

The term “Authority” means Imperial Public Financing Authority, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California.

Authority Bonds

The term “Authority Bonds” means the Imperial Public Financing Authority Revenue Bonds (Wastewater Treatment Facility) Series 2019.

Bond Counsel

The term “Bond Counsel” means (a) Norton Rose Fulbright US LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Purchaser of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on obligations of states and their political subdivisions and duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

Bonds

The term "Bonds" means all revenue bonds or notes of the Purchaser authorized, executed, issued and delivered by the Purchaser, the payments of which are on a parity with the Installment Payments and that are secured by a pledge of and lien on the Wastewater Revenues.

Contracts

The term "Contracts" means this Installment Purchase Agreement and any amendments and supplements hereto, and all contracts of the Purchaser authorized and executed by the Purchaser, the Installment Payments under which are on a parity with the 2012 Installment Payments and that are secured by a pledge and lien on the Wastewater Revenues.

Cost of Issuance

The term "Cost of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Authority or the Purchaser that are related to the authorization, execution and delivery of the Indenture and this Agreement and the related sale of the Authority Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by them, filing fees, initial fees and charges of the Trustee and its counsel, fees and expenses of bond counsel and disclosure counsel fees and charges of the Authority, legal fees and charges, fees and expenses of consultants and professionals, fees and expenses of any municipal advisor, fees and charges for preparation, execution, issuance and delivery of the Authority Bonds, the premium for any policy of municipal bond insurance applicable to Authority Bonds, and any other charge, cost or fee in connection with the original sale, execution and delivery of the Authority Bonds.

Debt Service

The term "Debt Service" means, for any period of calculation, the sum of:

- (1) the interest accruing during such period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are prepaid or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds),
- (2) those portions of the principal amount of all outstanding serial Bonds maturing in such period and in the next succeeding period of calculation accruing during such period, in each case computed as if such principal amounts were deemed to accrue daily during such period in equal amounts,
- (3) those portions of the principal amount of all outstanding term Bonds required to be prepaid or paid in such period and during the next succeeding period of calculation accruing during such period, in each case computed as if such principal amounts were deemed to accrue daily during such period in equal amounts, and

(4) those portions of the Installment Payments required to be made during such period and during the next succeeding period of calculation accruing during such period, in each case computed as if such Installment Payments were deemed to accrue daily during such period in equal amounts (except to the extent the interest evidenced and represented thereby is to be paid from the proceeds from the sale of certificates of participation in Installment Payments under any Contract):

provided that, as to any such Bonds or Installment Payments bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall be assumed to be the highest of: (i) the actual rate on the date of calculation, or if the Bonds or Installment Payments are not yet outstanding, the initial rate (if established and binding), (ii) if the Bonds or Installment Payments have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii)(1) if interest on the Bonds or Installment Payments is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (2) if interest is not so excludable, the interest rate on direct United States Treasury obligations with comparable maturities plus fifty (50) basis points;

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

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

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

provided further that if interest on any Bonds or Installment Payments is reasonably anticipated to be reimbursed to the Purchaser by the United States of America pursuant to a future program similar to previously enacted Section 54AA of the Code, then interest payments with respect to such Bonds or Installment Payments shall be reduced by the amount of such interest reasonably anticipated to be paid or reimbursed by the United States of America.

Debt Service shall also include any amounts owed by the Purchaser to the issuer of a Reserve Fund credit instrument as a result of a draw thereon or a claim thereunder, as

appropriate, if and to the extent the Purchaser chooses to satisfy the Reserve Requirement with a Qualified Reserve Fund Credit Instrument.

Event of Default

The term “Event of Default” means an event described in Section 8.1.

Fiscal Year

The term “Fiscal Year” means the period beginning on July 1 of each year and ending on the last day of June of the next succeeding year, or any other twelve-month period selected and designated as the official Fiscal Year of the Purchaser.

Improvements

The term “Improvements” shall have the meaning ascribed thereto in the recitals hereof.

Indenture

The term “Indenture” means the Indenture of Trust, dated as of March 1, 2019, by and among the Purchaser, the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

Independent Certified Public Accountant

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

Independent Financial Consultant

The term “Independent Financial Consultant” means a financial consultant or firm of such consultants appointed by the Purchaser, and who, or each of whom:

- (1) is in fact independent and not under domination of the Purchaser or the Authority;
- (2) does not have any substantial interest, direct or indirect, with the Purchaser or the Authority; and
- (3) is not connected with the Purchaser or the Authority as an officer or employee thereof, but who may be regularly retained to make reports thereto.

Installment Payment Date; Series 2019 Installment Payment Date

The term “Installment Payment Date” means each date on which Installment Payments are scheduled to be paid by the Purchaser under and pursuant to any Contract. The term “Series 2019 Installment Payment Date” means the fifth day prior to each Interest Payment Date, or if said date is not a Business Day, then the preceding Business Day.

Installment Payments; Series 2019 Installment Payments; Interest Component of Series 2019 Installment Payments; Principal Component of Series 2019 Installment Payments

The term “Installment Payments” means the installment payments of interest and principal scheduled to be paid by the Purchaser under and pursuant to the Contracts. The term “Series 2019 Installment Payments” means the Installment Payments scheduled to be paid by the Purchaser under and pursuant hereto. The term “Interest Component of Series 2019 Installment Payment”, with respect to any Series 2019 Installment Payment, means the “Amount Attributable to Interest” in respect of such payment as reflected in Exhibit A hereto. The term “Principal Component of Series 2019 Installment Payment”, with respect to any Series 2019 Installment Payment, means the “Amount Attributable to Principal” in respect of such payment as reflected in Exhibit A hereto.

Interest Payment Date

The term “Interest Payment Date” means April 15 and October 15 of each year, commencing October 15, 2019.

Maximum Annual Debt Service

The term “Maximum Annual Debt Service” means, as of the date of any calculation and with respect to all outstanding Contracts and Bonds, the maximum sum obtained for the current or any future Bond Year during the Term of this Agreement by totaling the following amounts for such Bond Year:

- (a) the aggregate amount of the Installment Payments coming due and payable in such Bond Year pursuant hereto;
- (b) the principal amount of all outstanding Contracts and Bonds, if any, coming due and payable by their terms in such Bond Year; and
- (c) the amount of interest that would be due during such Bond Year on the aggregate principal amount of all outstanding Contracts and Bonds, if any, that would be outstanding in such Bond Year if such Contracts and Bonds were retired as scheduled; provided, however, that with respect to any Contracts and Bonds that bear interest at a variable rate, such interest shall be calculated at an assumed rate equal to the average rate of interest per annum for each of the five previous whole calendar years as shown by the J.J. Kinney Index (or, in the event and to the extent such index is not maintained for all or any portion of such period, any similar index of variable rate interest for tax-exempt obligations as may be selected by the Purchaser in its sole discretion).

Net Proceeds

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

Net Wastewater Revenues

The term “Net Wastewater Revenues” means, for any Fiscal Year, the Wastewater Revenues for such Fiscal Year less the Operation and Maintenance Costs for such Fiscal Year.

Operation and Maintenance Costs

The term “Operation and Maintenance Costs” means

(1) Costs spent or incurred for maintenance and operation of the Wastewater Treatment System calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater Treatment System in good repair and working order, and including administrative costs of the Purchaser that are charged directly or apportioned to the Wastewater Treatment System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys, consultants or engineers and insurance premiums, and

(2) All other reasonable and necessary costs of the Purchaser or charges (other than debt service payments) required to be paid by it to comply with the terms of the Authority Bonds or of this Agreement or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature.

Purchaser

The term “Purchaser” means The City of Imperial, a municipal corporation duly organized and existing under and by virtue of the laws of the State of California.

Purchase Price

The term “Purchase Price” means the principal amount plus interest thereon owed by the Purchaser to the Authority under the terms hereof as provided in Section 4.1.

Revenue Fund

The term “Revenue Fund” means the fund by that name established pursuant to Section 5.2 hereof.

Trustee

The term “Trustee” means Wells Fargo Bank, National Association, acting in its capacity as Trustee under and pursuant to the Indenture, and its successors and assigns.

Wastewater Revenues

The term “Wastewater Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Wastewater Treatment System, including, without limiting the generality of the foregoing,

(1) all income, rents, rates, fees, charges, or other moneys derived by the Purchaser from the sale, furnishing and supplying of wastewater treatment and disposal, or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Wastewater Treatment System, plus

(2) the proceeds of any stand-by or capacity charges collected by the Purchaser, plus

(3) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including Purchaser reserves,

and excluding

(1) customer deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the Purchaser, and

(2) all income, rents, rates, fees, changes or other moneys derived by the Purchaser from operations not related to the Wastewater Treatment System, and

(3) any proceeds of taxes or assessments restricted by law to be used by the Purchaser to pay bonds, notes or other indebtedness hereafter issued or which are otherwise not legally available for payment of Installment Payments; and

(4) any amounts reimbursed to the Purchaser by the United States of America pursuant to a future program similar to previously enacted Section 54AA of the Code.

Wastewater Treatment Service

The term “Wastewater Treatment Service” means the wastewater treatment service made available or provided by the Wastewater Treatment System.

Wastewater Treatment System

The term “Wastewater Treatment System” means the whole and each and every part of the wastewater treatment system of the Purchaser, including the portion thereof existing on the date hereof, and including all additions, betterments, extensions and improvements to such wastewater treatment system or any part thereof hereafter acquired or constructed.

Written Consent of the Authority or Purchaser, Written Order of the Authority or Purchaser,
Written Request of the Authority or Purchaser, Written Requisition of the Authority or Purchaser

The terms “Written Consent of the Authority or Purchaser,” “Written Order of the Authority or Purchaser,” “Written Request of the Authority or Purchaser,” and “Written Requisition of the Authority or Purchaser” mean, respectively, a written consent, order, request or requisition signed by or on behalf of (i) the Authority by its President or a Vice President or (ii) the Purchaser by the City Manager or Finance Director or by any person who is specifically authorized by resolution of the Purchaser (a certified copy of which has been delivered to the Trustee) to sign or execute such a document on its behalf.

2012 Installment Purchase Agreement

The term “2012 Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of April 1, 2012, by and between the Authority and the Purchaser, relating to the 2012 Bonds.

2012 Bonds

The term “2012 Bonds” means the Revenue Bonds (Wastewater Treatment Facility) Series 2012.

2019 Installment Purchase Agreement

The term “2019 Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of March 1, 2019, by and between the Authority and the Purchaser, relating to the 2019 Bonds.

2019 Bonds

The term “2019 Bonds” means the Revenue Bonds (Wastewater Treatment Facility) Series 2019.

ARTICLE II.

**REPRESENTATIONS AND WARRANTIES;
OPINIONS OF COUNSEL**

Section 2.1. Representations by the Purchaser. The Purchaser makes the following representations:

(a) The Purchaser is a municipal corporation duly organized and existing under and pursuant to the laws of the State of California.

(b) The Purchaser has full legal right, power and authority to enter into this Agreement and carry out its obligations hereunder, to carry out and consummate all other

transactions contemplated by this Agreement, and the Purchaser has complied with the provisions of the Law in all matters relating to such transactions.

(c) By proper action, the Purchaser has duly authorized the execution, delivery and due performance of this Agreement.

(d) The Purchaser will not take or, to the extent within its power, permit any action to be taken as a consequence of which any Interest Component of Series 2019 Installment Payments would fail to be excluded pursuant to section 103(a) of the Code from the gross income of the Authority or its assigns for purposes of federal income taxation, or to fail to be exempt from the California Personal Income Tax.

(e) The Purchaser has determined that it is necessary and proper for Purchaser uses and purposes within the terms of the Law that the Purchaser finance/refinance the Improvements in the manner provided for in this Agreement.

Section 2.2. Representations and Warranties by the Authority. The Authority makes the following representations and warranties:

(a) The Authority is a joint exercise of powers agency duly organized and in good standing under the laws of the State of California, has full legal right, power and authority to enter into this Agreement and to carry out and consummate all transactions contemplated by this Agreement and by proper action has duly authorized the execution and delivery and due performance of this Agreement.

(b) The execution and delivery of this Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the Authority is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority.

(c) The Authority will not take or permit any action to be taken as a consequence of which any Interest Component of Series 2019 Installment Payments would fail to be excluded pursuant to section 103(a) of the Code from the gross income of the Authority or its assigns for purposes of federal income taxation, or to fail to be exempt from the California Personal Income Tax.

Section 2.3. Opinion of Counsel for the Purchaser. Concurrently with the execution and delivery of this Agreement, the Purchaser shall provide the Authority with an opinion of counsel for the Purchaser, satisfactory in form and substance to the Authority, to the same effect as the representations of the Purchaser set forth in subsections (a), (b) and (c) of Section 2.1 hereof and to the effect that this Agreement has been duly authorized, executed and delivered by the Purchaser and that assuming this Agreement constitutes a legal, valid and binding obligation of the Authority, it is a legal, valid and binding obligation of the Purchaser enforceable in accordance with its terms

except as such enforceability may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditors remedies generally or the application of equitable principles when equitable remedies are sought, or except as rights of indemnity may be limited by principles of public policy.

Section 2.4. Opinion of Counsel for the Authority. Concurrently with the execution and delivery of this Agreement, the Authority shall provide the Purchaser an opinion of counsel for the Authority, satisfactory in form and substance to the Purchaser, to the same effect as the representations of the Authority set forth in subsections (a) and (b) of Section 2.2 hereof and to the effect that this Agreement has been duly authorized, executed and delivered by the Authority and that assuming this Agreement constitutes a legal, valid and binding obligation of the Purchaser, it is a legal, valid and binding obligation of the Authority enforceable in accordance with its terms except as such enforceability may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditors remedies generally or the application of equitable principles when equitable remedies are sought, or except as rights of indemnity may be limited by principles of public policy.

ARTICLE III.

ISSUANCE OF AUTHORITY BONDS; SALE AND PURCHASE OF THE REFUNDING PROJECT

Section 3.1. The Authority Bonds. The Authority has authorized the issuance of the Authority Bonds pursuant to the Indenture in the aggregate principal amount of _____ (\$ _____). The Authority and the City agree that the proceeds of sale of the Bonds shall be paid to the Trustee on the Closing Date for deposit pursuant to the terms and conditions of the Indenture. The City hereby approves the Indenture, the assignment to the Trustee of the rights of the Authority assigned under and pursuant to the Indenture, and the issuance of the Authority Bonds by the Authority under and pursuant to the Indenture.

Section 3.2. Appointment of City as Agent of Authority. The Authority hereby appoints the City as its agent to carry out all phases of the Acquisition and Construction of the Improvements pursuant to and in accordance with the provisions hereof and the Indenture. The City hereby accepts such appointment and assumes all rights, liabilities, duties and responsibilities of the Authority regarding the Acquisition and Construction of the Improvements. The Authority, or the City as agent of the Authority hereunder, shall enter into, administer and enforce all purchase orders or other contracts relating to the Acquisition and Construction of the Improvements. All contracts for, and all work relating to, the Acquisition and Construction of the Improvements shall be subject to all applicable provisions of law relating to the acquisition, construction, improvement, and equipping of like facilities and property by the City.

Section 3.3. Sale and Purchase of the Improvements. As consideration for the proceeds of the Authority Bonds, the Authority hereby agrees to purchase, and the

Purchaser hereby agrees to sell, the previously financed Improvements. As consideration for the Purchaser's agreement to make Series 2019 Installment Payments in accordance with Section 4.2 hereof, the Authority hereby agrees to sell, and the Purchaser hereby agrees to purchase, the previously and currently financed Improvements. All right, title and interest in the Improvements shall vest in the Purchaser immediately upon execution of this Agreement. Such vesting shall occur without further action by the Authority or the Purchaser; and the Authority shall, if requested by the Purchaser or if necessary to assure such automatic vesting, deliver any and all documents required to assure such vesting.

ARTICLE IV.

SERIES 2019 INSTALLMENT PAYMENTS

Section 4.1. Purchase Price.

(a) The Purchase Price to be paid by the Purchaser hereunder to the Authority is the sum of the principal amount of the Purchaser's obligations hereunder plus the interest to accrue on the unpaid balance of such principal amount from the effective date hereof over the term hereof, subject to prepayment as provided in Article VII.

(b) The principal amount of the payments to be made by the Purchaser hereunder on each Series 2019 Installment Payment Date is set forth in Exhibit A hereto; provided however, the amount payable by the Purchaser to the Authority on each Series 2019 Installment Payment Date shall be reduced by the amount, if any, on deposit in the Bond Payment Fund and available or to be available for the payment of principal of and interest on the Authority Bonds on such Interest Payment Date as a result of prepayment in accordance with Article VII.

(c) The interest to accrue on the unpaid balance of such principal amount is as specified in Section 4.2 and Exhibit A hereto, and shall be paid by the Purchaser as and constitute interest paid on the principal amount of the Purchaser's obligations hereunder.

Section 4.2. Series 2019 Installment Payments. The Purchaser shall, subject to any rights of prepayment provided in Article VII, pay the Authority the Purchase Price in installment payments of interest and principal in the amounts relating to each Series 2019 Installment Payment Dates as set forth in Exhibit A hereto.

Each Series 2019 Installment Payment shall be paid to the Authority in lawful money of the United States of America. In the event the Purchaser fails to make any of the payments required to be made by it under this section, such payment shall continue as an obligation of the Purchaser until such amount shall have been fully paid; and the Purchaser agrees to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the Series 2019 Installment Payments if paid in accordance with their terms.

The obligation of the Purchaser to make the Series 2019 Installment Payments is absolute and unconditional, and until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the Purchaser

will not discontinue or suspend any Series 2019 Installment Payments required to be made by it under this section when due, whether or not the Wastewater Treatment System or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part and such payments shall not be subject to reduction whether by offset, abatement or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

Section 4.3. Additional Payments. In addition to the Series 2019 Installment Payments, the Purchaser shall pay when due all costs and expenses incurred by the Authority to comply with the provisions of the Indenture, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund or the Acquisition and Construction Fund), and shall pay to the Trustee upon request therefor all compensation for fees due to the Trustee and all of its costs and expenses payable as a result of the performance of and compliance with its duties hereunder or under the Indenture or any related documents, together with all amounts required to indemnify the Trustee pursuant to Section 6.13 of the Indenture, and all costs and expenses of attorneys, auditors, engineers and accountants. The rights of the Trustee and the obligations of the Purchaser under this Section 4.3 shall survive the termination of this Agreement and the resignation and removal of the Trustee.

ARTICLE V.

SECURITY

Section 5.1. Pledge of Wastewater Revenues. All Wastewater Revenues and all amounts on deposit in the Revenue Fund are hereby irrevocably pledged to the payment of the Series 2019 Installment Payments as provided herein and the Wastewater Revenues shall not be used for any other purpose while any of the Series 2019 Installment Payments remain unpaid; provided that out of the Wastewater Revenues there may be apportioned such sums for such purposes as are expressly permitted herein. This pledge shall constitute a lien on Wastewater Revenues and, subject to application of Wastewater Revenues and all amounts on deposit in the Revenue Fund as permitted herein, the Revenue Fund and other funds and accounts created hereunder for the payment of the Series 2019 Installment Payments and all other Contracts and Bonds in accordance with the terms hereof and the Indenture.

Section 5.2. Allocation of Wastewater Revenues. In order to carry out and effectuate the pledge and lien contained herein, the Purchaser agrees and covenants that all Wastewater Revenues, other than wastewater capacity fees and connection fees, shall be received by the Purchaser in trust hereunder and shall be deposited when and as received in a special fund designated as the "Revenue Fund", which fund is hereby created and established and which fund the Purchaser agrees and covenants to maintain and to hold in trust separate and apart from other funds so long as any Installment Payments or Bonds remain unpaid. All Wastewater Revenues consisting of wastewater capacity fees and connection fees shall be transferred to the Trustee upon receipt for deposit into the Bond Payment Fund. Moneys in the Revenue Fund shall be used and applied by the Purchaser

as provided in this Agreement. Investment earnings received by the Trustee from the investment of moneys on deposit in the Bond Payment Fund and the Reserve Fund are to be retained by the Trustee and applied by it as provided for in the Indenture.

The Purchaser shall, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as they become due and payable. Thereafter, all remaining moneys in the Revenue Fund shall be set aside by the Purchaser at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth in this Section.

(a) Bond Payment Fund. On or before each Series 2019 Installment Payment Date until the Authority Bonds have been paid or provision for their payment has been made as provided in Section 9.3 of the Indenture, the Purchaser shall, from the moneys in the Revenue Fund, transfer to the Trustee for deposit in the Bond Payment Fund the Series 2019 Installment Payment due and payable on that Series 2019 Installment Payment Date. The Purchaser shall also, from the moneys in the Revenue Fund, transfer to the trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, to pay any other Debt Service in accordance with the provisions of any Bond or Contract.

Such deposit to the Bond Payment Fund shall be reduced to the extent amounts on deposit therein are available for application to the Series 2019 Installment Payment due and payable on said Series 2019 Installment Payment Date.

(b) Reserve Fund. On or before each Series 2019 Installment Payment Date until the Authority Bonds have been paid or provision for their payment has been made as provided in Section 9.3 of the Indenture, the Purchaser shall, from the remaining moneys in the Revenue Fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the Trustee for deposit in the Reserve Fund and such other reserve funds and/or accounts, if any, as may have been established in connection with Bonds or Contracts other than this Agreement, that sum, if any, necessary to restore the Reserve Fund to an amount equal to the Reserve Requirement and/or such other reserve funds or accounts to an amount equal to the amount required to be maintained therein.

No transfer of moneys for deposit to the Reserve Fund in connection with the Series 2019 Installment Payments need be made if the amount contained therein is at least equal to the Reserve Requirement.

(c) Surplus. Moneys on deposit in the Revenue Fund not necessary to make any of the payments required above, may be expended by the Purchaser at any time for any purpose permitted by law.

Section 5.3. Additional Contracts and Bonds. The Purchaser may at any time execute any Contract or issue any Bonds, as the case may be, in accordance herewith; provided:

(a) No Event of Default shall have occurred and be continuing, and the Purchaser shall deliver a certificate to that effect to the Trustee;

(b) The Net Wastewater Revenues, calculated in accordance with accounting principles consistently applied, as shown by the books of the Purchaser for the latest Fiscal Year or as shown by the books of the Purchaser for any more recent twelve (12) month period selected by the Purchaser, plus (at the option of the Purchaser) the Additional Wastewater Revenues, shall be at least equal to **[one hundred fifteen percent (115%)]** of the amount of Maximum Annual Debt Service;

(c) There shall be established upon the execution of such Contracts or the issuance of such Bonds a reserve fund for such Contracts or Bonds in an amount equal to the lesser of (i) the maximum amount of debt service required to be paid by the Purchaser with respect to such Contracts or Bonds during any Fiscal Year, or (ii) the maximum amount then permitted under the Tax Code; and

The provisions of subsection (b) of this Section shall not apply to any Contracts or Bonds if all of the proceeds of such Contracts or Bonds (other than proceeds applied to pay costs of executing such Contracts or issuing such Bonds and to make a reserve fund deposit required pursuant to subsection (c) of this Section) shall be deposited in an irrevocable escrow for the purpose of paying the principal of and interest and premium (if any) on any Installment Payments or on any outstanding Contracts or Bonds.

For purposes of this section, Net Wastewater Revenues shall include investment earnings on the Reserve Fund transferred to the Trustee for deposit in the Bond Payment Fund.

Section 5.4. Investments. All moneys held by the Purchaser in the Revenue Fund shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein.

ARTICLE VI.

COVENANTS OF THE PURCHASER

Section 6.1. Compliance with Installment Purchase Agreement and Ancillary Agreements. The Purchaser will punctually pay the Series 2019 Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Wastewater Treatment System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure

of the Authority to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The Purchaser will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be observed and performed by it; and it is expressly understood and agreed by and between the parties to this Agreement that, subject to Section 10.6 hereof, each of the agreements, conditions, covenants and terms contained in each of this Agreement and the Indenture is an essential and material term of the purchase of and payment for the Improvements by the Purchaser pursuant to and in accordance with this Agreement.

The Purchaser will faithfully observe and perform all the agreements, conditions, covenants and terms required to be observed and performed by it pursuant to all outstanding Contracts and Bonds as such may from time to time be executed or issued, as the case may be.

Section 6.2. Against Encumbrances. The Purchaser will not make any pledge of or place any lien on Wastewater Revenues or the moneys in the Revenue Fund except as provided herein. The Purchaser may at any time, or from time to time, issue evidences of indebtedness or incur other obligations for any lawful purpose that are payable from and secured by a pledge of and lien on Wastewater Revenues or any moneys in the Revenue Fund as may from time to time be deposited therein (as provided in Section 5.2), provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein. The Purchaser will not issue any evidences of indebtedness or incur other obligations that are payable from and secured by a pledge of and lien on Wastewater Revenues senior to the pledge of and lien on Wastewater Revenues of the Series 2019 Installment Payments.

Section 6.3. Against Sale or Other Disposition of Property. The Purchaser will not enter into any agreement or lease that impairs the operation of the Wastewater Treatment System or any part thereof necessary to secure adequate Wastewater Revenues for the payment of the Series 2019 Installment Payments, or that would otherwise impair the rights of the Authority hereunder or the operation of the Wastewater Treatment System. Any real or personal property that has become nonoperative or that is not needed for the efficient and proper operation of the Wastewater Treatment System, or any material or equipment that has become worn out, may be sold if such sale will not impair the ability of the Purchaser to pay the Series 2019 Installment Payments and if the proceeds of such sale are deposited in the Revenue Fund.

Nothing herein shall restrict the ability of the Purchaser to sell any portion of the Wastewater Treatment System if such portion is immediately repurchased by the Purchaser and if such arrangement cannot by its terms result in the purchaser of such portion of the Wastewater

Treatment System exercising any remedy that would deprive the Purchaser of or otherwise interfere with its right to own and operate such portion of the Wastewater Treatment System.

Section 6.4. Against Competitive Facilities. To the extent that it can so legally obligate itself, the Purchaser covenants that it will not acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the Purchaser any wastewater system competitive with the Wastewater Treatment System.

Section 6.5. Tax Covenants. Reserved

Section 6.6. Maintenance and Operation of the Wastewater Treatment System. The Purchaser will maintain and preserve the Wastewater Treatment System in good repair and working order at all times and will operate the Wastewater Treatment System in an efficient and economical manner and will pay all Operation and Maintenance Costs as they become due and payable.

Section 6.7. Payment of Claims. The Purchaser will pay and discharge any and all lawful claims for labor, materials or supplies that, if unpaid, might become a lien on the Wastewater Revenues or the funds or accounts created hereunder or under the Indenture or on any funds in the hands of the Purchaser pledged to pay the Series 2019 Installment Payments or to the Owners prior or superior to the lien of the Series 2019 Installment Payments or that might impair the security of the Series 2019 Installment Payments, except that if the Purchaser desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the Purchaser will forthwith pay or cause to be paid and discharged such judgment.

Section 6.8. Insurance.

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

In the event of any damage to or destruction of the Wastewater Treatment System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Wastewater Treatment System. The Purchaser shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or

replacement so that the same shall be completed and the Wastewater Treatment System shall be free and clear of all claims and liens.

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement portion of the Wastewater Treatment System, and/or the cost of the construction of additions, betterments, extensions or improvements to the Wastewater Treatment System, then the excess Net Proceeds shall be applied in part to the prepayment of Series 2019 Installment Payments as provided in Article VII and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion that the aggregate unpaid principal balance of Series 2019 Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts. If such Net Proceeds are sufficient to enable the Purchaser to retire the entire obligation evidenced hereby prior to the final due date of the Series 2019 Installment Payments as well as the entire obligations evidenced by Bonds and Contracts then remaining unpaid prior to their final respective due dates, the Purchaser may elect not to reconstruct, repair or replace the damaged or destroyed portion of the Wastewater Treatment System, and/or not to construct other additions, betterments, extensions or improvements to the Wastewater Treatment System; and thereupon such Net Proceeds shall be applied to the prepayment of Series 2019 Installment Payments as provided in Article VII and to the retirement of such Bonds and Contracts.

(b) The Purchaser will procure and maintain such other insurance as it shall deem advisable or necessary to protect its interests and the interests of the Authority, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal wastewater treatment systems similar to the Wastewater Treatment System.

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

All policies of insurance required to be maintained herein shall provide that the Authority and the Trustee shall be given thirty (30) days written notice of any intended cancellation thereof or reduction of coverage provided thereby.

The Trustee shall not be responsible for the sufficiency or adequacy of the insurance maintained by the Purchaser.

Section 6.9. Accounting Records; Financial Statements and Other Records.

(a) The Purchaser will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Wastewater Treatment System, which records shall be available for inspection by the Authority and the Trustee at reasonable hours and under reasonable conditions.

(b) The Purchaser will prepare and file with the Authority and the Trustee annually within two hundred forty (240) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, _____);

(1) financial statements of the Purchaser for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon; and

(2) if requested by the Trustee, a detailed report as to all insurance policies maintained and self-insurance programs maintained by the Purchaser with respect to the Wastewater Treatment System, as of the close of such Fiscal Year, including the names of the insurers that have issued the policies and the amounts thereof and the property or risks covered thereby.

(c) The Purchaser will prepare annually not more than two hundred forty (240) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, _____) a summary report showing in reasonable detail the Wastewater Revenues and the Operation and Maintenance Costs for such Fiscal Year and containing a general statement of the physical condition of the Wastewater Treatment System. The Purchaser will furnish a copy of such summary report to the Authority and upon request to any investment bankers, security dealers and others interested in the Series 2019 Installment Payments.

Section 6.10. Protection of Security and Rights of the Authority. The Purchaser will preserve and protect the security hereof and the rights of the Authority to the Series 2019 Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 6.11. Payment of Taxes and Compliance with Governmental Regulations. The Purchaser will pay and discharge all taxes, assessments and other governmental charges that may hereafter be lawfully imposed upon the Wastewater Treatment System, or any part thereof or upon the Wastewater Revenues when the same shall become due. The Purchaser will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Wastewater Treatment System, or any part thereof, but the Purchaser shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 6.12. Amount of Rates; Fees and Charges. The Purchaser shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater Treatment System during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Wastewater Revenues sufficient to pay the following amounts in the following order of priority:

(a) All Operation and Maintenance Costs estimated by the Purchaser to become due and payable in such Fiscal Year;

(b) All Installment Payments and payments of principal of and interest on any Bonds or Contracts as they become due and payable during such Fiscal Year, without preference or priority, except to the extent Installment Payments or interest on any Bonds or Contracts are payable from proceeds of the Authority Bonds or Bonds or Contracts deposited for such purpose;

(c) All amounts, if any, required to restore the balance in the Reserve Fund to the full amount of the Reserve Requirement; and

(d) All payments required to meet any other obligations of the Purchaser that are charges, liens, encumbrances upon, or that are otherwise payable from, the Wastewater Revenues or the Net Wastewater Revenues during such Fiscal Year.

In addition, the Purchaser shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater Treatment System during each Fiscal Year that are sufficient to yield Net Wastewater Revenues that are at least equal to **[one hundred fifteen percent (115%)]** of the amount described in the preceding clause (b) for such Fiscal Year.

Section 6.13. Collection of Rates and Charges. The Purchaser will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates, fees and charges applicable to the Wastewater Treatment Services and providing for the billing thereof and for a due date and a delinquency date for each bill.

Section 6.14. Eminent Domain Proceeds. If all or any part of the Wastewater Treatment System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If (1) the Purchaser files with the Authority and the Trustee a certificate showing (i) the estimated loss of annual Net Wastewater Revenues, if any, suffered or to be suffered by the Purchaser by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the Wastewater Treatment System proposed to be acquired and constructed by the Purchaser from such Net Proceeds, and (iii) an estimate of the additional annual Net Wastewater Revenues to be derived from such additions, betterments, extensions or improvements, and (2) the Purchaser, on the basis of such certificate filed with the Authority and the Trustee, determines that the estimated additional annual Net Wastewater Revenues will sufficiently offset the estimated loss of annual Net Wastewater Revenues resulting from such eminent domain proceedings so that the ability of the Purchaser to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the Purchaser shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the Purchaser for such purpose shall be deposited in the Revenue Fund.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the Purchaser in part to the prepayment of Series 2019 Installment Payments as provided in Article VII and in part to such other fund or account as may be appropriate and used for the

retirement of Bonds and Contracts in the same proportion that the aggregate unpaid principal balance of Series 2019 Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

Section 6.15. Further Assurances. The Purchaser will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Authority of the rights and benefits provided to it herein.

Section 6.16. Continuing Disclosure. The Purchaser will comply with the continuing disclosure requirements promulgated under Securities and Exchange Commission Rule 15c2-12 and will also comply with the terms of the Continuing Disclosure Agreement.

Section 6.17. Access to the Wastewater Treatment System. The Purchaser agrees that the Authority and the Trustee, and any duly authorized representative thereof, shall have the right at all reasonable times to enter upon and to examine and inspect the Wastewater Treatment System. The Purchaser further agrees that the Authority and the Trustee, and any duly authorized representative thereof, shall have such rights of access to the Wastewater Treatment System as may be reasonably necessary to cause the proper maintenance of the Wastewater Treatment System in the event of failure by the Purchaser to perform its obligations hereunder.

ARTICLE VII.

PREPAYMENT OF SERIES 2019 INSTALLMENT PAYMENTS

Section 7.1. Prepayment. The Purchaser may or shall, as the case may be, prepay from the Net Proceeds as provided in Sections 6.8 and 6.14 herein the Series 2019 Installment Payments as a whole or in part in the order of payment date as directed by the Purchaser (or in the event the Purchaser has not directed the order of payment date, in inverse order of maturity) at a prepayment price equal to the sum of the principal amount prepaid plus accrued interest thereon to the date of prepayment.

Notwithstanding any such prepayment, the Purchaser shall not be relieved of its obligations hereunder, including its obligations under Article IV, until the Purchase Price shall have been fully paid (or provision for payment thereof shall have been provided to the written satisfaction of the Authority).

The Purchaser may exercise its option to prepay the principal components of the Series 2019 Installment Payments in whole or in part (in integral multiples of \$5,000) to the extent the Authority has the ability to effect an optional redemption of the Authority Bonds under the Indenture. The Purchaser shall give the Trustee and the Authority written notice of its intention to exercise its option under this Section not less than sixty (60) days in advance of the date of exercise (or such lesser period of time as shall be consented to by the Trustee and the Authority).

Section 7.2. Method of Prepayment. Before making any prepayment pursuant to Section 7.1, the Purchaser shall, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay, give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be paid, which date shall be not less than sixty (60) days from the date such notice is given, unless such prepayment must occur on a Payment Date, in which case such date shall be the next Payment Date with respect to which notice of prepayment may be timely given pursuant to the Indenture.

ARTICLE VIII.

EVENTS OF DEFAULT AND REMEDIES OF THE CORPORATION

Section 8.1. Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen, that is to say --

(1) if default shall be made in the due and punctual payment of any Series 2019 Installment Payment or any Contract or Bond when and as the same shall become due and payable;

(2) if default shall be made by the Purchaser in the performance of any of the agreements or covenants required herein to be performed by it, and such default shall have continued for a period of sixty (60) days after the Purchaser shall have been given notice in writing of such default by the Authority; provided, however, if in the reasonable opinion of the Purchaser the failure stated in the notice can be corrected, but not within such sixty (60) day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Purchaser within such sixty (60) day period and the Purchaser shall thereafter diligently and in good faith cure such failure in a reasonable period of time; or

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

then and in each and every such case during the continuance of such Event of Default specified in clause (3) above, the Authority shall, and for any other such Event of Default the Authority may, by notice in writing to the Purchaser, declare the entire principal amount of the unpaid Series 2019 Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding. This subsection however, is subject to the condition that if at any time after the entire principal amount of the unpaid Series

2019 Installment Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered the Purchaser shall deposit with the Authority a sum sufficient to pay the unpaid principal amount of the Series 2019 Installment Payments or the unpaid payment of any other Contract or Bond referred to in clause (1) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the remaining unpaid principal balance of the Series 2019 Installment Payments or such Contract or Bond if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid Series 2019 Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate shall have been made therefor, then and in every such case the Authority, by written notice to the Purchaser, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 8.2. Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 8.1, all Wastewater Revenues thereafter received shall be applied in the following order -

First, to the payment, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, of the fees, costs and expenses of the Authority and Trustee, if any, in carrying out the provisions of this article, including reasonable compensation to its accountants, advisors and legal counsel;

Second, to the payment of the Operation and Maintenance Costs; and

Third, to the payment of the entire principal amount of the unpaid Series 2019 Installment Payments and the unpaid principal amount of all Bonds and Contracts and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to the Series 2019 Installment Payments and such Bonds and Contracts if paid in accordance with their respective terms.

Section 8.3. Other Remedies of the Authority. The Authority shall have the right -

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the Purchaser or any director, officer or employee thereof, and to compel the Purchaser or any such director, officer or employee to perform and carry out its or his duties under the Law and the agreements and covenants required to be performed by it or him contained herein:

(b) by suit in equity to enjoin any acts or things that are unlawful or violate the rights of the Authority or the Trustee; or

(c) by suit in equity upon the happening of an Event of Default to require the Purchaser and its directors, officers and employees to account as the trustee of an express trust.

Notwithstanding anything contained herein, the Authority shall have no security interest in or mortgage on the Improvements or the Wastewater Treatment System or any other real property of the Purchaser and no default hereunder shall result in the loss of the Improvements or the Wastewater Treatment System or any other real property of the Purchaser

Section 8.4. Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the Purchaser, which is absolute and unconditional, to pay the Series 2019 Installment Payments to the Authority at the respective due dates or upon prepayment from the Net Wastewater Revenues, the Revenue Fund and the other funds herein pledged for such payment, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Authority shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority by the Law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority, the Purchaser and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 8.5. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Authority or the Bond Owners, or as provided in the Indenture, is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or under the Indenture or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other law.

ARTICLE IX.

DISCHARGE OF OBLIGATIONS

Section 9.1. Discharge of Obligations. When:

(a) all or any portion of the Series 2019 Installment Payments shall have become due and payable in accordance herewith or a written notice of the Purchaser to prepay all or any portion of the Series 2019 Installment Payments shall have been filed with the Trustee; and

(b) there shall have been deposited with the Trustee at or prior to the Series 2019 Installment Payment Dates or date (or dates) specified for prepayment, in trust for the benefit of

the Authority or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the Series 2019 Installment Payments, sufficient moneys and non-callable Permitted Investments, issued by the United States of America and described in clause (2) or (3) of the definition thereof, the principal of and interest on which when due will provide money sufficient to pay all principal, prepayment premium, if any, and interest of such Series 2019 Installment Payments to their respective Series 2019 Installment Payment Dates or prepayment date or dates as the case may be; and

(c) provision shall have been made for paying all fees and expenses of the Trustee,

then and in that event, if an opinion of Bond Counsel is filed with the Trustee to the effect that the actions authorized by and taken pursuant to this Article IX shall not adversely affect the tax exempt status of the interest portion of the Series 2019 Installment Payments, the right, title and interest of the Authority herein and the obligations of the Purchaser hereunder shall, with respect to all or such portion of the Series 2019 Installment Payments as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Trustee and the obligation of the Purchaser to have such moneys and such Permitted Investments applied to the payment of such Series 2019 Installment Payments). The sufficiency of the deposit referred to in clause (b) shall be established by a verification report delivered to the Trustee, upon which the Trustee shall be entitled to rely.

In such event, upon request of the Purchaser the Trustee shall cause an accounting for such period or periods as may be requested by the Purchaser to be prepared and filed with the Purchaser and shall execute and deliver to the Purchaser all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee shall pay over to the Purchaser, after payment of all amounts due the Trustee pursuant to the Indenture, as an overpayment of Series 2019 Installment Payments, all such moneys or such Permitted Investments held by it pursuant hereto other than such moneys and such Permitted Investments as are required for the payment or prepayment of the Series 2019 Installment Payments, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of the Series 2019 Installment Payments and shall be applied by the Trustee to the payment of the Series 2019 Installment Payments of the Purchaser.

ARTICLE X.

MISCELLANEOUS

Section 10.1. Liability of Purchaser Limited to Wastewater Revenues. Notwithstanding anything contained herein, the Purchaser shall not be required to advance any moneys derived from any source of income other than the Wastewater Revenues, the Revenue Fund and the other funds provided herein and in the Indenture for the payment of the Series 2019 Installment Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The Purchaser may, however, advance moneys for any such purpose so long as such moneys are derived from a source

legally available for such purpose and may be legally used by the Purchaser for such purpose.

The obligation of the Purchaser to make the Series 2019 Installment Payments is a special obligation of the Purchaser payable solely from Wastewater Revenues, the Revenue Fund and other funds described in this Installment Purchase Agreement and in the Indenture, and does not constitute a debt of the Purchaser or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Section 10.2. Benefits of Installment Purchase Agreement Limited to Parties. Except as provided in Section 10.3 hereto, nothing contained herein, expressed or implied, is intended to give to any person other than the Purchaser or the Authority any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the Purchaser or the Authority shall be for the sole and exclusive benefit of the other party.

Section 10.3. Successor Is Deemed Included in all References to Predecessor. Whenever either the Purchaser or the Authority is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Purchaser or the Authority, and all agreements and covenants required hereby to be performed by or on behalf of the Purchaser or the Authority shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 10.4. Waiver of Personal Liability. No director, officer or employee of the Purchaser shall be individually or personally liable for the payment of the Series 2019 Installment Payments, but nothing contained herein shall relieve any director, officer or employee of the Purchaser from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 10.5. Third Party Beneficiary. The Trustee shall be and is hereby made a third party beneficiary hereunder with all rights of a third party beneficiary.

Section 10.6. Article and Section Headings; Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby", "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.7. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Purchaser or the Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be

deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The Purchaser and the Authority hereby declare that they would have executed this Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 10.8. Assignment. This Agreement and any rights hereunder may be assigned by the Authority to the Trustee, as a whole or in part, without the necessity of obtaining the prior consent of the Purchaser.

Section 10.9. Net Contract. This Agreement shall be deemed and construed to be a net contract, and the Purchaser shall pay absolutely net during the term hereof the Series 2019 Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 10.10. California Law. THE INSTALLMENT PURCHASE AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 10.11. Notices. All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the Purchaser: City of Imperial
420 South Imperial Avenue
Imperial, CA 92251
Attention: City Manager

If to the Authority: Imperial Public Financing Authority
420 South Imperial Avenue
Imperial, CA 92251
Attention: Executive Director

Section 10.12. Effective Date. This Agreement shall become effective upon its execution and delivery, and shall terminate when the Purchase Price shall have been fully paid (or provision for the payment thereof shall have been made to the written satisfaction of the Authority).

Section 10.13. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 10.14. Indemnification of Authority. The Purchaser hereby agrees to indemnify and hold harmless the Authority if and to the extent permitted by law, from and against all claims, advances, damages and losses, including legal fees and expenses, arising out of or in connection with the acceptance or the performance of its duties hereunder, and under the Indenture; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder, or under the Indenture by the Authority.

Section 10.15. Amendments Permitted. (a) This Agreement and the rights and obligations of the Authority, the Purchaser, the Owners of the Authority Bonds and of the Trustee may be modified or amended at any time, by an amendment hereto that shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Authority Bonds then Outstanding, exclusive of Authority Bonds disqualified as provided in Section 7.2 of the Indenture, shall have been filed with the Trustee; provided, however, that the Insurer shall be deemed the Owner of the Authority Bonds then Outstanding entitled to consent to such modification or amendment pursuant to this Section. No such modification or amendment shall

(1) extend the stated maturities of the Authority Bonds, or reduce the rate of interest represented thereby, or extend the time of payment of interest, or reduce the amount of principal represented thereby, or reduce any premium payable on the prepayment thereof, without the consent of the Owner of each Authority Bond so affected, or

(2) reduce the aforesaid percentage of Owners of Authority Bonds whose consent is required for the execution of any amendment or modification of this Agreement, or

(3) modify any of the rights or obligations of the Trustee or the Authority without its respective written consent thereto.

(b) This Agreement and the rights and obligations of the Authority, the Purchaser and of the Owners of the Authority Bonds may also be modified or amended at any time, by an amendment hereto that shall become binding upon adoption, without the consent of the Owners of any Authority Bonds, but only to the extent permitted by law and only for any one or more of the following purposes-

(1) to add to the covenants and agreements of the Authority or the Purchaser contained in this Agreement other covenants and agreements thereafter to be observed or to surrender any right or power herein reserved to or conferred upon the Authority or the Purchaser, and that shall not adversely affect the interests of the Owners of the Authority Bonds;

(2) to cure, correct or supplement any ambiguous or defective provision contained in this Agreement or in regard to questions arising under this Agreement, as the Authority or the Purchaser may deem necessary or desirable and that shall not adversely affect the interests of the Owners of the Authority Bonds; and

(3) to make such other amendments or modifications as may be in the best interests of the Owners of the Authority Bonds.

(c) No amendment without consent of the Owners may modify any of the rights or obligations of the Trustee without its written consent thereto.

IN WITNESS WHEREOF, the parties hereto have executed and attested this Installment Purchase Agreement by their officers thereunto duly authorized as of the day and year first written above.

CITY OF IMPERIAL

By: _____
City Manager

IMPERIAL PUBLIC FINANCING AUTHORITY

By: _____
Executive Director

EXHIBIT A
PURCHASE PRICE

1. The principal amount of payments to be made by the Purchaser hereunder is \$_____.

2. The installment payments of principal and interest are payable in the amounts and on the Installment Payment Dates as follows:

Series 2019 Installment Payment Date Preceding each of the following Interest Payment Dates	Amount Attributable to Principal	Amount Attributable to Interest	Total
	\$ --	\$	\$

CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the "Disclosure Agreement"), dated March ____, 2019, is executed and delivered by the City of Imperial (the "City"), and Urban Futures, Inc., as dissemination agent (the "Dissemination Agent") in connection with the issuance by the Imperial Public Financing Authority (the "Authority") of its \$_____ aggregate initial principal amount of Revenue Bonds (Wastewater Treatment Facility) Series 2019 (the "Bonds"). The Bonds are being issued pursuant to an Indenture of Trust, dated as of March 1, 2019 (the "Indenture"), by and among the Authority, the City, and Wells Fargo Bank, National Association, as Trustee (the "Trustee"). The City, and the Dissemination Agent covenant and agree as follows:

Section 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City and the Dissemination Agent for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule (as defined below).

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

"Annual Report" shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

"Dissemination Agent" shall mean Urban Futures, Inc., or any successor Dissemination Agent designated in writing by the City and which has filed with the City a written acceptance of such designation.

"EMMA" shall mean the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System for Municipal Securities disclosures, maintained on the internet at <http://emma.msrb.org>.

"Listed Events" shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

"MSRB" shall mean the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934 or any other entity designated or authorized by the SEC to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the U.S. Securities and Exchange Commission, filings with the MSRB are to be made through the EMMA website.

"Official Statement" shall mean the final Official Statement, dated March ____, 2019, relating to the Bonds.

"Participating Underwriter" shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

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

Section 3. Provision of Annual Reports.

(a) The City shall, or shall cause the Dissemination Agent to, not later February 15 of each year, commencing February 15, 2020 with the report for the 2018-19 fiscal year, provide to the MSRB, in an electronic format accompanied by identifying information as prescribed by the MSRB, an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the City’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b).

(b) Not later than fifteen (15) business days prior to the date specified in subsection (a) above for providing the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent (if other than the City). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the City to determine if the City is in compliance with the first sentence of this subsection (b). The City shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder.

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), the Dissemination Agent shall send a notice to the MSRB in substantially the form attached as Exhibit A, or in such other form as prescribed or acceptable to MSRB.

(d) The Dissemination Agent (if other than the City) shall, if and to the extent, the City has provided an Annual Report in final form to the Dissemination Agent for dissemination, file a report with the City certifying that the Annual Report has been provided to the MSRB pursuant to this Disclosure Agreement, and stating the date it was provided.

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

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

(b) The tabular financial information and operating data contained in the Official Statement under the caption “SOURCES OF WASTEWATER SYSTEM REVENUE” in the following subsections presented on an annual basis, for the immediately preceding Fiscal Year:

- (i) “– Rates and Charges – Wastewater Rates”;
- (ii) “– Rates and Charges – Historic Residential Wastewater Service Fees”;
- (iii) “– Wastewater System Operating History – Wastewater Service Fees Residential and Commercial”;
- (iv) “– Wastewater System Operating History – Wastewater Capacity Fees;
- (v) “– Ten Largest Wastewater System Customers”; and
- (vi) “– Historical Operating Results – Debt Service Coverage by Fiscal Year.”

Any or all of the items listed above may be included by specific reference to other documents, including the audited financial statements, official statements of debt issues of the City or related public entities, which have been available to the public on the MSRB’s internet website or filed with the U.S. Securities and Exchange Commission. The City shall clearly identify each such other document so included by reference in the applicable Annual Report.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds, which notice shall be given in a timely manner, not in excess of ten (10) business days after the occurrence of such Listed Event:

- (1) Principal and interest payment delinquencies;
- (2) Non-payment related defaults, if material;
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) Substitution of credit or liquidity providers, or their failure to perform;
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or

- determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (7) Modifications to rights of security holders, if material;
 - (8) Bond calls, if material, and tender offers;
 - (9) Defeasances;
 - (10) Release, substitution, or sale of property securing repayment of the securities, if material
 - (11) Rating changes;
 - (12) Bankruptcy, insolvency, receivership or similar event of the City;
 - (13) The consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material;
 - (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material;
 - (15) Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and
 - (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties.

The term "financial obligation" means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

(b) The Dissemination Agent shall, within one (1) business day after obtaining knowledge of the occurrence of any of the events listed in Section 5(a) (1), (3), (4), (5), (6), (9), (11), (12) or (16), inform the City of the occurrence of such event. As soon as reasonably practicable after obtaining knowledge of the occurrence of such event, the City shall, or shall cause the Dissemination Agent to, file in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, a notice of such occurrence with the

MSRB, in an electronic format accompanied by identifying information as prescribed by the MSRB.

(c) The Dissemination Agent shall, within one (1) business day after obtaining knowledge of the occurrence of any of any of the events listed in Section 5(a) (2), (7), (8), (10), (13), (14) or (15), inform the City of the occurrence of such event and request that the City promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (d).

(d) Whenever the City obtains knowledge of the occurrence of any event specified in Section 5(a) (2), (7), (8), (10), (13), (14) and (15), the City shall as soon as possible, in order to meet the ten (10) business day deadline to file notices required under the Rule and pursuant to the following sentence, determine if such event would be material under applicable Federal securities law. If the City determines that knowledge of the occurrence of such event would be material under applicable Federal securities law, the City shall, or shall cause the Dissemination Agent to, file in a timely manner, not in excess of ten (10) business days after the occurrence of any such event, a notice of such occurrence with the MSRB, in an electronic format accompanied by identifying information as prescribed by the MSRB.

(e) The City shall, within one (1) business day after obtaining knowledge of the occurrence of any of the Listed Events, inform the Dissemination Agent of such event and notify the Dissemination Agent in writing whether or not to report the event pursuant to subsections (b) or (d).

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all the Bonds. If such termination occurs prior to the final maturity of the Bonds, the City shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 7. Dissemination Agent.

(a) The City hereby appoints and engages Urban Futures, Inc. as the Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the City pursuant to this Disclosure Agreement. The City may replace the Dissemination Agent with or without cause. If at the time there is no designated Dissemination Agent appointed by the City, the City shall be the Dissemination Agent and undertake or assume its obligations hereunder.

Any company succeeding to all or substantially all of the Dissemination Agent's corporate trust business shall be the successor to the Dissemination Agent hereunder without the execution or filing of any paper or any further act. The Dissemination Agent may resign its duties hereunder by giving 30-days written notice to the City.

(b) The Dissemination Agent shall be paid compensation by the City for its services provided hereunder in accordance with its schedule of fees agreed to between the

Dissemination Agent and the City from time to time and for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the City hereunder and shall not be deemed to be acting in any fiduciary capacity for the City, holders or beneficial owners or any other party. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the City or an opinion of nationally recognized bond counsel.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City, and the Dissemination Agent may amend this Disclosure Agreement (and the Dissemination Agent shall agree to any amendment so requested by the City, provided the Dissemination Agent shall not be obligated to enter into any amendment increasing or affecting its duties or obligations), and any provision of this Disclosure Agreement may be waived, provided that in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the City to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the MSRB in the same manner as for a Listed Event under Section 5(b).

No amendment to this Agreement which modifies the duties or rights of the Dissemination Agent shall be made without the prior written consent of the Dissemination Agent.

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

that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 10. Default. In the event of a failure of the City, or the Dissemination Agent to comply with any provision of this Disclosure Agreement, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City, or the Dissemination Agent, as the case may be, to comply with its respective obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the City, or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent, and its, officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent may rely and shall be protected in acting or refraining from acting upon any direction from the City or an opinion of nationally recognized bond counsel. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given as follows:

To the City: City of Imperial
420 South Imperial Avenue
Imperial, California 92251
Attention: City Manager
Fax: (760) 355-4718

To the Dissemination Agent: Urban Futures, Inc.
3111 North Tustin Ave.
Suite 230
Orange, California 92865
Attention: Doug Anderson
Fax: (714) 283-5465

Section 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City the Dissemination Agent, the Participating Underwriter and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[The remainder of this page is intentionally left blank.]

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first written above.

CITY OF IMPERIAL

City Manager

**URBAN FUTURES, INC.,
as Dissemination Agent**

Authorized Representative

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING
BOARD OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Imperial Public Financing Authority

Name of Bond Issue: \$_____ initial principal amount of Revenue Bonds
(Wastewater Treatment Facility) Series 2019

Date of Issuance: March ___, 2019

NOTICE IS HEREBY GIVEN that the City of Imperial (the "City") has not provided an Annual Report with respect to the above-named Bonds as required by the Indenture, dated as of March 1, 2019, by and between the City and Wells Fargo Bank, National Association, as trustee. The City anticipates that the Annual Report will be filed by _____.

Date: _____, 20__

Urban Futures, Inc.
as Dissemination Agent

By: _____
Title: _____

cc: City Manager, City of Imperial

§ _____
**IMPERIAL PUBLIC FINANCING AUTHORITY
REVENUE BONDS (WASTEWATER TREATMENT FACILITY)
SERIES 2019**

BOND PURCHASE AGREEMENT

_____, 2019

Imperial Public Financing Authority
420 South Imperial Avenue
Imperial, California 92251

City of Imperial
420 South Imperial Avenue.
Imperial, California 92251

Ladies and Gentlemen:

Hilltop Securities Inc. (the “**Underwriter**”) hereby offers to enter into this Bond Purchase Agreement (the “**Purchase Agreement**”) with you, the Imperial Public Financing Authority (the “**Authority**”) and the City of Imperial (the “**City**”), for the purchase by the Underwriter and the delivery by the Authority of the above-referenced Bonds (the “**Bonds**”). The proceeds of the Bonds will be used to: (i) to finance certain improvements to the City’s Wastewater System; [(ii) to purchase a debt service reserve surety policy (the “**Surety**”) for deposit in the Reserve Fund]; and (iii) to pay costs incurred in connection with the issuance of the Bonds, [including the premium for a municipal bond insurance policy (the “**Policy**”)]. This offer is subject to your acceptance prior to 11:59 p.m., California time, on the date hereof and if not so accepted will be subject to withdrawal by the Underwriter upon written notice delivered to the Authority and the City at any time prior to the acceptance thereof by the Authority and the City. Upon such acceptance, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon you and the Underwriter. All terms not defined herein shall have the meanings set forth in the Indenture and the Installment Purchase Agreement (each defined below).

The Authority and the City acknowledge and agree that: (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm’s-length commercial transaction among the City, the Authority and the Underwriter in which the Underwriter is acting solely as a principal and not as an agent of the Authority or the City and the Underwriter is not acting as a municipal advisor, financial advisor or fiduciary to the Authority or the City; (ii) the Underwriter has not assumed any advisory or fiduciary responsibility to the Authority or the City with respect to the transaction contemplated by this Purchase Agreement and the discussions, undertakings or procedures leading thereto (irrespective of whether the Underwriter, or any affiliate of the Underwriter has provided other services or is currently providing other services to the Authority or the City on other matters); (iii) the only obligations the Underwriter has to the Authority and the City with respect to the transaction contemplated by this Purchase Agreement are expressly set forth in this Purchase Agreement; and (iv) the Authority and the City have consulted their own financial and/or municipal,

legal, accounting, tax and other advisors, as applicable, to the extent the Authority and the City have deemed appropriate. The Authority acknowledges that it has previously provided the Underwriter with an acknowledgement of receipt of the required Underwriter disclosure under Rule G-17 of the Municipal Securities Rulemaking Board (the “MSRB”).

1. Upon the terms and conditions and upon the basis of the representations herein set forth, the Underwriter hereby agrees to purchase from the Authority for offering to the public, and the Authority hereby agrees to sell and deliver to the Underwriter, all (but not less than all) of the \$_____ aggregate principal amount of the Imperial Public Financing Authority Revenue Bonds (Wastewater Treatment Facility) Series 2019 to be dated the Closing Date, at a price of \$_____, being the principal amount of the Bonds, plus/less original issue premium/discount of \$_____, less an Underwriter’s discount of \$_____.

The Bonds shall mature in the amounts and on the dates, and bear interest at the rates, set forth in Exhibit A hereto. The Bonds shall be as described in and shall be secured under and pursuant to an Indenture of Trust, dated as of _____ 1, 2019 (the “**Indenture**”), among the Authority, the City and Wells Fargo Bank, National Association, as trustee (the “**Trustee**”), substantially in the form previously submitted to the Underwriter with only such changes therein as shall be mutually agreed upon by the Authority, the City, the Trustee and the Underwriter.

The obligation of the Authority to pay the principal of and interest on the Bonds is a special obligation of the Authority, payable solely from Revenues (as defined in the Indenture), and certain other amounts held under the Indenture. Revenues consist primarily of Installment Payments made by the City to the Authority pursuant to the Installment Purchase Agreement (as defined below). The principal of and interest on the Bonds are not required to be paid from any other funds of the Authority, including any proceeds of any taxes, and does not constitute a debt or pledge of the faith and credit of the Authority or the State of California (the “**State**”) or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

[The scheduled payment of principal of and interest on the Bonds maturing on and between September 1, 20__ through September 1, 20 __, inclusive, when due will be guaranteed under the Policy to be issued concurrently with the delivery of the Bonds by _____ (the “**Insurer**”). The Insurer will also issue the Surety concurrently with the delivery of the Bonds.]

The Authority and the City hereby ratify the use by the Underwriter of the Preliminary Official Statement, dated _____, 2019 relating to the Bonds (together with the cover page and all appendices thereto, and any supplements thereof, the “**Preliminary Official Statement**”), and authorizes the Underwriter to use and distribute the Preliminary Official Statement, the Official Statement (as defined below), the Indenture, the Installment Purchase Agreement, dated as of _____ 1, 2019, between the Authority and the City (the “**Installment Purchase Agreement**”), the Continuing Disclosure Agreement as required by Securities and Exchange Commission Rule 15c2-12 (“**Rule 15c2-12**”), and substantially in the form attached as an appendix to the Official Statement, dated _____, 2019 (the “**Continuing Disclosure Agreement**”), executed by the City and the dissemination agent named therein and this Purchase Agreement, and all information contained therein, and all other documents, certificates and statements furnished by the Authority and the City to the Underwriter in connection with the offer and sale of the Bonds by the Underwriter. The Authority and the City have heretofore “deemed final” the Preliminary Official Statement within the meaning of Rule 15c2-12.

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

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

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

The Official Statement, as of its date, as of the Closing Date (as defined herein) and as of the date of any update, amendment or supplement thereto as required hereby subsequent to the Closing, up to and including the date which is twenty-five (25) days following the end (the “**End Date**”) of the Underwriting Period (as hereinafter defined), will be correct and complete in all material respects and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

If, after the date of this Purchase Agreement and until the earlier of (i) ninety (90) days after the end of the “underwriting period” (as defined in Rule 15c2-12) (the “**Underwriting Period**”), or (ii) twenty-five (25) days following the end of the Underwriting Period if the Official Statement is

available to any person from the MSRB as contemplated by Rule 15c2-12(b)(4), any event shall occur or circumstance shall exist of which the Authority or the City have knowledge that would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority or the City, as the case may be, shall notify the Underwriter (and for the purpose of this Section provide the Underwriter with such information as it may from time to time reasonably request), and, if in the opinion of the City, the Authority or the Underwriter such event or circumstance requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority and the City will, at their expense, supplement or amend the Official Statement in a form and manner jointly approved by the City, the Authority and the Underwriter and furnish to the Underwriter a reasonable number of copies of such supplement or amendment provided that the Underwriter agrees that it will promptly notify the Authority and the City of the end of the Underwriting Period.

4. At 8:30 a.m., Pacific Time, on _____, 2019, or at such other time or date as shall be agreed upon by the Underwriter, Authority and the City (such time and date being herein referred to as the “**Closing Date**”), the Authority will deliver to the Underwriter, at a location or locations to be designated by the Underwriter, the Bonds in book-entry form (all Bonds having had the CUSIP numbers assigned to them thereon), duly executed by an authorized officer of the Trustee as provided in the Indenture, and the other documents herein mentioned; and the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 of this Purchase Agreement in immediately available funds (such delivery and payment being herein referred to as the “**Closing**”).

Upon initial issuance, the ownership of such Bonds shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as the nominee of The Depository Trust Company.

It is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to provide such numbers nor any error with respect thereto shall constitute a cause for failure or refusal by the Underwriter to accept delivery of the Bonds in accordance with the terms of this Purchase Agreement.

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

B. [Except as otherwise set forth in Exhibit A attached hereto,] the Authority will treat the first price at which 10% of each maturity of the Bonds (the “**10% test**”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Agreement, the Underwriter shall report to the Authority the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the Authority the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) the Underwriter has sold all Bonds of that maturity

or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the Underwriter's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Authority or Bond Counsel. For purposes of this Section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

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

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

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

D. The Underwriter confirms that:

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

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

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

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

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

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

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

a. “public” means any person other than an underwriter or a related party;

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

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

d. “sale date” means the date of execution of this Purchase Agreement by all parties.

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

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

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

(iii) The Underwriter has, and has had, no financial advisory relationship, as that term is defined in California Government Code Section 53590 (c) or MSRB Rule G-32, with the City with respect to the Bonds, and no investment firm controlling, controlled by or under common control with such Underwriter have or has had any such financial advisory relationship.

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

(a) The Authority is a joint exercise of powers authority duly organized and validly existing pursuant to the laws of the State of California and has all necessary power and authority to enter into and perform its duties under the Indenture, the Installment Purchase Agreement and this Purchase Agreement (collectively, the “**Authority Documents**”) and, when executed and delivered by the respective parties thereto, the Authority Documents will constitute the legal, valid and binding obligations of the Authority in accordance with their respective terms.

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

judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Authority Documents.

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

(d) To the best of the knowledge of the Authority, there is, and on the Closing there will be, no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the Authority to restrain or enjoin the delivery of any of the Bonds, or the payments to be made pursuant to the Indenture, or in any way contesting or affecting the validity of the Authority Documents or of the Authority to enter into the Authority Documents or contesting the powers of the Authority to perform its obligations under any of the foregoing or in any way contesting the powers of the Authority in connection with any action contemplated by this Purchase Agreement, or in any way questioning or challenging the tax status of the Bonds.

(e) As of the date thereof and at all times subsequent thereto up to and including the End Date, the information relating to the Authority contained in the Official Statement will be complete and will not contain any untrue or misleading statement of a material fact or omit to state any material fact (unless an event occurs of the nature described in Section 7(j) below) necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of its date and as of the date hereof, the information relating to the Authority and the Bonds contained in the Official Statement is true and correct in all material respects and such information does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

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

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

(h) The Authority is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument.

(i) The Authority is not in default, nor has been in default at any time, as to the payment of principal or interest with respect to an obligation issued by the Authority or successor of the Authority or with respect to an obligation guaranteed by the Authority as guarantor or successor of a guarantor.

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

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

(l) No consent, approval, authorization or other action by a governmental or regulatory authority that has not been obtained is or will be required of the Authority for the delivery and sale of the Bonds or the consummation of the other transactions contemplated by this Purchase Agreement and the Official Statement, except as may be required under the state securities or blue sky laws in connection with the sale of the Bonds by the Underwriter.

(m) The Authority will deliver all opinions, Bonds, letters and other instruments and documents reasonably required by the Underwriter and this Purchase Agreement.

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

(o) Other than as described in the Official Statement, as of the time of acceptance hereof and as of the Closing the Authority does not and will not have outstanding any indebtedness which is secured by a lien on the Installment Payments superior to or on a parity with the lien of the Bonds thereon.

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

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

(r) The Authority will not knowingly take or omit to take any action, which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner other than as provided in the Authority Documents, unless otherwise required by law.

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

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

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

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

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

(e) As of the date thereof and at all times subsequent thereto up to and including the End Date, the information relating to the City, the Bonds and the Wastewater System contained in the Official Statement will be complete and will not contain any untrue or misleading statement of a material fact or omit to state any material fact (unless an event occurs of the nature described in

Section 8(j) below) necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of its date and as of the date hereof, the information relating to the City, the Bonds and the Wastewater System contained in the Official Statement is true and correct in all material respects and such information does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

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

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

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

(i) The City is not in default, nor has been in default at any time, as to the payment of principal or interest with respect to an obligation issued by the City or successor of the City or with respect to an obligation guaranteed by the City as guarantor or successor of a guarantor.

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

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

contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading.

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

(m) The written information supplied by the City to the Underwriter with respect to the financial information relating to the Wastewater System is true, correct and complete in all material respects for the purposes for which it was supplied.

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

(o) The City will not take or omit to take any action which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided in the Indenture and as described in the Official Statement, unless otherwise required by law.

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

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

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

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

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

(u) Based on a review of its previous undertakings, the City has not, in the last five years, failed to comply in any material respect with its obligations under any continuing disclosure undertaking entered into pursuant to Rule 15c2-12 except as disclosed in the Official

Statement. The City will undertake, pursuant to the Continuing Disclosure Agreement to provide annual reports and notices of certain events in accordance with the requirements of Rule 15c2-12.

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

(a) At the time of Closing, this Purchase Agreement, the Indenture, the Installment Purchase Agreement, and the Continuing Disclosure Agreement (collectively the "**Legal Documents**"), all as described in the Official Statement, shall be in full force and effect as valid and binding agreements between or among the various parties thereto, and the Legal Documents and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter, and there shall be in full force and effect such resolutions as, in the opinion of Norton Rose Fulbright US LLP ("**Bond Counsel**"), shall be necessary in connection with the transactions contemplated hereby.

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

(1) The unqualified approving opinion of Bond Counsel, dated the date of Closing, addressed to the Authority, the City and the Underwriter (or a reliance letter to the Underwriter), in substantially the form attached as Appendix E to the Official Statement.

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

(a) The statements and information contained in the Official Statement on the cover page relating to tax exemption, the description of the Bonds and security for the Bonds, and statements under the captions "INTRODUCTION," "THE BONDS," "SECURITY FOR THE BONDS," "TAX MATTERS" and APPENDICES C and E to the extent they purport to summarize information concerning the Bonds and certain provisions of the Legal Documents and the opinion of such counsel, present a fair and accurate summary of such information and such provisions;

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

(c) The Purchase Agreement has been duly authorized, executed and delivered by the Authority and the City, and, assuming due authorization, execution and delivery by the other parties thereto, constitutes legal, valid and binding agreement of the Authority and the City enforceable against each in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and equitable remedies if equitable remedies are sought, and except no

opinion need be expressed as to the enforceability of the indemnification, waiver, choice of law or contributions provisions contained in the Purchase Agreement.

(3) The opinion of Norton Rose Fulbright US LLP, Disclosure Counsel, dated the date of Closing and addressed to the Authority, the City and the Underwriter, to the effect that, based upon the information made available to them in the course of their participation in the preparation of the Preliminary Official Statement and the Official Statement and without passing on and without assuming any responsibility for the accuracy, completeness and fairness of the statements in the Preliminary Official Statement and the Official Statement, and having made no independent investigation or verification thereof, no facts have come to their attention that lead them to believe that, as of the date thereof, the Preliminary Official Statement, and as of the date thereof and as of Closing, the Official Statement (except for any CUSIP data, financial or statistical data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, any appendices thereto (excluding "APPENDIX F - FORM OF CONTINUING DISCLOSURE AGREEMENT"), any information about DTC and its book-entry only system [or the Insurer, the Policy or the Surety], as to which no opinion or view need be expressed) contained or contains any untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(4) An opinion of Counsel to the Authority, dated the date of Closing in form and substance satisfactory to the Underwriter and Bond Counsel, addressed to the City and the Underwriter, to the effect that:

(i) the Authority is a joint powers authority duly organized and validly existing under the laws of the State of California;

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

(iii) the resolutions of the Authority approving and authorizing the execution and delivery of the Official Statement and the Authority Documents have been duly adopted at meetings of the governing body of the Authority which were called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and such resolutions have not been amended or modified and are in full force and effect;

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

finding would adversely affect the validity and enforceability of the Authority Documents;

(v) the execution and delivery of the Authority Documents and the approval of the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject;

(vi) the Authority Documents and the Official Statement have been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery by the other parties thereto, the Authority Documents constitute legal, valid and binding agreements of the Authority enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if sought and by the limitations on legal remedies imposed on actions against public agencies in the State of California;

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

(viii) nothing has come to their attention which would lead them to believe that the information relating to the Authority contained in the Official Statement contains an untrue statement or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(5) An opinion of Counsel to the City, dated the date of Closing in form and substance satisfactory to the Underwriter and Bond Counsel, addressed to the Authority and the Underwriter, to the effect that:

(i) the City is a general law city created in accordance with the laws of the State of California;

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

(iii) the resolutions of the City approving and authorizing the execution and delivery of the Official Statement and the City Documents have been duly adopted at meetings of the governing body of the City which were called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and such

resolutions have not been amended or modified and are in full force and effect;

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

(v) the execution and delivery of the City Documents and the approval of the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the City a breach of or default under any agreement or other instrument to which the City is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the City is subject;

(vi) the City Documents and the Official Statement have been duly authorized, executed and delivered by the City, and, assuming due authorization, execution and delivery by the other parties thereto, the City Documents constitute legal, valid and binding agreements of the City enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if sought and by the limitations on legal remedies imposed on actions against public agencies in the State of California;

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

(viii) the City's charges and fees with respect to the Wastewater System were duly approved and adopted by the City, and are valid and enforceable at the current levels levied by the City; and

(ix) nothing has come to the City Attorney's attention which would lead such attorney to believe that the information relating to the City or the Wastewater System contained in the Official Statement contains an untrue statement or omits to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

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

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

(ii) the Trustee has duly authorized the execution and delivery of the Indenture;

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

(iv) the Trustee has duly authenticated and delivered the Bonds in its capacity as trustee under the Indenture;

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

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

(7) An opinion, dated the date of the Closing and addressed to the Underwriter, of Nixon Peabody LLP, counsel to the Underwriter ("**Underwriter's Counsel**"), in such form as may be acceptable to the Underwriter.

(8) A certificate, dated the date of Closing, signed by a duly authorized official of the Authority satisfactory in form and substance to the Underwriter and Bond Counsel, (a) confirming as of such date the representations and warranties of the Authority contained in this Purchase Agreement; (b) certifying that the Authority has complied with all agreements, covenants and conditions to be complied with by the Authority at or prior to the Closing under the Authority Documents; and (c) certifying that to the best of such official's knowledge, no event affecting the Authority has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing the statements or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect.

(9) A certificate or certificates, dated the date of Closing, signed by a duly authorized official of the City satisfactory in form and substance to the Underwriter and Bond Counsel, (a) confirming as of such date the representations and warranties of the City contained in this Purchase Agreement; (b) certifying that the City has complied with all agreements, covenants and conditions to be complied with by the City at or prior to the Closing under the City Documents; and (c) certifying that to the best of such official's knowledge, no event affecting the City has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing the statements or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect.

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

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

(12) An executed or certified copy of each of the Legal Documents.

(13) One counterpart original or copy certified by a duly authorized officer of the City of a complete transcript of all proceedings of the City relating to the approval of the City Documents and the authorization, issuance, sale and delivery of the Bonds, together with a certificate dated as of the date of Closing of a duly authorized officer of the City to the effect that each included resolution is a true, correct and complete copy of the one duly adopted by the Board of Directors of the City and that none have been amended, modified or rescinded since adoption (except as reflected in said transcript or as may have been agreed to in writing by the Underwriter) and is in full force and effect as of the date of Closing.

(14) One counterpart original or copy certified by a duly authorized officer of the Authority of a complete transcript of all proceedings of the Authority relating to the approval of the Authority Documents and the authorization, issuance, sale and delivery of the Bonds, together with a certificate dated as of the date of Closing of a duly authorized officer of the Authority to the effect that each included resolution is a true, correct and complete copy of the one duly adopted by the Board of Directors of the Authority and that none have been amended, modified or rescinded since adoption (except as reflected in said transcript or as may have been agreed to in writing by the Underwriter) and is in full force and effect as of the date of Closing.

(15) An executed copy of the Official Statement.

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

(17) A Certificate of the City with respect to the Wastewater System evidencing that the insurance required by the Installment Purchase Agreement has been procured and is in full force and effect.

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

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

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

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

(iii) the Trustee has duly authorized and executed the Indenture; and

(iv) the Trustee has duly authenticated and delivered the Bonds in its capacity as trustee under the Indenture.

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

(21) [The Policy, duly executed by the Insurer.

(22) The Surety, duly executed by the Insurer.

(23) An opinion of counsel to the Insurer, dated the Closing Date, addressed to the Authority and the Underwriter, in form and substance satisfactory to the Underwriter and Bond Counsel.

(24) A certificate or certificates of the Insurer, dated the Closing Date, as to the accuracy of the information relating to the Insurer, the Policy and the Surety included in the Official Statement and such other matters reasonably requested by the Underwriter and Bond Counsel].

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

(26) A copy of the Notice of Final Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 8855 of the California Government Code.

(27) Such additional legal opinions, certificates, proceedings, instruments and other documents as Bond Counsel, the Underwriter and Underwriter's Counsel may reasonably request to evidence compliance with legal requirements, the truth and accuracy, as of the time of Closing, of the representations contained herein and in the

Official Statement and the due performance or satisfaction by the Trustee and the Authority at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

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

If the conditions to the Underwriter's obligations contained in this Purchase Agreement are not satisfied or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and none of the Underwriter, the City nor the Authority shall have any further obligation hereunder.

10. The Underwriter shall have the right to terminate this Purchase Agreement, without liability therefore, by written notification to the Authority and the City if at any time at or prior to the Closing:

(i) Any event shall occur which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading; or

(ii) Legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to alter, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds, or the interest on the Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions contemplated herein; or

(iii) Legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds are not exempt from

registration under or other requirements of the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering, or sale of obligations of the general character of the Bonds, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect; or

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

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

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

(vii) The occurrence of an adverse event in the affairs of the Authority or the City which, in the opinion of the Underwriter, materially impairs the investment quality of the Bonds; or

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

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

(x) There shall have occurred any materially adverse change in the affairs or financial position, results of operations or condition, financial or otherwise, of the Authority or the City, other than changes in the ordinary

course of business or activity or in the normal operation of the Authority or the City, except as described in the Official Statement; or

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

(xii) An event described in Section 7(j) or 8(j) hereof shall have occurred which, in the reasonable professional judgment of the Underwriter, requires the preparation and publication of a supplement or amendment to the Official Statement; or

(xiii) [Any rating of the Bonds or other obligations of the Insurer by a national rating agency shall have been withdrawn or downgraded or placed on negative outlook or negative watch]; or

(xiv) Any rating of the Bonds or other obligations of the Authority or the City by a national rating agency shall have been withdrawn or downgraded or placed on negative outlook or negative watch.

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

12. After the Closing and until the End Date (a) neither the Authority nor the City will adopt any amendment of or supplement to the Official Statement to which the Underwriter shall object in writing or which shall be disapproved by the Underwriter, and (b) if any event relating to or affecting the Authority or the City shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to an initial purchaser of the Bonds, and the Authority will forthwith prepare and furnish to the Underwriter a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to an initial purchaser of the Bonds, not misleading. The costs of preparing any necessary amendment or supplement to the Official Statement to be utilized until the End Date shall be borne by the Authority and any costs incurred thereafter incident to amending or supplementing the Official Statement shall be borne by the Underwriter. For the purposes of this Section, the Authority will furnish such information with respect to itself as the Underwriter may from time to time request.

13. (a) The Underwriter shall be under no obligation to pay, and the City or Authority shall pay or cause to be paid out of the proceeds of the Bonds, all expenses incident to the performance of the Authority's and City's obligations hereunder, including but not limited to: the cost of photocopying and delivering the Bonds to the Underwriter; the cost of preparing, printing (and/or word processing and reproducing), distributing and delivering the City Documents and the Authority Documents, and the cost of printing, distributing and delivering the Preliminary Official Statement and the Official Statement in such reasonable quantities as requested by the Underwriter; the premiums with respect to the Policy and the Surety; and the fees and disbursements of Bond Counsel, Disclosure Counsel, the Municipal Advisor, any accountants, financial advisors or other engineers or experts or consultants the Authority or the City have retained in connection with the Bonds and expenses (included in the expense component of the Underwriter's spread) incurred on behalf of the Authority or City officers or employees which are incidental to implementing this Purchase Agreement, including, but not limited to, meals, transportation, and lodging of those officers or employees.

(b) Whether or not the Bonds are delivered to the Underwriter as set forth herein, neither the Authority nor the City shall be under any obligation to pay, and the Authority and City shall not pay, any expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds (except those specifically enumerated in subsection (a) of this section), including any advertising expenses and the fees of the California Debt and Investment Advisory Commission, the cost of preparation of any "blue sky" or legal investment memoranda, and the fees and disbursements of Underwriter's Counsel.

The Authority and the City acknowledge that the Underwriter will pay from the underwriter's expense allocation of the underwriting discount certain fees, including the applicable per bond assessment charged by the California Debt and Investment Advisory Commission.

14. Any notice or other communication to be given to the Underwriter may be given by delivering the same to Hilltop Securities Inc. 2533 South Coast Hwy., Suite 250, Cardiff, California 92007; Attention: Mike Cavanaugh. Any notice or other communication to be given to the Authority or the City may be given by delivering the same to addresses initially provided herein, Attention: Executive Director with respect to the Authority and Attention: City Manager with respect to the City. The approval of the Underwriter when required hereunder or the determination of satisfaction as to any document referred to herein shall be in writing signed by the Underwriter and delivered to you.

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

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

17. The representations and warranties of the Authority and the City set forth in or made pursuant to this Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Agreement and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the

results of such investigations) concerning such representations and warranties of the Authority and the City and regardless of delivery of and payment for the Bonds.

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

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

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

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

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

HILLTOP SECURITIES INC.

By: _____
Authorized Signatory

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

IMPERIAL PUBLIC FINANCING AUTHORITY

By: _____
Authorized Officer

Time of Execution: _____ p.m. California time

CITY OF IMPERIAL

By: _____
Authorized Officer

Time of Execution: _____ p.m. California time

S-1

Signature Page of Bond Purchase Agreement relating to
Imperial Public Financing Authority
Revenue Bonds (Wastewater Treatment Facility)
Series 2019

EXHIBIT A

\$ _____
IMPERIAL PUBLIC FINANCING AUTHORITY
REVENUE BONDS (WASTEWATER TREATMENT FACILITY)
SERIES 2019

<u>Maturity (October 15)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>10% Test Satisfied*</u>	<u>10% Test Not Satisfied</u>	<u>Subject to Hold-The- Offering- Price Rule</u>
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* At the time of execution of this Purchase Agreement and assuming orders are confirmed by the close of the business day immediately following the date of this Purchase Agreement.

EXHIBIT B

**§ _____
IMPERIAL PUBLIC FINANCING AUTHORITY
REVENUE BONDS (WASTEWATER TREATMENT FACILITY)
SERIES 2019**

FORM OF ISSUE PRICE CERTIFICATE

[TO COME FROM BOND COUNSEL]

ESCROW AGREEMENT

between

CITY OF IMPERIAL

and

WELLS FARGO BANK, NATIONAL ASSOCIATION
as Trustee and Escrow Agent

Dated as of March 1, 2019

Relating to the Prepayment of the

Parity Certificates of Participation
(Wastewater Treatment Facility)
Series 2005

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ESCROW AGREEMENT

This Escrow Agreement, dated as of March 1, 2019 (this "Escrow Agreement"), is entered into by the City of Imperial (the "City"), duly organized and existing under the laws of the State of California, and Wells Fargo Bank, National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as Trustee (the "Trustee") and as escrow agent (the "Escrow Agent").

WITNESSETH:

WHEREAS, the City has previously authorized the execution and delivery of \$2,845,000 original principal amount of Parity Certificates of Participation (Wastewater Treatment Facility) Series 2005 (the "2005 Certificates") pursuant to a Trust Agreement, dated as of November 1, 2005 (the "Trust Agreement"), among the Imperial Improvement Corporation (the "Corporation"), the City and the Trustee, of which \$2,025,000 in the aggregate principal amount is currently outstanding; and

WHEREAS, the City and Imperial Public Financing Authority (the "Authority") have approved the issuance of the Imperial Public Financing Authority Revenue Bonds (Wastewater Treatment Facility) Series 2019 Bonds (the "Refunding Bonds"), the proceeds of which will be used to prepay the 2005 Certificates;

WHEREAS, such proceeds, which shall be transferred to the Escrow Fund created hereunder, shall be in such amount as is necessary, together with interest earnings thereon, to insure the full and timely payment of the Refunding Requirements (as hereinafter defined);

NOW, THEREFORE, in consideration of the mutual agreements herein contained, in order to secure the payment of the Refunding Requirements as heretofore provided, the parties hereto mutually undertake, promise and agree for themselves, their respective representatives, successors and assigns, as follows:

Section 1. Definitions. As used in this Escrow Agreement the following terms have the following meanings:

Escrow Agent means Wells Fargo Bank, National Association, or any successor thereto appointed under this Escrow Agreement.

[Escrow Fund means the fund by that name created pursuant to Section 2 hereof.]

Escrow Securities means securities of the type meeting the requirements for defeasance specified in the Trust Agreement.

Refunding Requirements means all installments of principal of and interest on the 2005 Certificates, to be prepaid on _____, 2019, as set forth in Exhibit B to this Escrow Agreement.

Trustee means The Bank of New York Mellon Trust Company, N.A., or any successor thereto. Wells Fargo Bank, National Association

All other capitalized terms used but not defined herein shall have the respective meanings given to such terms in the Trust Agreement.

Section 2. Creation and Purpose of Escrow Fund.

(a) There is hereby created and established with the Escrow Agent a special and irrevocable trust fund designated the Escrow Fund (the "Escrow Fund"). The Escrow Agent shall keep the Escrow Fund separate and apart from all other funds and moneys held by it and shall hold the Escrow Fund in trust for the purposes described herein. All [Escrowed Securities and] moneys in the Escrow Fund are hereby irrevocably pledged, subject to the provisions of Section 3 and Section 7 hereof, to secure the payment of the 2005 Certificates.

(b) On the date of issuance of the Refunding Bonds, the Escrow Agent shall deposit \$ _____ into the Escrow Fund consisting of \$ _____ received from the proceeds of the Refunding Bonds; such amount to be held in the Escrow Fund and paid out as provided in this Escrow Agreement and in the Trust Agreement. Such moneys shall be sufficient to make the cash deposit to the Escrow Fund identified in Exhibit A and shall be used by the Escrow Agent to pay the Refunding Requirements.

Section 3. Prepayment of the 2005 Certificates. From the uninvested money and proceeds held in the Escrow Fund, the Escrow Agent shall pay 100% of the principal amount of the 2005 Certificates plus accrued interest thereon (the "Prepayment Price") for the 2005 Certificates on _____ (the "Prepayment Date"), all as set forth in Exhibit B hereto.

Section 4. Irrevocable Instructions to Send Notices. The City hereby irrevocably instructs the Trustee to give notice within five business days of delivery of the Refunding Bonds of defeasance of the 2005 Certificates, substantially in the form set forth in Exhibit C hereto. The City hereby designates the 2005 Certificates for prepayment on the Prepayment Date and hereby irrevocably instructs the Trustee, to give, in accordance with the Trust Agreement, notice of prepayment of such 2005 Certificates to the Owners thereof, substantially in the form set forth in Exhibit D hereto.

Section 5. Sufficiency of Escrow. Moneys deposited in the Escrow Fund shall be in an amount, which at all times shall be sufficient to meet the Refunding Requirements not theretofore met.

Section 6. Termination of Escrow Agreement; Written Request of the City. When the Escrow Agent shall have transferred, pursuant to Section 3 hereof, such moneys as are required to pay in full and discharge all of the 2005 Certificates, the Escrow Agent, after payment of all fees and expenses of the Escrow Agent, shall immediately pay over to the City the moneys, if any, then remaining in the Escrow Fund and this Escrow Agreement shall terminate. The Trustee shall promptly pay to the City any and all unclaimed moneys on deposit in the Escrow Fund.

Section 7. Fees and Costs.

(a) The Escrow Agent's fees, expenses and reimbursement for costs incurred for and in carrying out the provisions of this Escrow Agreement have been fixed by separate agreement.

The Escrow Agent shall also be entitled to additional fees, expenses and reimbursement for costs incurred, including but not limited to, legal and accounting services in connection with any litigation or other proceedings which may at any time be instituted involving this Escrow Agreement not due to the negligence or willful misconduct of the Escrow Agent.

(b) Payments to the Escrow Agent pursuant to this Section 7 shall not be for deposit in the Escrow Fund, and the fees of and the costs incurred by the Escrow Agent shall not be a charge on and in no event shall be deducted from the Escrow Fund.

Section 8. Merger or Consolidation. Any company into which the Trustee and Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee and Escrow Agent may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible under the Trust Agreement, shall be the successor to such Trustee and Escrow Agent without the execution or filing of any paper or any further act, notwithstanding anything herein to the contrary.

Section 9. Indemnification. To the extent permitted by law, the City hereby assumes liability for, and hereby agrees to indemnify, protect, save and hold harmless the Escrow Agent and its respective successors, assigns, agents and servants from and against any loss, damages, liability or expenses (including legal fees and disbursements) incurred without negligence or willful misconduct on the part of the Escrow Agent and in any way relating to or arising out of the execution and delivery of this Escrow Agreement, the establishment of the Escrow Fund, the retention of the moneys therein and any payment, transfer or other application of moneys, securities or investments by the Escrow Agent in accordance with the provisions of this Escrow Agreement; provided, however, that the City shall not be required to indemnify the Escrow Agent against its own negligence or willful misconduct. The indemnities contained in this Section shall survive the termination of this Escrow Agreement.

Section 10. Capacity Immunities and Liabilities of Escrow Agent. The Escrow Agent is entering into this Escrow Agreement in its capacity as Trustee under the Trust Agreement and shall be entitled to the protections, limitations from liability and indemnification afforded in [Article VIII] of the Trust Agreement. The Escrow Agent shall perform such duties and only such duties as are specifically set forth in this Escrow Agreement and no implied duties or obligations shall be read into this Escrow Agreement against the Escrow Agent. The liability of the Escrow Agent to make payments required pursuant to this Escrow Agreement shall be limited to the cash and Escrowed Securities held on deposit in the Escrow Fund. The Escrow Agent shall not be liable or responsible for any loss resulting from any investment or reinvestment made pursuant to this Escrow Agreement and in full compliance with the provisions hereof. Subject to the provisions of Section 7 hereof, moneys held by the Escrow Agent hereunder are to be held and applied for the payment of the 2005 Certificates in accordance with the Trust Agreement.

Section 11. Amendment. This Escrow Agreement is made for the benefit of the City and the registered owners from time to time of the 2005 Certificates. This Escrow Agreement shall not be repealed, revoked, altered or amended without the written consent of all such registered owners; provided, however, that the City and the Escrow Agent may, but without the

consent of, or notice to, such registered owners, enter into such agreements supplemental to this Escrow Agreement for any one or more of the following purposes: (i) to cure any ambiguity or inconsistency or formal defect or omission in this Escrow Agreement; (ii) to grant to, or confer upon, the Escrow Agent for benefit of such registered owners any additional rights, remedies, powers or City that may lawfully be granted to, or conferred upon, such registered owners or the Escrow Agent; (iii) to subject to this Escrow Agreement additional funds, securities or properties; and (iv) to make any other amendment that does not materially adversely affect the rights of any registered owners of the 2005 Certificates; provided, however that no such agreement supplemental to this Escrow Agreement shall modify or amend the irrevocable pledge of the Escrow Fund, the provisions requiring delivery of an opinion of nationally recognized bond counsel and a verification report to the Escrow Agent prior to any substitution of securities and the provisions requiring delivery of an opinion of nationally recognized bond counsel and a verification report to the Escrow Agent prior to any reinvestment, without the consent of all registered owners of the 2005 Certificates.

Section 12. Notices. All notices and communications hereunder shall be in writing and shall be deemed to be duly given if received or if sent by first class mail, as follows:

If to the City: City of Imperial
Imperial, CA
Attention: City Manager

If to the Trustee and Escrow Agent: Wells Fargo Bank,
National Association

Section 13. Severability. If any section, paragraph, clause or provision of this Escrow Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause or provision shall not affect any of the remaining provisions of this Escrow Agreement.

Section 14. Law Governing. This Escrow Agreement is made in the State of California and is to be construed under the Constitution and laws of such State.

Section 15. Counterparts. This Escrow Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the City of Imperial has caused this Escrow Agreement to be signed in its name by its duly authorized officer, and Wells Fargo Bank, National Association has caused this Escrow Agreement to be signed in its name by its duly authorized officer, all as of the day and year first above written.

CITY OF IMPERIAL

By: _____
City of Imperial

WELLS FARGO BANK, NATIONAL
ASSOCIATION
as Trustee and Escrow Agent

By: _____
Authorized Officer

EXHIBIT A
CASH DEPOSIT

Initial Cash Deposit: \$_____.

EXHIBIT B

REFUNDING REQUIREMENTS

Call Date	Principal	Interest	Principal Redeemed	Total

EXHIBIT C

NOTICE OF DEFEASANCE

**CITY OF IMPERIAL
PARITY CERTIFICATES OF PARTICIPATION
(WASTEWATER FACILITY, SERIES 2005)**

Notice is hereby given to the applicable owners of the outstanding Parity Certificates of Participation (Wastewater Facility, Series 2005) (the "Certificates"), bearing the CUSIP number set forth below (the "Defeased Certificates"), there has been deposited with Wells Fargo Bank, National Association (the "Trustee"), moneys from the issuance of the Imperial Public Financing Authority Revenue Bonds (Wastewater Treatment Facility) Series 2019, which will be sufficient to pay principal and accrued interest on the Certificates on _____ (the "Prepayment Date"). The prepayment price of, and interest on, such Certificates shall be paid only from moneys deposited with the Trustee as aforesaid. As a result of such deposit, such Certificates are deemed to have been paid in accordance with the applicable provisions of the Trust Agreement, dated as of November 1, 2005, by and among the City of Imperial, the Imperial Improvement Corporation and the Trustee, pursuant to which the certificates were issued.

Maturity Date (October 1)	Principal Amount	Interest Rate	CUSIP (Base No.)
--	-----------------------------	--------------------------	-----------------------------

Dated: _____, 20__

EXHIBIT D

NOTICE OF PREPAYMENT

**CITY OF IMPERIAL
PARITY CERTIFICATES OF PARTICIPATION
(WASTEWATER FACILITY)
SERIES 2005**

Maturity Date (October 1)	Principal Amount	Interest Rate	CUSIP (Base No.)
--	-----------------------------	--------------------------	-----------------------------

NOTICE IS HEREBY GIVEN to the owners of the above-referenced certificates (the "Certificates") executed and delivered pursuant to a Trust Agreement, dated as of November 1, 2005, by the City of Imperial, the Imperial Improvement Corporation and Wells Fargo Bank, National Association, on November 17, 2005, that the Certificates have been called for prepayment prior to maturity on _____ (the "Prepayment Date"). On the Prepayment Date there will be due and payable on each of the Certificates the prepayment price of one hundred percent (100%) of the principal amount thereof (the "Prepayment Price"), together with interest accrued thereon to the Prepayment Date. From and after the Prepayment Date, interest on the Certificates shall cease to accrue.

Payment of the Prepayment Price on the Certificates called for prepayment will be paid only upon presentation and surrender thereof in the following manner:

If by First Class/Registered/Certified Mail: *Express Delivery Only:* *By Hand Only:*

Interest with respect to the principal amount of the Certificates designated to be redeemed shall cease to accrue on and after the Prepayment Date.

Certificateholders presenting their Certificates in person for same day payment must surrender their Certificates by 1:00 P.M. on the Prepayment Date, and a check will be available for pick up after 2:00 P.M. Checks not picked up by 4:30 P.M. will be mailed out to the bondholder via first class mail

DATED this ___ day of _____, 20__.

POLICY NAME: CONTINUING DISCLOSURE UNDERTAKING POLICY	AUTHORITY: CITY OF IMPERIAL
APPLICATION: TO ENSURE COMPLIANCE WITH SECURITIES LAW REQUIREMENTS RELATED TO ISSUES.	DATE APPROVED: February 6, 2019 (Tentative)

CONTINUING DISCLOSURE UNDERTAKING POLICY

1.0 PURPOSE:

The following policy of the City of Imperial, California (including the Imperial Public Financing Authority and any other of the City's related entities, the "City") is intended to ensure compliance with securities law requirements applicable to the City's issues, whether comprising bonds, bond anticipation notes, certificates of participation, revenue obligations or other instruments.

2.0 IN GENERAL

The Securities and Exchange Commission Rule 15c2-12, as amended (the "Rule") requires certain information regarding an entity responsible for the repayment of a municipal security (an "Issuer") be disclosed to the municipal marketplace. The U.S. Securities and Exchange Commission ("SEC"), in its most recent amendment to the Rule, enhanced the disclosure requirements of Issuers in an effort to improve the quality and availability of information regarding outstanding municipal securities. In SEC Rel. No. 34-62184, accompanying an expansion of the Rule, the SEC summarized its "mandate to adopt rules reasonably designed to prevent fraudulent, deceptive or manipulative acts or practices in the market for municipal securities." The release reiterates the SEC's position that material non-compliance by an Issuer with past continuing disclosure obligations may warrant, without corrective actions, an underwriter being prohibited from underwriting such an Issuer's municipal securities, and thus would prevent the Issuer from accessing the municipal securities market.

The City Council of the City (the "City Council") acknowledges that, pursuant to the Rule, the City is required on an ongoing basis to provide certain financial and operating data to those persons and firms who own or are interested in purchasing the bonds, bond anticipation notes, certificates of participation, revenue obligations and other municipal obligations of the City previously issued and those which may in the future be issued by or on behalf of the City (the "Obligations"). Pursuant to the Rule, the City has entered into a number of undertakings, such as an agreement or certificate, under the Rule (each, a "Continuing Disclosure Undertaking") regarding its outstanding Obligations and will be required to enter into a new Continuing Disclosure Undertaking with regard to any additional Obligations of the City.

Inasmuch as the Rule prevents an investment banking firm, or underwriter (each, an "Underwriter") from purchasing the Obligations of the City in the absence of a Continuing Disclosure Undertaking and adequate assurances from the City that it will comply with the terms thereof, it is vital that the City maintain compliance with the Rule and its Continuing Disclosure Undertakings.

3.0 SELECTION OF RESPONSIBLE OFFICER

The City will identify, on an annual basis, the individual or individuals (“Responsible Officer”) within the City that will be responsible for compiling and filing Annual Reports and Listed Event Notices, if necessary. In the absence of such delegation by the City Council, the Responsible Officer shall be the City Manager of the City.

4.0 ELECTRONIC MUNICIPAL MARKET ACCESS

The Responsible Officer will familiarize themselves with the SEC’s Electronic Municipal Market Access (“EMMA”) website. The Responsible Officer will understand how to locate the Issuer’s municipal securities on EMMA. If the City is serving as its own Dissemination Agent, the Responsible Officer will establish a user identification and password for EMMA and become familiar with uploading documents onto EMMA.

5.0 IDENTIFYING AND UNDERSTANDING EXISTING CONTINUING DISCLOSURE OBLIGATIONS

The Responsible Officer will, for each separate issue of outstanding municipal securities to which the Rule applies, read the related Continuing Disclosure Undertaking and identify the following:

- The date by which the Annual Report must be filed;
- The contents that need to be included in the Annual Report;
- The Event Notices that must be filed; and
- When Event Notices are required to be filed.

6.0 PREPARING AND SUBMITTING THE ANNUAL REPORT

Preparing Annual Audited Financial Statements. The City will begin the process of completing its audited financial statements as soon as practicable after the close of each Fiscal Year. Such audited financial statements should be completed at least one month prior to the date the Annual Report must be filed.

Preparation of Tables and Other Information. The Responsible Officer will identify any information that is required to be included in the Annual Report but is not part of the City’s audited financial statements, and contact the sources necessary to compile such information as soon as possible after the close of each Fiscal Year. The City should consider adding any information required by its Continuing Disclosure Undertakings not included already in its audited financial statements into a supplementary information section of its audited financial statements.

Submission of Annual Report. Following the compilation of the information that is to be included in the Annual Report and prior to the date on which the Annual Report must be filed, the Responsible Officer will submit the Annual Report to the Dissemination Agent identified in the Continuing Disclosure Undertaking and to EMMA.

Review of EMMA. Following the submission of the Annual Report to EMMA or the Dissemination Agent, as applicable, the Responsible Officer should review the EMMA website to confirm that the Annual Report has been posted. If the Annual Report has not been posted, the Dissemination Agent

should be notified, or the Responsible Officer should file the Annual Report, as applicable.

7.0 IDENTIFYING AND REPORTING LISTED EVENTS

Understanding the Listed Events. The Responsible Officer should be aware of the Listed Events (found in each Continuing Disclosure Undertaking) necessitating the filing of an Event Notice. If clarification is required regarding what is meant by each such Listed Event, the Issuer's disclosure counsel should be contacted to clarify such meaning.

Filing Event Notices. Each such notice shall be filed by the City, or by the Dissemination Agent, if any, on behalf of the City, with EMMA in a timely manner.

Occurrence of a Listed Event. The Issuer should contact its disclosure counsel if it has any questions regarding the occurrence of a Listed Event, and whether such occurrence may require the filing of an Event Notice.

Incurrence of Material Financial Obligations. As of the date hereof, the Rule contains, among others, the following Listed Event:

“Incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material”

The term “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term “financial obligation” shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

It is hereby the policy of the City, that the Responsible Officer be notified of the incurrence of any financial obligation to be entered into by or on behalf of the City. The Responsible Officer shall take measures to advise all applicable City staff of this City policy.

8.0 RECORD RETENTION

The City should retain the transcript containing the documents related to each issue of municipal securities of the City. The City will retain electronic and paper copies of each Annual Report submitted to EMMA. The City will retain electronic and paper copies of each Listed Event Notice submitted to EMMA. The City should retain all source data used to complete the Annual Report. For example, source material pertaining to assessed valuation, tax rates or other tables noted in the Continuing Disclosure Undertaking that are required to be updated annually.

The Responsible Officer should create an index cataloging the aforementioned documents (the “retained documents”). Such index and documents should be stored at the main office of the City. The Responsible Officer should be responsible for the maintenance and updating of such index. If the individual serving as Responsible Officer is replaced, the index, the retained documents and a copy of these procedures should be provided to the individual assuming the position of Responsible Officer.

The retained documents identified in this Section 8.0 should be retained for a period of at least six years following the maturity, prepayment or redemption of the related issue of municipal securities.

9.0 TRAINING; REPORTS

Training. Promptly following the implementation of this Policy and no less than on an annual basis, the Responsible Officer shall receive training from a qualified consultant regarding the requirements of the Rule and the implementations for the City and future sales of its Obligations. If the Responsible Officer should leave the City, a new Responsible Officer shall receive such training as soon as possible upon appointment.

Consultants. In meeting his or her obligations as Responsible Officer under this Policy, the Responsible Officer may, upon notice to and approval by the City Council, engage a consultant with expertise as to compliance with the Rule to act as Dissemination Agent. Such a consultant will be required to have demonstrated the ability to provide full and timely information to EMMA as required by the Rule and to provide competent advice to the Responsible Officer as to whether and when a Notice Event has taken place. The costs of any Dissemination Agent services shall be charged to the proceeds of the related Obligations so long as available, and subsequently shall be paid from the General Fund of the City. The retention of a Dissemination Agent does not vitiate the responsibility of the City Council or the Responsible Officer to comply with this Policy.

Reports. The Responsible Officer shall make a report to the City Council in an information item at the regular meeting following his or her submission of each Annual Report and any report of a Notice Event hereunder.

10.0 EFFECTIVE DATE

These Policies Regarding Continuing Disclosure Undertakings are effective as of February 6, 2019.

POLICY NAME: TAX-EXEMPT BONDS COMPLIANCE POLICY	AUTHORITY: CITY OF IMPERIAL
APPLICATION: TO ENSURE COMPLIANCE WITH TAX LAW REQUIREMENTS RELATED TO TAX-EXEMPT ISSUES.	DATE APPROVED: February 6, 2019 (Tentative)

TAX-EXEMPT BONDS COMPLIANCE POLICY

1.0 PURPOSE:

The following policy of the City of Imperial, California (including the Imperial Public Financing Authority and any other of the City's related entities, herein the "City") is intended to ensure compliance with tax law requirements applicable to each of the City's tax-exempt issues, whether comprising bonds, bond anticipation notes, certificates of participation, revenue obligations or other instruments.

2.0 IN GENERAL

This document contains procedures and guidelines (the "Procedures and Guidelines") of the City to further assure continuing compliance by the City with certain federal tax requirements applicable to each of its issuances of obligations the interest on which is intended to be excluded from the gross income of the owners thereof for federal income tax purposes (each, a "Tax-Exempt Issue").

These Procedures and Guidelines relate to requirements that must be satisfied subsequent to the issuance of a Tax-Exempt Issue to maintain the exclusion of interest on that Tax-Exempt Issue. Such requirements include, without limitation: those requiring the timely allocation of proceeds of that issue to the governmental purposes of the issue; those regulating the investment of proceeds of that issue under the arbitrage rebate rules; those limiting the private business use of facilities financed or refinanced by that issue; and those pertaining to the creation and retention of records of such expenditure, use and investment of such proceeds and of the use of such facilities.

These Procedures and Guidelines supplement any post-issuance compliance policy previously adopted by the City that otherwise would be applicable to that issue, but do not supersede, limit or contravene any representations, statements or covenants of the City contained in the financing documents, tax certifications and other documents (the "Documents") delivered in connection with the issuance of or otherwise applicable to the subject Tax-Exempt Issue.

3.0 POLICY

It is the policy of the City to adhere to all applicable tax requirements with respect to each Tax-Exempt Issue necessary to establish and assure the continuing exclusion of interest from gross income. These include, but are not limited to: requirements relating to the use of proceeds of the issue and of facilities financed or refinanced with such proceeds; arbitrage yield restriction and arbitrage rebate requirements, requirements as to timely and accurate return filings; and other tax requirements set forth in the Documents. In furtherance of this general policy, these Procedures and Guidelines address certain compliance monitoring and record creation and retention procedures with respect to each Tax-Exempt Issue.

4.0 RELEVANT ISSUES

Certain of the City's Tax-Exempt Issues have been or will be issued for current projects costs or operating or administrative costs of the City ("New Money Purposes"); others of the City's Tax-Exempt Issues have been or will be issued to refund or prepay one or more prior federally taxable or tax-exempt obligations of the City ("Refunding Purposes"); and other Tax-Exempt Issues of the City have been or will be issued for both New Money Purposes and Refunding Purposes.

The City understands that for purposes of monitoring compliance with the tax requirements applicable to a Tax-Exempt Issue, it is necessary to identify each facility to which any proceeds are to be or were allocated as a New Money Purpose whether those proceeds are those of the Tax-Exempt Issue itself or are those of a prior taxable or tax-exempt obligation that is being refunded (or was refunded through a series of one or more taxable or tax-exempt prior obligations that is being refunded) as a Refunding Purpose of the Tax-Exempt Issue (each, a "Prior Issue" in respect of the Tax-Exempt Issue). Each such facility is referred to herein as an "Original Facility," and each issue any proceeds of which were or are to be allocated (in a New Money Purpose of that issue) to the costs of acquisition, construction or improvement of the Original Facility (including the Tax-Exempt Issue, to the extent of proceeds so allocated in a New Money Purpose) is referred to as an "Original Issue" in respect of the Tax-Exempt Issue. For purposes of this Policy, the "Relevant Issues" in respect of a Tax-Exempt Issue include each Original Issue and each Prior Issue in respect of that issue.

5.0 COMPLIANCE MONITORING

It is the policy of the City to monitor compliance with the federal tax requirements applicable to each Tax-Exempt Issue, including the tax covenants of the City contained in the Documents for that Tax-Exempt Issue. It is the further policy of the City, in the event that a Compliance Officer (defined below) designated hereunder determines that any such requirement has or may have been or is in jeopardy of being violated, to evaluate that determination and, if appropriate, to implement remedial or corrective actions with respect to that requirement, all as described herein.

For each Tax-Exempt Issue, it is the policy of the City to identify, collect and maintain a copy of each of the Documents pertaining to such issue and, further, to annotate each Document in the manner that appears most likely under the circumstances to create a permanent and useful record to identify and make readily accessible the applicable tax representations, covenants and requirements the compliance with which is required in order to establish and preserve the exclusion of interest on that Tax-Exempt Issue from gross income. In addition, it is the policy of the City to maintain a log or registry as an up-to-date consolidated reliable current record of its Tax-Exempt Issues, setting forth for each Tax-Exempt Issue the schedule of future arbitrage rebate determinations, filings, or other actions necessary to maintain compliance with the tax requirements, in a form suitable to act as a "tickler" to assure timely action.

6.0 RECORD CREATION AND RETENTION

To implement the policies of the City set forth herein, employees of the City, under the supervision of a Compliance Officer, will create, collect, shepherd and retain the following documents and records with respect to each Tax-Exempt Issue and each Relevant Issue thereto (collectively, the "Records" in respect of that issue):

- Bond transcript;

- Documentation identifying each Original Facility financed in whole or in part by an Original Issue, and, as to each allocation of proceeds of that Original Issue to that Original Facility as may be further described in tax certifications;
- Documentation sufficient to allow the determination of the extent of use of each Original Facility for any private business use (e.g., by reason of an ownership or leasehold interest held by any nongovernmental person, or a management contract, research agreement, output purchase agreement), as may be further described in tax certifications;
- Documentation (including copies of contemporaneous Trustee account statements; trade confirmations; bid solicitation materials and responses; fairness opinions or recommendations of financial advisors to the City; and so on) related to the investment of proceeds of the Tax-Exempt Issue, including the purchase and sale of securities, SLGS subscriptions, guaranteed investment contracts, investment income received, yield calculations, and rebate calculations;
- A copy of each return as filed with the IRS for the Tax-Exempt Issue and each Relevant Issue (including, as applicable, IRS Forms 8038, 8038-B, 8038-G, 8038-GC, 8038-T and 8038-R), together with sufficient records to show that such return was correct and, in the case of the Tax-Exempt Issue, timely filed; and
- Any other documentation that is or subsequently may become material to the determination of whether interest on the Tax-Exempt Issue is and continues to be excluded from gross income for federal income tax purposes.

Except as otherwise set forth in the Documents for a Tax-Exempt Issue, the City will retain the records described above in hard and/or electronic copy format until three years following the final retirement of any obligation comprised by that Tax-Exempt Issue or any Relevant Issue, or by any issue issued to refund that Tax-Exempt Issue. With respect to Tax-Exempt Obligations that are refunding bonds, the City will retain the above-described records for the refunding and refunded bonds (and any earlier issue in the case of a series of refundings).

7.0 COMPLIANCE OFFICER

The following officer of the City (the "Compliance Officer") is responsible for monitoring compliance with the tax requirements and record creation and maintenance requirements described in this Policy applicable to each Tax-Exempt Issue: the Finance Director. If a vacancy arises, the City Manager shall designate an individual to serve as the Compliance Officer until that vacancy has been filled. The Compliance Officer may delegate responsibility as that Compliance Officer believes appropriate, but in every event that Compliance Officer will remain ultimately responsible for the performance of these monitoring and record creation and maintenance obligations.

It is the policy of the City that if the Compliance Officer determines that any tax requirement in respect of a Tax-Exempt Issue has not or may have not been satisfied, or may be in jeopardy of not being satisfied, the Compliance Officer is to bring the matter to the attention of the City Manager and, if satisfactory resolution of the matter cannot be agreed or achieved, that such Compliance Officer bring the matter to the attention of the City Council (or of such Committee of the City Council as may have been chartered by the City Council specifically for such purpose) for such further action as may be necessary to comply with the policy of the City set forth herein.

It is the policy of the City to support fully the efforts of the Compliance Officer in carrying out the policy set forth herein. In furtherance thereof, the Compliance Officer is authorized and encouraged

to consult with legal counsel of the City, and, if necessary, with outside legal counsel, to assure that such officer is competent to carry out such responsibilities. The City understands that to carry out such responsibilities, the Compliance Officer must understand fully the circumstances of the issuance of each Tax-Exempt Issue, and of the investment and use of the proceeds of that issue, and such other facts as that Compliance Officer believes relevant. It is the policy of the City that the Compliance Officer should review such documents of the City, and should consult with each or any employee of the City or outside contractor, vendor or consultant, in order to obtain such information, as he believes to be relevant and necessary to carrying out his responsibilities under this policy. It is the further policy of the City that it is the responsibility of each employee of the City possessing information that he or she believes to be relevant to the fulfillment by a Compliance Officer of his responsibilities, to provide such information to that Compliance Officer freely and without fear of retribution.

8.0 COORDINATION WITH DOCUMENTS

In the event of any irreconcilable conflict between these Procedures and Guidelines and the Documents, the Documents shall govern.

9.0 EFFECTIVE DATE

These Procedures and Guidelines are effective as of February 6, 2019.

PRELIMINARY OFFICIAL STATEMENT DATED FEBRUARY __, 2019

NEW ISSUE – BOOK-ENTRY-ONLY

RATING: “__”
(See “Rating” herein.)

In the opinion of Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, and subject to the matters described in “TAX MATTERS” herein, interest on the Bonds will be excluded pursuant to section 103(a) of the Internal Revenue Code of 1986 from the gross income for the owners thereof for federal income tax purposes and will not be included in the federal alternative minimum taxable income of the owners thereof. See “TAX MATTERS.” It is also the opinion of Bond Counsel that under existing law interest on the Bonds is exempt from personal income taxes of the State of California.

\$ _____ *

**IMPERIAL PUBLIC FINANCING AUTHORITY
REVENUE BONDS (WASTEWATER TREATMENT FACILITY)
SERIES 2019**

Dated: Date of Delivery

Due: October 15, as set forth on inside cover

The Imperial Public Financing Authority (the “Authority”) will issue its Revenue Bonds (Wastewater Treatment Facility) Series 2019 (the “Bonds”) under an Indenture of Trust, dated as of March 1, 2019 (the “Indenture”), by and among the Authority, the City of Imperial (the “City”), and Wells Fargo Bank, National Association, as trustee (the “Trustee”). Proceeds from the sale of the Bonds will be used to (i) finance certain capital improvements to the City’s wastewater system (the “Wastewater System” or “System”), (ii) refund on a current basis the 2005 Parity Certificates of Participation (the “2005 Certificates”) (iii) fund a reserve fund for the Bonds, (iii) fund capitalized interest through ____, 20 __, and (iv) pay certain costs of issuing the Bonds. See “FINANCING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Bonds will be payable solely from and secured by Revenues, which pursuant to the Indenture consist of (i) Installment Payments received by the Authority or the Trustee pursuant or with respect to an Installment Purchase Agreement, dated as of March 1, 2019 (the “Installment Purchase Agreement”), by and between the City, as purchaser, and the Authority, as seller, (ii) amounts held in any funds and accounts held under the Indenture, and (iii) investment income with respect to any moneys held by the Trustee under the Indenture. The Installment Payments are special limited obligations of the City payable solely from and secured by a pledge of and first lien on Wastewater Revenues (as defined in the Installment Purchase Agreement). Wastewater Revenues means, generally, all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of Wastewater System and excluding (a) customer deposits or advances subject to refund and (b) proceeds of taxes or assessments restricted by law to be used by the City to pay indebtedness issued after the delivery date of the Bonds or which are not otherwise legally available for payment of Installment Payments. See “SECURITY FOR THE BONDS” herein.

The Bonds are subject to redemption prior to maturity as described herein. See “THE BONDS – Redemption” herein.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Bonds. Individual purchases of the Bonds may be made in book-entry form only, in denominations of \$5,000 each or any integral multiple thereof. Purchasers will not receive certificates representing their interest in the Bonds purchased. Principal of and interest on the Bonds will be paid directly to DTC by the Trustee. Principal of the Bonds is payable on their maturity dates set forth on the inside cover hereof. Interest on the Bonds is payable on April 15 and October 15 of each year, commencing October 15, 2019. Upon its receipt of payments of principal and interest, DTC is in turn obligated to remit such principal and interest to DTC participants for subsequent disbursement to the beneficial owners of the Bonds as described herein. See “THE BONDS – Book-Entry System” and “APPENDIX D – BOOK-ENTRY SYSTEM” herein.

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM, AND SECURED BY A PLEDGE OF INSTALLMENT PAYMENTS AND THE FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER. THE CITY’S OBLIGATION TO PAY INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE CITY LIMITED SOLELY TO THE WASTEWATER REVENUES. NO OTHER FUNDS OR PROPERTY OF THE CITY ARE LIABLE FOR THE PAYMENT OF THE INSTALLMENT PAYMENTS OR ANY OTHER AMOUNTS PAYABLE UNDER THE INSTALLMENT PURCHASE AGREEMENT OR THE INDENTURE. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT

* Preliminary; subject to change.

PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE AUTHORITY, THE CITY, THE STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL DEBT LIMITATION.

This cover page contains information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Bonds. Investors must read the entire Official Statement before making any investment decision.

The Bonds will be offered when, as and if issued and accepted by the Underwriter, subject to the approval as to their legality by Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel. Certain legal matters will also be passed on for the Authority and the City by Norton Rose Fulbright US LLP, Los Angeles, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Authority and the City by the City Attorney and Authority Counsel, Dennis H. Morita, and for the Underwriter by Nixon Peabody LLP, Los Angeles, California. It is anticipated that the Bonds in book-entry form, will be available for delivery to DTC in New York, New York, on or about March __, 2019.

HILLTOP SECURITIES INC.

Date: February __, 2019

\$ _____ *

**IMPERIAL PUBLIC FINANCING AUTHORITY
REVENUE BONDS (WASTEWATER TREATMENT FACILITY)
SERIES 2019**

MATURITY SCHEDULE*

\$ _____ Serial Bonds

Maturity Date (October 15)	Principal Amount	Interest	Yield	Price	CUSIP (Base No. ___)[†]
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\$ _____ % Term Bonds Due October 15, 20___, – Yield: ___%; Price: ___ (CUSIP[†])

\$ _____ % Term Bonds Due October 15, 20___, – Yield: ___%; Price: ___ (CUSIP[†])

* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor’s Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers have been assigned by an independent company not affiliated with the Authority or the City and are included solely for the convenience of investors. None of the Authority, the City, or the Municipal Advisor is responsible for the selection or uses of these CUSIP numbers, and no representation is made as to their correctness on the Bonds or as included herein. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Bonds.

IMPERIAL PUBLIC FINANCING AUTHORITY

AUTHORITY BOARD OF DIRECTORS / CITY COUNCIL

Robert Amparano, *Chairman/Mayor*
Darrell Pechtl, *Vice-Chairman/Mayor Pro Tem*
Geoff Dale, *Director/Councilmember*
Karin Eugenio, *Director/Councilmember*
James Tucker, *Director/Councilmember*

AUTHORITY / CITY STAFF

Stefan T. Chatwin, *Executive Director/City Manager*
Laura Gutierrez, *Treasurer/Finance Director*
Jackie Loper, *Public Services Director*
Dennis H. Morita, Esq., *Authority Counsel/City Attorney*
Debra Jackson, *Secretary/City Clerk*

SPECIAL SERVICES

Bond and Disclosure Counsel

Norton Rose Fulbright US LLP
Los Angeles, California

Trustee

Wells Fargo Bank, National Association
Los Angeles, California

Municipal Advisor and Dissemination Agent

Urban Futures, Inc.
Orange, California

No dealer, broker, salesperson or other person has been authorized by the Authority or the City to give any information or to make any representations other than those contained herein. If given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy any Bonds by any person in any jurisdiction in which such offer of solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful for such person to make such an offer, solicitation or sale. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matter of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of fact.

The information set forth herein has been obtained from the Authority, the City and other sources that are believed to be reliable. The information and expressions of opinions herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City since the date hereof. All summaries of the resolutions, the Bonds, the Indenture, the Installment Purchase Agreement, laws and statutes or other documents are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

This Official Statement, including any supplement or amendment hereto, is intended to be deposited with the Municipal Securities Rulemaking Board through the Electronic Municipal Marketplace Access (“EMMA”) website.

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

FORWARD-LOOKING STATEMENTS

This Official Statement contains certain “forward-looking statements” concerning the Wastewater System and the operations, performance and financial condition of the Authority or the City, including their future economic performance, plans and objectives and the likelihood of success in developing and expanding. These statements are based upon a number of assumptions and estimates which are subject to significant uncertainties, many of which are beyond the control of the Authority or the City. The words “may,” “would,” “could,” “will,” “expect,” “anticipate,” “believe,” “intend,” “plan,” “estimate” and similar expressions are meant to identify these forward-looking statements. Results may differ materially from those expressed or implied by these forward-looking statements.

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§ _____*

**IMPERIAL PUBLIC FINANCING AUTHORITY
REVENUE BONDS (WASTEWATER TREATMENT FACILITY)
SERIES 2019**

INTRODUCTION

General

This Official Statement, including the cover page and appendices hereto, sets forth certain information in connection with the sale of § _____* Imperial Public Financing Authority of Revenue Bonds (Wastewater Treatment Facility) Series 2019 (the “Bonds”). This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents described herein.

Proceeds from the sale of the Bonds will be used to (i) finance certain capital improvements to the City’s wastewater system (the “Wastewater System” or “System”), (ii) fund a reserve fund for the Bonds, (iii) fund capitalized interest through _____, 20____, (iv) refund on a current basis the 2005 Parity Certificates of Participation, and (iv) pay certain costs of issuing the Bonds. See “FINANCING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Authority for the Bonds

Under Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Bond Law”) and the Joint Exercise of Powers Agreement, dated as of November 20, 2002, between the City and the Agency, as amended on _____, 2019, by and between the City and the Imperial Parking Authority, the Imperial Public Financing Authority (the “Authority”) is authorized to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to, public entities including the City, and to provide financing for public capital improvements of public entities including the City. The Bonds are being issued pursuant to the provisions of an Indenture of Trust, dated as of March 1, 2019 (the “Indenture”), by and among the Authority, the City, and Wells Fargo Bank, National Association, as trustee (the “Trustee”).

The Bonds

The Bonds will be dated their date of issuance and delivery, will bear interest at the rates per annum set forth on the inside cover page hereof and be payable on April 15 and October 15 of each year, commencing October 15, 2019 (each, an “Interest Payment Date”), and continuing to and including the date of maturity or prior redemption, whichever is earlier. The Bonds will be delivered as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”), and will be available to ultimate purchasers (“Beneficial Owners”) in the denomination of \$5,000 or any integral multiple thereof,

* Preliminary, subject to change.

under the book-entry system maintained by DTC. Beneficial Owners will not be entitled to receive delivery of bonds representing their ownership interest in the Bonds. See “THE BONDS” herein.

The Bonds are subject to redemption as described herein. See “THE BONDS – Redemption” herein.

Security for the Bonds

The Bonds are payable solely from and secured by “Revenues,” which pursuant to the Indenture consist of (i) Installment Payments received by the Authority or the Trustee pursuant or with respect to an Installment Purchase Agreement, dated as of March 1, 2019 (the “Installment Purchase Agreement”), by and between the City, as purchaser, and the Authority, as seller, relating to certain improvements to the City’s Wastewater System, (ii) amounts held in any funds and accounts held under the Indenture, and (iii) investment income with respect to any moneys held by the Trustee under the Indenture. The Installment Payments are special limited obligations of the City payable solely from and secured by a pledge of and first lien on Wastewater Revenues, as defined herein. Pursuant to the Indenture, the Bonds are secured by a pledge of and first lien on the Revenues, on a parity with the Parity Obligations, which include Installment Payments payable by the City and secured by a pledge of and first lien on Wastewater Revenues. See “SECURITY FOR THE BONDS” and “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

Pursuant to the Indenture, the Authority has assigned to the Trustee, on behalf of the registered owners (the “Owners”), certain of its rights under the Installment Purchase Agreement, including (a) all of its right, title and interest in and to the Installment Payments made by the City under the Installment Purchase Agreement, and (b) any and all other rights and remedies of the Authority under the Installment Purchase Agreement, other than its rights to indemnification thereunder. In accordance with the Installment Purchase Agreement, the City is required to pay to the Trustee specified Installment Payments which are designed to be sufficient, in both time and amount, to pay, when due, the principal and interest with respect to the Bonds due on April 15 and October 15 of each year, commencing October 15, 2019.

Reserve Fund

A Reserve Fund for the Bonds is established pursuant to the Indenture. The City will transfer a portion of the proceeds of the Bonds on the date of issuance to the Reserve Fund in an amount equal to the Reserve Requirement. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

Parity Obligations

The City has previously issued its \$2,845,000 Parity Certificates of Participation (Wastewater Facility), Series 2005 (the “2005 Certificates”), currently outstanding in the aggregate principal amount of \$2,025,000, which will be refunded on a current basis by the Bonds, and its \$8,550,000 Revenue Bonds (Wastewater Facility) Series 2012 (the “2012 Bonds” and the Parity Obligations), currently outstanding in the aggregate principal amount of

\$5,430,000. The Parity Obligations are payable from Wastewater Revenues on a parity basis with the Installment Payments that secure the Bonds.

The City may incur additional obligations payable from the Wastewater Revenues on a parity with the Installment Payments securing the Bonds, subject to the terms and conditions of the Installment Purchase Agreement.

The City

The City of Imperial, California (the “City”) is located in County of Imperial, California (the “County”), in the southernmost portion of California in the Imperial Valley, approximately 20 miles from the California-Mexico border and approximately 125 miles east of the City of San Diego, California. The City is situated within the proximity of two international border crossings for commercial and noncommercial vehicles and is directly north of the City of El Centro, which is the location of the County seat and the commercial center of the County for retail, transportation, wholesale, and agricultural industries. The City was incorporated on July 12, 1904 and encompasses approximately 5.9 square miles. The City has a Council-Manager form of government.

The City has an arid desert climate and an elevation approximately 60 feet below sea level. The population of the City as of January 1, 2018 was 19,372. For other selected information concerning the City, see “APPENDIX A – GENERAL INFORMATION ABOUT THE CITY OF IMPERIAL AND THE IMPERIAL COUNTY.”

The Wastewater System

The Wastewater System consists of wastewater collection, collection lines, pump stations, and treatment facilities. The service area of the Wastewater System includes the entire area of the City, plus certain areas adjacent to the City. The Wastewater System is the only wastewater collection and waste treatment system in the City. Septic systems are not permitted within the city limits.

For additional information with respect to the Wastewater System and the City, see “THE WASTEWATER SYSTEM” and “APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY OF IMPERIAL FOR FISCAL YEAR ENDED JUNE 30, 2018.”

Limited Obligations

THE BONDS ARE SPECIAL OBLIGATIONS OF THE AUTHORITY PAYABLE SOLELY FROM, AND SECURED BY A PLEDGE OF INSTALLMENT PAYMENTS AND THE FUNDS AND ACCOUNTS HELD UNDER THE INDENTURE. THE AUTHORITY HAS NO TAXING POWER. THE CITY’S OBLIGATION TO PAY INSTALLMENT PAYMENTS IS A SPECIAL OBLIGATION OF THE CITY LIMITED SOLELY TO THE WASTEWATER REVENUES. NO OTHER FUNDS OR PROPERTY OF THE CITY ARE LIABLE FOR THE PAYMENT OF THE INSTALLMENT PAYMENTS OR ANY OTHER AMOUNTS PAYABLE UNDER THE INSTALLMENT PURCHASE AGREEMENT OR THE INDENTURE. NEITHER THE BONDS NOR THE OBLIGATION OF THE CITY TO MAKE INSTALLMENT PAYMENTS CONSTITUTES AN INDEBTEDNESS OF THE CITY, THE

STATE OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF ANY CONSTITUTIONAL DEBT LIMITATION.

Continuing Disclosure

The City covenants in a Continuing Disclosure Agreement to prepare and deliver an annual report to the Municipal Securities Rulemaking Board and to provide certain other information. See “CONTINUING DISCLOSURE” herein and “APPENDIX F – FORM OF CONTINUING DISCLOSURE AGREEMENT.”

Summaries of Documents

This Official Statement contains descriptions of the Bond Law, the Bonds, the Indenture, the Installment Purchase Agreement, the City, the Authority, the Wastewater System, and various other agreements and documents. The descriptions and summaries of documents herein do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document and, with respect to certain rights and remedies, to laws and principles of equity relating to or affecting creditors’ rights generally. Capitalized terms not defined herein shall have the meanings set forth in the Indenture. Copies of the Indenture and the Installment Purchase Agreement are available for inspection during business hours at the corporate trust office of the Trustee in Los Angeles, California.

FINANCING PLAN

Proceeds of the Bonds will be used to (i) finance certain capital improvements described below to the City’s wastewater system (the “Wastewater System” or “System”), (ii) refund on a current basis the 2005 Parity Certificates of Participation, (iii) fund a reserve fund for the Bonds, (iv) fund capitalized interest through _____, 20___, and (v) pay certain costs of issuing the Bonds. See “ESTIMATED SOURCES AND USES OF FUNDS” herein.

A portion of the proceeds of the Bonds will be applied to finance improvements to the Wastewater System (collectively, the “Improvements”), including the Treatment Plant (as defined herein). [Upgrades of the Treatment Plant are expected to include modifications and upgrades to several existing unit processes. Specifically, upgrades are expected to include removal of one oxidation ditch and construction of a new Membrane Bio-Reactor (“MBR”) building with an overhead bridge crane and process basins plus installation of the MBR system, construction of external anoxic and aeration tanks and installation of aeration equipment. Existing fine screens will be modified to meet 2 mm screening requirements. The existing Headworks are expected to be expanded to accommodate a new grit removal system and fine screen, and an overhead bridge crane will be incorporated into the Headworks awning. A new dewatering building is expected to be constructed to house new dewatering equipment. The dewatering building will include an awning with a truck bay for solids collection. Dewatered solids will be placed on the existing drying beds.]

The City may use proceeds of the Bonds to finance other Wastewater System improvement projects in lieu of, or in addition to, the Improvements.

ESTIMATED SOURCES AND USES OF FUNDS

The following sets forth the estimated sources and uses of funds related to the Bonds.

Sources of Funds:

Principal Amount	\$
[Plus/Less] [Net] [Premium/Discount]	
Total Sources of Funds	\$

Uses of Funds:

Deposit to Acquisition and Construction Fund	\$
Deposit to Escrow to Refund the 2005 Certificates	
Deposit to Reserve Fund	
Deposit to Costs of Issuance Fund ⁽¹⁾	
Deposit to Bond Payment Fund ⁽²⁾	
Total Uses of Funds	\$

⁽¹⁾ Includes fees and expenses of Bond Counsel, Disclosure Counsel, the Rating Agency, the Municipal Advisor and the Trustee, Underwriter's discount, printing costs, and other miscellaneous fees and expenses.

⁽²⁾ Represents capitalized interest on the Bonds through ____, 20__.

THE BONDS

General

The Bonds shall be delivered in the form of fully registered Bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof, and shall be dated the date of delivery to the original purchaser thereof. The Bonds will mature on the dates and in the amounts set forth on the inside cover of this Official Statement. The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC"). So long as DTC, or Cede & Co. as its nominee, is the registered owner of all Bonds, all payments on the Bonds will be made directly to DTC, and disbursement of such payments to the DTC Participants (defined below) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (defined below) will be the responsibility of the DTC Participants, as more fully described hereinafter. (See "Book-Entry Only System" below.)

Interest on the Bonds shall be payable on April 15 and October 15 of each year, commencing October 15, 2019 (each, an "Interest Payment Date"), and continuing to and including the date of maturity or prior redemption, whichever is earlier. Principal of the Bonds shall become payable on October 15 in each of the years and in the amounts set forth on the inside cover page of this Official Statement. Principal and premium, if any, on the Bonds shall be payable upon presentation and surrender thereof at the corporate trust office of the Trustee in Los Angeles, California. Interest on the Bonds shall be calculated based on a 360-day year of twelve (12) thirty-day months on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the close of business on the first calendar day of

the month (whether or not such day is a Business Day) preceding an Interest Payment Date (the "Record Date"). Such interest will be paid by check of the Trustee mailed on the Interest Payment Date by first class mail to the Owner at the address of such Owner as its appears on the Registration Books; provided however, that payment of interest will be made by wire transfer in immediately available funds to an account at a financial institution in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Trustee before the applicable Record Date. Any such written request shall remain in effect until rescinded in writing by the Owner. Principal of any Bond and any premium upon redemption shall be paid by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee. Principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

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

Any Bond may be transferred upon surrender of such Bond for cancellation at the Office of the Trustee by the person in whose name it is registered, in person or by such person's duly authorized attorney. Upon surrender, together with a duly executed written instrument of transfer in form acceptable to the Trustee, and payment of a sum sufficient to cover any tax or other governmental charge, the Trustee shall execute and deliver a new Bond or Bonds of the same maturity, interest rate and aggregate principal amount, in any authorized denominations.

Bonds may be exchanged upon surrender thereof at the Office of the Trustee, for a like aggregate principal amount of Bonds of other authorized denominations of the same interest rate and maturity. The Trustee shall require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee shall not be required to transfer or exchange any Bond during the period established by the Trustee for and before selection of Bonds for redemption, nor shall the Trustee be required to transfer or exchange any Bond or portion thereof selected for redemption.

Redemption*

Optional Redemption. The Bonds maturing on or before October 15, 20__ shall not be subject to optional redemption prior to maturity. The Bonds maturing on or after October 15, 20__ shall be subject to redemption prior to their respective maturity dates, at the option of the Authority, by lot within a maturity on any date on or after October 15, 20__, from prepayment of Installment Payments made at the option of the City at the redemption price equal to the

* Preliminary, subject to change.

principal amount of the Bonds to be redeemed, plus accrued interest thereon to the date of redemption, without premium.

Special Mandatory Redemption. The Bonds shall be subject to special mandatory redemption as a whole or in part, on any date, from proceeds of an eminent domain award or proceeds of casualty insurance not used to repair or rebuild the Wastewater System, which proceeds may be used for such purpose pursuant to the Installment Purchase Agreement, at a redemption price equal to the principal amount of the Bonds to be redeemed plus interest accrued thereon to the date fixed for redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on October 15, 20__ and October 15, 20__ are also subject to redemption prior to their respective stated maturities, on any October 15 on or after October 15, 20__ and October 15, 20__ (together, the “Term Bonds”), respectively, in part by lot, from mandatory sinking account payments at a redemption price equal to the principal amount thereof, plus accrued interest, if any, to the redemption date, without premium, as set forth below in the aggregate respective principal amounts and on the respective dates as set forth in the following tables; provided, however, that if some but not all of such Bonds have been redeemed pursuant to optional or special mandatory redemption provisions of the Indenture, the total amount of all future sinking fund payments shall be reduced by the aggregate principal amount of such Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000. The City shall provide the Trustee with a revised sinking fund schedule.

TERM BONDS MATURING ON OCTOBER 15, 20__	
Redemption Date (<u>October 15</u>)	Principal <u>Amount</u>

*

* Maturity.

TERM BONDS MATURING ON OCTOBER 15, 20__	
Redemption Date (<u>October 15</u>)	Principal <u>Amount</u>

*

* Maturity.

In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

Selection of Bonds for Redemption. Whenever provision is made for the optional redemption or special mandatory redemption of Bonds of more than one maturity, the Bonds to be redeemed shall be selected in inverse order of maturity or, at the election of the Authority evidenced by a Written Request of the Authority filed with the Trustee at least sixty (60) days prior to the date of redemption, on a pro rata basis among maturities (provided that, in any event, the principal and interest due on the Bonds Outstanding following such redemption shall be equal in time and amount to the unpaid payments due under the Installment Purchase Agreement); and in each case, the Trustee shall select the Bonds to be redeemed within any maturity by lot in any manner which the Trustee in its sole discretion shall deem appropriate. For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 portions and such portions shall be treated as separate Bonds which may be separately redeemed.

Notice of Redemption. The Trustee is to give notice of redemption by first class mail, postage prepaid, at twenty 20 days but not more than 60 days prior to the redemption date (i) to the Owners of the Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) the Securities Depositories and to one or more Information Services, at least thirty (30) but not more than sixty (60) days prior to the redemption. Neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon.

Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. All Bonds redeemed pursuant to this Section shall be canceled and shall be destroyed by the Trustee.

Book-Entry System

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered certificates registered in the name of Cede & Co. (DTC's partnership nominee). One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC. See "APPENDIX D – BOOK-ENTRY SYSTEM."

The Authority, the City, and the Trustee cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of, interest or premium, if any, on the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The Authority, the City, and the Trustee are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

DEBT SERVICE REQUIREMENTS

The amounts required to be set aside each fiscal year ending June 30 for principal and interest on the Parity Obligations and the Bonds are set forth below.

Fiscal Year Ending June 30	Parity Obligations			Bonds			Grand Total
<u>June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Total</u>

Total

SECURITY FOR THE BONDS

General

Pursuant to the Installment Purchase Agreement, the City is paying for the purchase price of the Improvements constructed for the Wastewater System (see “FINANCING PLAN – Deposit to Construction Fund”). Under the Installment Purchase Agreement, the City covenants to pay Installment Payments, which payments have been assigned by the Authority to the Trustee pursuant to the Indenture.

Limited Obligation

NEITHER THE BONDS NOR THE OBLIGATIONS OF THE CITY TO MAKE INSTALLMENT PAYMENTS CONSTITUTES A DEBT OR PLEDGE OF THE FAITH AND CREDIT OF THE CITY OR OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION OR AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE, OR HAS LEVIED OR PLEDGED, ANY FORM OF TAXATION.

Sources of Payment for the Bonds; Revenues

As defined in the Indenture, “Revenues” consist of (i) Installment Payments received by the Authority or the Trustee pursuant or with respect to the Installment Purchase Agreement, (ii) amounts held in any funds and accounts held under the Indenture, and (iii) investment income with respect to any moneys held by the Trustee under the Indenture. The Revenues are irrevocably pledged to, and shall be used for, the timely payments with respect to the Bonds and the Outstanding Series 2012 Revenue Bonds. The Installment Payments are not to be used for any other purpose while any of the Bonds and Series 2012 Revenue Bonds remain outstanding. Payments of principal and interest on the Bonds will be made from the Revenues, including but not limited to Installment Payments, interest or other income derived from the investment of the funds and accounts held by the Trustee for the City pursuant to the Indenture, or in certain instances from the Reserve Fund established by the Indenture. See “SECURITY FOR THE BONDS — Reserve Fund.”

Installment Payments are absolute and unconditional obligations of the City payable solely from, and secured by a pledge of and first lien on the Wastewater Revenues, all on a parity basis with the outstanding Parity Obligations. The Installment Payments are not secured by, and the Owners have no security interest in or mortgage on, the Wastewater System.

Pursuant to the Installment Purchase Agreement, all Wastewater Revenues and all amounts on deposit in the Revenue Fund are irrevocably pledged to the payment of the Installment Payments. In order to carry out and effectuate the pledge and lien contained in the Installment Purchase Agreement, the City agrees and covenants that all Wastewater Revenues, other than capacity fees and connection fees, shall be received by the City in trust under the Installment Purchase Agreement and shall be deposited when and as received in a special fund designated as the “Revenue Fund,” which fund is created and established under the Installment Purchase Agreement and which the City agrees and covenants to maintain and to hold in trust

separate and apart from other funds so long as any Installment Payments or Bonds remain unpaid. All Wastewater Revenues consisting of capacity fees and connection fees shall be transferred to the Trustee upon receipt for deposit into the Bond Payment Fund.

The City shall, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required, but excluding allocated general overhead costs of the City, which payments shall be made as soon as practicable after each Installment Payment Date) as they become due and payable. Thereafter, all remaining moneys in the Revenue Fund shall be set aside by the City for the transfer to the Trustee in the amount required as payment of the Installment Payments.

Pursuant to the Indenture, the Authority will assign to the Trustee, for the benefit of the registered Owners of the Bonds, its rights under the Installment Purchase Agreement, including (a) all its right, title and interest in and to the Installment Payments payable by the City under the Installment Purchase Agreement, and (b) any and all other rights and remedies of the Authority under the Installment Purchase Agreement, other than its right to reimbursement of costs and expenses and to indemnification thereunder. See “Collateral Assignment” below and “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

Wastewater Revenues; Related Covenants

The Net Wastewater Revenues are, for any Fiscal Year, Wastewater Revenues for such Fiscal Year less the Operating and Maintenance Costs of the Wastewater System for such Fiscal Year.

The term “Wastewater Revenues” under the Installment Purchase Agreement means, generally, all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Wastewater System and excluding (a) customer deposits or advances subject to refund and (b) proceeds of taxes or assessments restricted by law to be used by the City to pay indebtedness issued after the delivery date of the Bonds or which are not otherwise legally available for payment of Installment Payments.

The term “Operation and Maintenance Costs” means (a) costs spent or incurred for maintenance and operation of the Wastewater System calculated in accordance with generally excepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and including administrative costs of the City that are charged directly or apportioned to the Wastewater System, including but not limited to salaries and wages of employees, payments to California Public Employees' Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys, consultants or engineers and insurance premiums, and (b) all other reasonable and necessary costs of the City or charges (other than debt service payments) required to be paid by it to comply with the terms of the Bonds or of the Installment Purchase Agreement or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bond, but excluding in all cases

depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature.

Rate Covenant

In the Installment Purchase Agreement, the City agrees to fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each fiscal year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Wastewater Revenues sufficient to pay the following amounts in the following order of priority:

(a) All Operation and Maintenance Costs estimated by the Purchaser to become due and payable in such Fiscal Year;

(b) All Installment Payments and payments of principal of and interest on any Bonds or Contracts as they become due and payable during such Fiscal Year, without preference or priority, except to the extent Installment Payments or interest on any Bonds or Contracts are payable from proceeds of the Authority Bonds or Bonds or Contracts deposited for such purpose;

(c) All amounts, if any, required to restore the balance in the Reserve Fund to the full amount of the Reserve Requirement; and

(d) All payments required to meet any other obligations of the Purchaser that are charges, liens, encumbrances upon, or that are otherwise payable from, the Wastewater Revenues or the Net Wastewater Revenues during such Fiscal Year.

In addition, the City shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each fiscal year that are sufficient to yield Net Wastewater Revenues that are at least equal to one hundred fifteen percent (115%) of the amount described in the preceding clause (b) for such Fiscal Year.

In any Fiscal Year in which the Net Wastewater Revenues are in excess of the aggregate annual principal and interest requirements of the Bonds and additional Contracts or Bonds in such Fiscal Year and other conditions of the Installment Purchase Agreement have been satisfied, such excess may be used by the City for any purpose permitted by law, all as further described in “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.” For information regarding the Wastewater System, including financial information, see “THE WASTEWATER SYSTEM” and “SOURCES OF WASTEWATER SYSTEM REVENUE.” See also “APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY OF IMPERIAL FOR FISCAL YEAR ENDED JUNE 30, 2018.”

Installment Payments

Installment Payments are required to be made by the City under the Installment Purchase Agreement on the fifth day prior to each Interest Payment Date (or if such date is not a Business Day the next preceding Business Day) (each an “Installment Payment Date”). The Indenture requires that Installment Payments be deposited in the Bond Payment Fund maintained by the Trustee. Pursuant to the Indenture, on or before each Interest Payment Date, the Trustee is to use

the moneys deposited to the Bond Payment Fund to pay the principal of and interest on the Outstanding Bonds when and as such principal and interest coming due and payable on such Interest Payment Date (including accrued interest on any Bonds purchased or redeemed pursuant to the Indenture), and for the purpose of paying the principal of the Term Bonds at the maturity maturing on, or upon the mandatory sinking fund redemption thereof scheduled for, such Interest Payment Date. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

Collateral Assignment

Pursuant to the Indenture, the Authority has assigned to the Trustee, for the benefit of the registered owners of the Bonds, certain of its rights under the Installment Purchase Agreement, including (a) all of its right, title and interest in and to the Installment Payments payable by the City under the Installment Purchase Agreement, and (b) any and all other rights and remedies of the Authority under the Installment Purchase Agreement, other than its right to reimbursement of costs and expenses and to indemnification thereunder.

Reserve Fund

A Reserve Fund for the Bonds is established pursuant to the Indenture. The City will transfer \$ _____ from the proceeds of the Bonds on the date of issuance to the Reserve Fund in an amount equal to the Reserve Requirement. The “Reserve Requirement” equals, as of any date of calculation, the least of (i) ten percent (10%) of the proceeds of the Bonds (or, if there is less than 2% net original issue discount or premium, 10% of the original stated principal amount of the Bonds); (ii) 125% of average Annual Debt Service of any Bond Year on the then Outstanding Bonds; or (iii) the Maximum Annual Debt Service for that and any subsequent year.

The Reserve Fund will be maintained by the Trustee until all the Installment Payments are paid in full pursuant to the Installment Purchase Agreement or until there are no longer any Bonds outstanding. If moneys in the Bond Payment Fund are insufficient to pay the interest portion or the principal portion of Installment Payments as due, the Trustee is to transfer an amount sufficient to make up such deficiency from the Reserve Fund to the Bond Payment Fund.

If moneys on deposit in the Reserve Fund are transferred to the Bond Payment Fund to make up a deficiency therein, the amount required to restore the Reserve Fund to the Reserve Requirement will be paid by the City as a portion of its Installment Payments under the Installment Purchase Agreement. Such amount is to be transferred by the City from the remaining moneys in the Revenue Fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the Trustee for deposit in the Reserve Fund and such other reserve funds and/or accounts, if any, as may have been established in connection with the Outstanding Parity Obligations, the Bonds and any other Bonds or Contracts, that sum, if any, necessary to restore the Reserve Fund to an amount equal to the Reserve Requirement and/or such other reserve funds or accounts to an amount equal to the amount required to be maintained therein. The funds necessary to restore the amount in the Reserve Fund to the Reserve Requirement will be derived from the Wastewater Revenues. The City will take such action with respect to fees, rates and charges as is necessary to generate sufficient Wastewater Revenues from the Wastewater System to restore the Reserve

Requirement and make Installment Payments as the same become due. See “Wastewater Revenues; Related Covenants” above and “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

If the amount on deposit in the Reserve Fund exceeds the Reserve Requirement on the fifteenth (15th) calendar day of the month preceding any Interest Payment Date, The Trustee will transfer amounts on hand in the Reserve Fund in excess of the Reserve Requirement, if any, to the Bond Payment Fund for application in accordance with the Indenture. “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

The Authority may fund all or a portion of the Reserve Requirement with one or more Qualified Reserve Fund Credit Instruments. As defined in the Indenture, a “Qualified Reserve fund Credit Instrument” means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to the Indenture, provided that all of the following requirements are met: (i) the long-term credit rating of such bank or insurance company at the time of delivery of such letter of credit or surety bond is rated in one of the two highest rating categories by Moody’s or S&P; (ii) such letter of credit or surety bond has a term of at least twelve (12) months; (iii) such letter of credit or surety bond has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released pursuant to the Indenture; and (iv) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the amounts available to repay the principal of and interest on the Bonds.

Upon deposit of any Qualified Reserve Fund Credit Instrument with the Trustee, the Trustee will transfer any excess amounts then on deposit in the Reserve Fund into a segregated account of the Bond Payment Fund. Any such excess monies will be applied at the written direction of the Authority either (i) to the payment within one year of the date of transfer of capital expenditures of the Authority permitted by law, or (ii) to the redemption of Bonds on the earliest succeeding date on which such redemption is permitted hereby, and pending such application shall be held either not invested in investment property (as defined in section 148(b) of the Code), or invested in such property to produce a yield that is not in excess of the yield on the Bonds; provided, however, that the Authority may by written direction to the Trustee cause an alternative use of such amounts if the Authority first has obtained a written opinion of nationally recognized bond counsel substantially to the effect that such alternative use will not adversely affect the exclusion pursuant to section 103 of the Code of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In any case where the Reserve Fund is funded with a combination of cash and a Qualified Reserve Fund Credit Instrument, the Trustee will deplete all cash balances before drawing on the Qualified Reserve Fund Credit Instrument. With regard to replenishment, any available moneys provided by the Authority will be used first to reinstate the Qualified Reserve Fund Credit Instrument and second, to replenish the cash in the Reserve Fund. In the event the Qualified Reserve Fund Credit Instrument is drawn upon, the Authority will make payment of interest on amounts advanced under the Qualified Reserve Fund Credit Instrument after making any debt service payments on the Bonds with respect to the next Interest Payment Date pursuant to the Indenture.

If the Qualified Reserve Fund Credit Instrument will lapse or expire, the Indenture requires the Trustee to take one of three actions: (i) draw upon such Qualified Reserve Fund Credit Instrument prior to its lapsing or expiring in the full amount of such Qualified Reserve Fund Credit Instrument, (ii) make deposits from available Revenues to the Reserve Fund to increase the amount on deposit therein to the Reserve Requirement, or (iii) substitute such Qualified Reserve Fund Credit Instrument with a Qualified Reserve Fund Credit Instrument that satisfies the requirements of the Indenture.

Additional Obligations

The City may not incur additional obligations payable from Wastewater Revenues on a basis which is senior to the pledge and lien of the Installment Purchase Agreement so long as any of the Bonds are outstanding.

In the Installment Purchase Agreement the City covenants in respect of the Wastewater System that the City will not issue or incur any additional Contracts or Bonds (obligations payable from Wastewater Revenues on a parity with the Installment Payments securing the Bonds) during the Term of the Installment Purchase Agreement unless:

- (i) no Event of Default shall have occurred and be continuing;
- (ii) the Net Wastewater Revenues, calculated in accordance with accounting principles consistently applied, as shown by the books of the City for the latest Fiscal Year or as shown by the books of the City for any more recent 12 month period selected by the City (and so long as any Series 2019 Revenue Bond remains outstanding, in either case verified by a certificate or opinion of an Independent Certified Public Accountant), plus (at the option of the City) the Additional Revenues, are at least equal to 115% of the amount of Maximum Annual Debt Service; and
- (iii) upon the issuance of such additional Contracts or Bonds, a reserve fund is established for such additional Contracts or Bonds equal to the lesser of (i) the maximum amount of debt service required to be paid by the City with respect to such Contracts or Bonds during any Fiscal Year, or (ii) the maximum amount then permitted under the Tax Code (as defined in the Indenture. See “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

The term “Additional Revenues” means, with respect to the execution of any Contract or the issuance of any Bonds, any or all of the following amounts: (i) an allowance for Net Wastewater Revenues from any additions or improvements to or extensions of the Wastewater System to be financed from the proceeds of such Contracts or Bonds or from any other source, all in an amount equal to seventy-five percent (75%) of the estimated additional Net Wastewater Revenues to be derived from such additions, improvements and extensions for the first twelve (12) month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by the City, (ii) an allowance for Net Wastewater Revenues arising from any increase in the charges made for service from the Wastewater System that has become effective prior to the execution of such Contracts or the issuance of such Bonds in an amount equal to the total

amount by which the Net Wastewater Revenues would have been increased if such increase in charges had been in effect during the whole of the most recent completed Fiscal Year or during any more recent twelve (12) month period selected by the City, all as shown by the certificate or opinion of an Independent Certified Public Accountant.

Investments

Money held by the Trustee in any fund or account under the Indenture will be invested by the Trustee pursuant to a Written Request of the City in Permitted Investments pending application as provided in the Indenture, so long as all investments mature, or are subject to redemption or disposition by the Trustee, not later than the date when the amounts will foreseeably be needed for purposes of the Indenture. The Trustee may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by the Indenture.

Permitted Investments will be valued at the fair market value of such obligations. All funds and accounts will be valued at the end of each month. “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.”

THE WASTEWATER SYSTEM

General

The Wastewater System consists of wastewater collection, collection lines, pump stations, and the Treatment Plant. The service area of the Wastewater System includes the entire area of the City, plus certain areas adjacent to the City. Residential wastewater charges are based on a flat rate. Commercial and industrial customers pay a flat rate plus a use rate based on metered wastewater consumption. See “SOURCES OF WASTEWATER SYSTEM REVENUE.” Wastewater service bills are combined with wastewater service and solid waste removal bills. The City bills all utility customers monthly.

Collection System

The Wastewater System is the only wastewater collection and waste treatment system in the City. Septic systems are not permitted within the City limits. The collection system consists of approximately 60 miles of trunk lines and fifteen pumping stations. Lines vary in size from 8 to 30 inches in diameter and are vitreous clay pipe, ABS and PVC pipe. As with certain extensions to the Wastewater System, the City requires housing subdivision developers and other property owners to install local area wastewater collection lines in order to receive service. Such extensions are made to the City’s specifications by the property owner at such owner’s expense. Once new collection lines are completed and approved by the City, the lines become the property of and are maintained by the City.

Treatment Plant

The City’s treatment plant is located at 612 E. 14th Street, Imperial, California (the “Treatment Plant”) and was originally constructed in 1963, and expanded in 1995 and 2004. The plant receives and treats domestic, commercial, and industrial wastewater and produces secondary disinfected water. In the future, the City intends to produce recycled water meeting

Title 22 requirements for unrestricted reuse. The existing Treatment Plant includes influent screening, oxidation ditches, clarification and UV disinfection. Solids from the treatment plant are placed on drying beds at the existing facility. The City plans to finance upgrades to the Treatment Plant from a portion of the proceeds from the Bonds. See “FINANCING PLAN” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Treatment Plant currently has the capacity to treat 2.4 million gallons of wastewater flow per day. In the Fiscal Year ended June 30, 2018, the average daily wastewater flow treated by the plant was 1.4 million gallons. The present Treatment Plant capacity is sufficient to serve an estimated population of 40,000. This capacity estimate is based on a residential population using wastewater and disposing of wastewater at its current levels and at the present regulatory treatment standards. Substantial increases in industrial and/or commercial wastewater will negatively impact the available capacity. Treated wastewater is discharged into the New River, which drains into the Salton Sea. The Salton Sea is in an enclosed basin located below sea level.

Maintenance of the Wastewater System

The Wastewater System has large infrastructure repair and replacement needs in the next five years. The most costly project planned by the City for the Wastewater System is the Treatment Plant upgrade. See “FINANCING PLAN” herein. The City maintains an ongoing preventative maintenance program consisting of periodic inspection of the existing treatment plant, equipment, lines, meters, valves and fire hydrants. The City employs licensed wastewater treatment facility supervisors and maintenance workers. These employees report to the City’s Public Services Director. The City believes that the Wastewater System complies with all present regulatory wastewater quality standards.

Environmental Considerations

The City’s operation and maintenance of the System is primarily regulated by the California State Department of Health Services (“DHS”) and the California Regional Wastewater Quality Control Board (“RWQCB”) and the federal government. The City believes that the System currently meets all applicable DHS and RWQCB standards and requirements.

[add permit discussion]

Wastewater System Management

The City Council, as the governing board of the City, governs all matters relating to the Wastewater Enterprise Fund and the Wastewater System. Brief management biographies are set forth below.

Stefan T. Chatwin is the City Manager of the City. As City Manager, he is the chief administrative officer of the City and is responsible for all operations of the City and assuring

that City services are performed in accordance with City policy and ordinances. Mr. Chatwin was appointed to his current position in October 2016.

Laura Gutierrez is the Finance Manager of the City. Ms. Gutierrez was appointed to her current position in June 2009. Ms. Gutierrez has held management positions with the City for 18 years and has worked for the City since August 1998. Ms. Gutierrez is responsible for managing the City's finances, implementing the goals, policies and objectives of the City, as well as the budget.

Jackie Loper is the Public Services Director of the City. Mr. Loper was appointed to his current position in June 2002 and is responsible for day-to-day supervision of the operation of the System. Mr. Loper has been in the public services field since 1988 and has had specialized training in public sector work relating to wastewater and wastewater operations.

SOURCES OF WASTEWATER SYSTEM REVENUE

Rates and Charges

On December 6, 2017, the City held a public hearing concerning the necessity to increase the sewer rate, following notice thereof given in accordance with applicable law, including without limitation the mailing of notice of the public hearing to all owners of record of each identified parcel and to tenants of such parcels directly liable to pay the wastewater charge at least 45 days prior to the date of the public hearing. The proposed increase in rates, as set forth in the notice of public hearing, was based on a wastewater rate study prepared by an independent consultant.

The City Council of the City determined that such rates recommended in the study are to fund operation, maintenance and repair of the Wastewater System, to meet financial reserve needs and requirements of the Wastewater System, and to obtain funds for capital projects necessary to maintain service of the Wastewater System and are in compliance with all laws pertaining to the assessment of such charges. At the public hearing, the City received 171 written protests, significantly fewer than the 2,674 written protests required under Proposition 218 to preclude imposition of increased rates. On December 6, 2017, the City Council adopted Resolution No. 2017-48 to implement the new rates as proposed, effective with all billings sent after January 1, 2018. See "CONSTITUTIONAL PROVISIONS AFFECTING WASTEWATER SYSTEM REVENUES AND EXPENDITURES – Proposition 218."

Charges for Wastewater Service. The City charges monthly rates for its wastewater service provided. Revenues from such service are accounted for in the City's Wastewater Enterprise Fund. The following table sets forth the volumetric rates for the fiscal years shown ending each June 30.

	Wastewater Rates			
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Single-Family Residential Fixed	\$60.41	\$64.64	\$67.23	\$69.92
Multi-Family Residential Fixed (per unit)	\$51.78	\$55.41	\$57.63	\$59.94
Commercial Volumetric Fixed Charge Minimum Charge	\$60.41	\$64.64	\$67.23	\$69.92
Volumetric (All Use) Low Strength	\$1.68	\$1.80	\$1.88	\$1.96
Domestic Strength	\$3.02	\$3.24	\$3.37	\$3.51
High Strength	\$4.65	\$4.98	\$5.18	\$5.39

Source: City of Imperial.

The following table sets forth the residential Wastewater Service Fees for the fiscal years shown.

Historic Residential Wastewater Service Fees⁽¹⁾

Fiscal Year Ending June 30	Percentage Increase ⁽²⁾	Average Monthly Fee ⁽³⁾
2010	50.0%	\$45.60
2011	0.1	45.65
2012	2.9	46.98
2013	1.6	47.73
2014	1.4	48.40
2015	0.0	48.40
2016	0.0	48.40
2017	0.0	48.40
2018	13.0	56.45

⁽¹⁾ Sewer availability charge only; does not include conservation surcharge.

Source: City of Imperial.

Wastewater Capacity Fees. Wastewater Capacity Fees are one-time charges imposed on new users to cover certain “in-tract” costs, which are costs related to the actual facilities necessary to service the subject property where located. The City accounts for these revenues in the City’s Wastewater Enterprise Fund. The City currently charges a \$1,844.82 Wastewater Capacity Fee for a single family residential user.

Wastewater Service Shut-Off Policy. In accordance with the adopted resolution of the City, all charges for service are billed on a monthly basis with the due dates on the 15th of each month. The customer is responsible for the bill even if the customer does not receive the bill. The bill becomes delinquent if not paid by the 1st day of the calendar month following the due

date specified on the bill. A penalty fee of 10% is assessed on the current amount owed. If payment of all delinquent charges have not been received during normal business hours prior to the date set forth in the monthly billing and described on a calendar approved annually, the services will be discontinued. To reconnect the wastewater the customer must make current on all delinquent payments and pay a \$50.00 delinquency fee (\$125.00 applies after normal business hours).

Comparison of Wastewater Service Rates

The following table compares average monthly rates for wastewater service in the areas indicated.

<u>City</u>	<u>Monthly Wastewater Rates⁽¹⁾</u>
Brawley	\$51.06
Calexico	38.08
Westmorland	31.85
El Centro	58.79
Holtville	52.57
Imperial	48.40

⁽¹⁾ Based on residential rates. Sewer availability charge only; does not include any conservation surcharge. Source: City 2017 Utility Rate Study.

Wastewater System Operating History

Wastewater Revenues include Wastewater Service Fees and Wastewater Capacity Fees. The recent history of Wastewater Revenues derived from Wastewater Service Fees and Wastewater Capacity Fees is set forth in the following tables:

Wastewater Revenues Derived From Wastewater Service Fees Residential and Commercial

<u>Fiscal Year Ending June 30</u>	<u>Number of Billing Accounts⁽¹⁾</u>	<u>Annual Revenues</u>
2010	4,176	\$2,263,244
2011	4,301	2,840,024
2012	4,524	3,020,052
2013	4,672	3,482,075
2014	4,879	3,310,385
2015	5,048	3,456,343
2016	5,205	3,591,551
2017	5,374	3,663,496
2018	5,616	4,119,910

⁽¹⁾ Number of accounts invoiced. Does not include inactive accounts. Source: City Finance Department.

**Wastewater Revenues Derived From
Wastewater Capacity Fees**

<u>Fiscal Year Ending June 30</u>	<u>Revenues</u>
2010	\$180,171
2011	284,889
2012	148,510
2013	244,460
2014	382,982
2015	200,856
2016	349,150
2017	271,373
2018	378,188

Source: City Finance Department.

Ten Largest Wastewater System Customers

The following table shows the ten largest customers of the Wastewater System as measured by charges for the fiscal year ended June 30, 2018. These customers were responsible for approximately __% of Wastewater System service charge revenue during such period.

**Wastewater System
Ten Largest Customers
Fiscal Year ended June 30, 2018**

<u>Customer</u>	<u>Type of Business</u>	<u>Revenues⁽¹⁾</u>	<u>% of Total Revenues</u>
-----------------	-------------------------	-------------------------------	--------------------------------

Total, Top Ten

Total, All Customers

Source: City of Imperial.

[description of top customers, if there is concentration issue]

Insurance

The Wastewater System's existing treatment plant, pump stations, and two wastewater storage tanks are covered under the City's property insurance policy and pollution and remediation legal liability insurance policy with the California Joint Powers Insurance Authority ("CJPIA"). The City purchases from CJPIA workers' compensation insurance with a policy limit of [\$1,000,000] per occurrence and general liability insurance with a policy limit of [\$1,000,000] per occurrence and annual aggregate limit of \$ _____.

Defined Benefit Pension Plan

All qualified employees are eligible to participate in the City's separate Safety (police and fire) and Miscellaneous (all other) Plans, cost-sharing and agent multiple employer defined benefit pension plans, respectively, administered by the California Public Employees' Retirement System ("CalPERS"), which acts as a common investment and administrative agent for its participating member employers. City employees assigned to the Wastewater System participate in the Miscellaneous Plan. Benefit provisions under the Plans are established by State statute and Local Government resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. As of June 30, 2018, the City reported net pension liabilities for its proportionate share of the net position liability of the Miscellaneous Plan of \$ _____. See "APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE CITY OF IMPERIAL FOR FISCAL YEAR ENDED JUNE 30, 2018" Note [10].

[tables and further description to come from FY 2018 Audit and most recent CalPERS valuations when received]

Statement of Revenues, Expenses, and Changes in Net Position

The table below summarizes the revenues, expenses, and changes in net position with respect to the Wastewater Enterprise Fund for the fiscal years shown.

CITY OF IMPERIAL
Wastewater Enterprise Fund
Statement of Revenues, Expenses, and Changes in Net Position
(Fiscal Years Ended June 30)

	2014	2015	2016	2017	2018
Operating revenues:					
Sales and service charges	\$3,693,367	\$3,657,199	\$3,940,701	\$3,946,961	
Other	7,250	1,200	37,664	343,530	
Total operating revenues	<u>\$3,700,617</u>	<u>\$3,658,399</u>	<u>\$3,978,365</u>	<u>\$4,290,491</u>	
Operating expenses:					
Salaries	\$499,943	\$580,798	\$660,883	\$570,568	
Contractual services	452,525	427,864	582,510	106,913	
Material and supplies	86,096	127,704	202,650	488,117	
Repairs and maintenance	496,188	348,969	264,230	286,782	
Utilities	177,086	179,143	213,032	213,975	
Insurance	92,605	256,403	172,994	157,377	
Depreciation	819,629	850,085	1,470,798	1,537,559	
Total operating expense	<u>\$2,624,072</u>	<u>\$2,770,966</u>	<u>\$3,567,097</u>	<u>\$3,361,291</u>	
Operating Income (Loss)	<u>\$1,076,545</u>	<u>\$887,433</u>	<u>\$411,268</u>	<u>\$929,200</u>	
Non-operating revenues (expenses):					
Interest revenue	\$2,499	\$3,541	\$6,886	\$11,522	
Interest expense	(440,825)	(433,938)	(422,798)	(398,660)	
Transfer in/out	8,335	(14,309)	(\$7,195)	(\$10,284)	
Total non-operating revenues	<u>(\$429,991)</u>	<u>(\$444,706)</u>	<u>(\$423,107)</u>	<u>(\$397,422)</u>	
Change in net position	\$646,554	\$442,727	(\$11,839)	\$531,778	
Net position-beginning	\$7,373,322	\$7,662,226	\$7,907,026	\$7,884,419	
Prior period adjustment	(\$357,650)	(\$197,927)	(\$10,768)	-	
Beginning of fiscal year, restated	<u>\$7,015,672</u>	<u>\$7,464,299</u>	<u>\$7,896,258</u>	-	
Net position-ending	<u>\$7,662,226</u>	<u>\$7,907,026</u>	<u>\$7,884,419</u>	<u>\$8,416,197</u>	

Source: City of Imperial.

Historical Operating Results and Debt Service Coverage by Fiscal Year

The table below summarizes the Wastewater System’s historic operating results and debt service coverage.

CITY OF IMPERIAL WASTEWATER SYSTEM					
Historical Operating Results and Debt Service Coverage By Fiscal Year (Fiscal Years Ended June 30)					
	2014	2015	2016	2017	2018
Revenues					
Sales and service charges	\$3,693,367	\$3,657,199	\$3,940,701	3,946,961	
Other ⁽¹⁾	7,250	1,200	37,664	343,530	
Interest revenue	2,499	3,541	6,886	11,522	
Total enterprise revenues	<u>\$3,703,116</u>	<u>\$3,661,940</u>	<u>\$3,985,251</u>	<u>4,302,013</u>	
O&M expenditures ⁽²⁾	\$1,804,443	\$1,920,881	\$2,96,299	3,361,271	
Total net available for Installment Payments	\$1,898,673	\$1,741,059	\$1,888,952	940,742	
Installment Payments					
2005 Installment Payments	\$174,454	\$176,854	\$174,054		
2012 Installment Payments	813,000	813,400	813,000		
Total Installment Payments	<u>\$987,454</u>	<u>\$990,254</u>	<u>\$987,054</u>		
Coverage Ratio	1.92	1.76	1.91		

⁽¹⁾ Miscellaneous revenues.

⁽²⁾ Operating expenses excluding depreciation.

Source: City of Imperial.

Projected Operating Results and Debt Service Coverage

In connection with the insurance of the Bonds, the City has calculated the estimated Installment Payments coverage ratios for the Fiscal Years ending June 30, 2019 through June 30, 2022 as set forth below. The projections set forth below are forward-looking statements, as such term is defined in the Securities Act of 1933, as amended, and reflect certain significant assumptions concerning future events and circumstances. The assumptions described in the footnotes to the following tables are material in the development of the financial projections and may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material. For a discussion of certain circumstances that would cause actual results to differ materially from these projections, see “RISK FACTORS” herein.

**CITY OF IMPERIAL
WASTEWATER ENTERPRISE FUND
Projected Operating Results and Debt Service Coverage
(Fiscal Years Ending June 30)**

	<u>2019⁽¹⁾</u>	<u>2020⁽¹⁾</u>	<u>2021⁽¹⁾</u>	<u>2022⁽¹⁾</u>	<u>2023⁽¹⁾</u>
Wastewater Revenues					
Sales and Service Charges	\$	\$	\$	\$	\$
Other					
Interest Revenue					
Total Wastewater Revenues	\$	\$	\$	\$	\$
O&M Expenditures ⁽²⁾	\$	\$	\$	\$	\$
Total Net Available for Installment Payments	\$				
2005 Installment Payments	\$	\$	\$	\$	\$
2012 Installment Payments*					
2019 Installment Payments*					
Total Installment Payments*					
Coverage Ratio*					

* Preliminary; subject to change.

⁽¹⁾ Wastewater Revenues and expenditures have been projected assuming a 2% annual increase from increase in demand for services and a 2% annual increase in Revenues based on the annual Consumer Price Index rate increase included in the current wastewater rates. See “SOURCES OF WASTEWATER SYSTEM REVENUE” herein.

⁽²⁾ Operating expenses excluding depreciation.

Source: City of Imperial.

THE CITY

For financial, demographic and statistical information on the City and the surrounding area, see “APPENDIX A – GENERAL INFORMATION ABOUT THE CITY OF IMPERIAL AND IMPERIAL COUNTY.”

THE AUTHORITY

The Imperial Public Financing Authority was established pursuant to a Joint Exercise of Powers Agreement, dated November 20, 2002 (the “Joint Exercise of Powers Agreement”), by and between the City and the Redevelopment Agency of the City of Imperial (the “Agency”) in accordance with the provisions of Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Joint Powers Law”). On _____, 2019, the City, the Agency and the Imperial Parking Authority amended the Joint Exercise of Powers Agreement to add the Imperial Parking Authority and remove the Agency as members of the Authority.

The Authority was created for the purpose of assisting in the financing and refinancing of public capital improvements for the City and the Agency. Under the Marks-Roos Local Bond Pooling Act of 1985, Section 6854 et seq. of the State Government Code, the Authority has the power to purchase bonds issued by any local agency at public or negotiated sale and may sell such bonds to public or private purchasers at public or negotiated sale.

The Authority is governed by a five-member Board of Directors which consists of the City Council of the City. The Chairman of the Authority is the Mayor of the City, and the Vice-Chairman of the Authority is the Mayor Pro Tem of the City. The City Manager acts as its Executive Director, the City Clerk acts as its Secretary, and the Finance Director acts as its Treasurer.

RISK FACTORS

INVESTMENT IN THE BONDS INVOLVES ELEMENTS OF RISK. THE FOLLOWING SECTION DESCRIBES CERTAIN SPECIFIC RISK FACTORS AFFECTING THE PAYMENT AND SECURITY OF THE BONDS. THE FOLLOWING DISCUSSION OF RISKS IS NOT MEANT TO BE AN EXHAUSTIVE LIST OF THE RISKS ASSOCIATED WITH THE PURCHASE OF THE BONDS AND THE ORDER OF DISCUSSION OF SUCH RISKS DOES NOT NECESSARILY REFLECT THE RELATIVE IMPORTANCE OF THE VARIOUS RISKS. POTENTIAL INVESTORS ARE ADVISED TO CONSIDER THE FOLLOWING FACTORS ALONG WITH ALL OTHER INFORMATION IN THIS OFFICIAL STATEMENT IN EVALUATING THE BONDS. THERE CAN BE NO ASSURANCE THAT OTHER RISK FACTORS NOT DISCUSSED UNDER THIS CAPTION WILL NOT BECOME MATERIAL IN THE FUTURE.

Limited Obligations with Respect to the Bonds

The Bonds are limited obligations payable solely from, and secured by, a pledge of Revenues, which derive primarily from Installment Payments. The Installment Payments are special limited obligations of the City payable solely from and secured by a pledge of and first lien on Wastewater Revenues. See “SECURITY FOR THE BONDS — Sources of Payment for the Bonds; Wastewater Revenues.” If, for any reason, the Wastewater Revenues pledged under the Installment Purchase Agreement are not sufficient to pay debt service on the Bonds, the City will not be obligated to utilize any other of its funds, to pay Installment Payments, and therefore, the Trustee, as assignee of the Authority under the Indenture, will not have any other funds, other than moneys on deposit in the Reserve Fund, to pay debt service on the Bonds. The Authority has no taxing power. The obligation of the City to make Installment Payments is a special obligation limited solely to Wastewater Revenues. No other funds or property of the City will be liable for the payment of the Installment Payments or any other amounts payable under the Installment Purchase Agreement or the Indenture. The Installment Payments do not constitute an obligation of the City which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

Forecasts

Although the City and the Authority believe that the projections of future operating results of the Wastewater System contained in this Official Statement are reasonable, there can be no assurance that actual operating results will match the projections due to changes in general economic conditions and similar factors, including defaults in the payment of property taxes. In addition, the Wastewater System and economic development within the service area of the City are subject to federal, State and local regulations. There can be no assurance that the Wastewater System will not be adversely affected by future economic conditions, governmental policies or other factors beyond the control of the City.

Wastewater System Expenses and Collections

There can be no assurance that the Operation and Maintenance Costs for the Wastewater System will remain at the levels described in this Official Statement. Changes in technology, energy or other expenses could reduce the Wastewater Revenues and could require substantial increases in rates or charges. Given the requirements of Proposition 218, the City and the Authority can give no assurance that any such increase in wastewater charges would not be precluded by a majority protest. See “CONSTITUTIONAL PROVISIONS AFFECTING WASTEWATER SYSTEM REVENUES AND EXPENDITURES” below. Additionally, any such rate increases could increase the likelihood of nonpayment by customers of the Wastewater System, which may have an adverse impact on the City’s ability to pay debt service on the Bonds.

Regulatory Requirements

The operations of the Wastewater System are subject to state and federal laws and regulations, particularly with respect to wastewater quality requirements. The adoption of more stringent laws and regulations may cause the City to incur greater expenses for the operation of the Wastewater System, particularly, for example, if such changes require the use of new or costly technology. Although the City covenants in the Installment Purchase Agreement to fix rates and collect revenues for the Wastewater System to meet certain debt service coverage requirements, no assurance can be given that the costs of complying with such new laws and regulations will not adversely affect the City’s ability to generate sufficient Wastewater Revenues in the amounts required by the Installment Purchase Agreement. It is not possible to predict the timing or nature of more stringent operation standards that may be imposed on the City over the term of the Bonds.

Natural Calamities

From time to time, the City is subject to natural calamities that may adversely affect economic activity in the City. The City, like most communities in California, is in an area of unpredictable seismic activity, and therefore, is subject to potentially destructive earthquakes. According to the Safety Element of the City’s General Plan, the principal geologic hazards in the City are related to impacts caused by earthquakes. The entire Imperial Valley area is impacted by various fault systems. The Imperial Fault is located a few miles east of the existing City limits and is the nearest fault to the City. The San Andreas Fault zone is located near the western

boundary of the Algodones Dunes Sand Hills approximately 30 miles east of the City. The San Andreas Fault is a major fault that extends northward toward the San Francisco Bay area.

As described in the Safety Element of the City's General Plan, seismic disturbances in the City occur on a relatively frequent basis, with widely varying magnitudes, ranging from minor disturbances that are barely detectable (magnitude 1-3 on the Richter Scale) to moderate and major earthquakes (magnitudes 4-8 on the Richter Scale). The Safety Element identifies ground shaking generally having greatest amount of seismic impact on the City; most of the problems associated with earthquakes in the City are because of the proximity to numerous faults and from poor land development practices. Because of faults within the area near the City, surface rupture is considered a possible hazard. However, due to the City's relatively flat topography, the City is not susceptible to ground failures such as landslides or mudslides.

There are no identified floodplains within the City and surrounding planning area, according to the Safety Element of the City's General Plan. As a result, the risk of flooding in the City is mostly localized, concentrated in streets and intersections within low lying areas, and can be minimized with adequate drainage systems.

Drought conditions in Southern California in recent years, combined with higher than average temperatures have created conditions that are from time to time conducive to wildfires. [For example, between October 20 and October 22, 2007, close to 20 separate wildfires started in seven counties in Southern California (Santa Barbara County, Ventura County, Los Angeles County, San Bernardino County, Orange County, Riverside County and San Diego County). The City has policies and programs in place, such as a fire hazard inspection program, brush clearance requirements for private property owners, permit requirements for agricultural fields, and fire protection requirements for new developments to address wildland and urban fire risks.]
[update]

The occurrence of a natural calamity, such as an earthquake, a drought, a flood, or any other disaster, may substantially damage or destroy Wastewater System facilities or otherwise disrupt the Wastewater System's operation. In such circumstances, Wastewater Revenues may be reduced or eliminated if the City was unable to provide the affected Wastewater System's services to its customers, or if large amounts of revenues were required to be applied to make extensive repairs to the affected Wastewater System. Such a reduction or elimination of Wastewater Revenues could impair the City's ability to make Installments Payments when due.

Insurance

The City has covenanted in the Installment Purchase Agreement to maintain insurance on the Wastewater System in such amounts and against such risks (including damage to or destruction of the Wastewater System) as are usually covered in connection with wastewater systems similar to the Wastewater System, but only in the event and to the extent available from reputable insurers at reasonable costs. The City may self-insure, provided that such self-insurance is maintained in the amounts and manner usually maintained in connection with wastewater systems similar to the Wastewater System and is, in the opinion of an accredited actuary, actuarially sound. The Installment Purchase Agreement further provides that amounts collected from insurance against accident to or destruction of any portion of the Wastewater

System will be used to reconstruct, repair or replace such damaged or destroyed portion of the Wastewater System. If such insurance proceeds are sufficient to enable the City to retire the entire obligation evidenced by the Installment Purchase Agreement prior to the final due date of the Installment Payments as well as the entire obligations evidenced by parity Bonds and Contracts then remaining unpaid prior to their final respective due dates, the City may elect not to reconstruct, repair or replace the damaged or destroyed portion of the Wastewater System, and/or not to construct other additions, betterments, extensions or improvements to the Wastewater System and instead to prepay Installment Payments and retire the Bonds and such parity Bonds and Contracts. See “THE BONDS – Redemption.” In the event of a total loss of the Wastewater System, there can be no assurance that the insurance proceeds would be adequate to prepay all of the then outstanding Installment Payments and parity Bonds and Contracts, or that losses in excess of the insured amount will not occur.

Additional Obligations of the City

The Installment Purchase Agreement permits the incurrence of additional obligations secured by Wastewater Revenues on a parity basis to the Installment Payments, upon the City’s compliance with certain conditions. See “SECURITY FOR THE BONDS – Additional Obligations.” The City anticipates incurring additional Bonds and Contracts the future. Such additional Bonds and Contracts would increase debt service payable from Wastewater Revenues and could adversely affect debt service coverage with respect to the Installment Payments. In such event, however, the rate covenant of the City under the Installment Purchase Agreement will remain in effect. See “SECURITY FOR THE BONDS – Wastewater Revenues; Related Covenants” and Additional Obligations.”

Limitations on Remedies

Remedies available to the Owners may be limited by a variety of factors and may be inadequate to assure the timely payment of principal of and interest and premium, if any, on the Bonds, to preserve the tax-exempt status of interest on the Bonds.

Bond Counsel has limited its opinions as to the enforceability of the Bonds and the Indenture and the Installment Purchase Agreement to the extent that enforceability may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance or transfer, moratorium, or other similar laws affecting generally the enforcement of creditor’s rights, by equitable principles and by the exercise of judicial discretion. The lack of availability of certain remedies or the limitation of remedies may entail risks of delay in the exercise of, or limitations on or modifications to, the rights of the Owners.

Enforceability of the rights and remedies of the owners of the Bonds, and the obligations incurred by the Authority, may become subject to the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor’s rights generally, now or hereafter in effect, equity principles which may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and

legitimate public purpose and the limitations on remedies against governmental entities in the State.

Investment of Funds

The Reserve Fund and all other funds held under the Indenture are required to be invested in Permitted Investments as provided under the Indenture. “APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.” All investments, including Permitted Investments, authorized by law from time to time for investments under the Indenture contain a certain degree of risk. Such risks include, but are not limited to, a lower rate of return than expected, decline in market value and loss or delayed receipt of principal. The occurrence of these events with respect to amounts held under the Indenture could have a material adverse effect on the security for the Bonds.

Constitutional Limitations (Proposition 218); Future Initiative and Legislation

Proposition 218, which added Articles XIIC and XIID to the California Constitution, affects the City’s ability to impose future rate increases, and no assurance can be given that future rate increases will not encounter majority protest opposition or be challenged by initiative action authorized under Proposition 218. In the event that future proposed rate increases cannot be imposed as a result of majority protest or initiative, the City might thereafter be unable to generate Wastewater Revenues in the amounts required by the Installment Purchase Agreement to pay the Installment Payments. Notwithstanding the foregoing, the City has covenanted to effect Wastewater System service rate increases as needed for compliance with its rate covenant to the maximum extent permitted by law in compliance with Proposition 218. See “CONSTITUTIONAL PROVISIONS AFFECTING WASTEWATER SYSTEM REVENUES AND EXPENDITURES.”

Other initiative measures could be adopted, affecting the City’s ability to generate revenues through property related fees, charges, taxes or otherwise, and to increase appropriations. No assurances can be given as to the potential impact of any future initiative or legislation on the finances and operations of the City.

Loss of Tax Exemption

To maintain the exclusion of the interest with respect to the Bonds from gross income for federal income tax purposes, each of the Authority and the City has covenanted to comply with the applicable requirements of Section 141, Section 148 and certain other sections of the Code (as defined herein – see “TAX MATTERS”), as amended, relative to arbitrage and avoidance of characterization as private activity bonds, among other things. Interest on the Bonds could become includable in gross income for purposes of federal income taxation, retroactive to the date of execution and delivery of the Bonds as a result of acts or omissions of the Authority or the City in violation of these covenants. See “CONCLUDING INFORMATION – Tax Exemption.”

Legislation affecting the tax exemption of interest on the Bonds may be considered by the United States Congress and the State legislature. Federal and state court proceedings and the outcome of such proceedings could also affect the tax exemption of interest on the Bonds. No assurance can be given that legislation enacted or proposed, or actions by a court, after the date of issuance of the Bonds will not have an adverse effect on the tax exemption of interest on the Bonds or the market value of the Bonds.

Secondary Market

There can be no assurance that there will be a secondary market for the Bonds, or if a secondary market exists, that such Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, pricing of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could substantially differ from the original purchase price.

CONSTITUTIONAL PROVISIONS AFFECTING WASTEWATER SYSTEM REVENUES AND EXPENDITURES

Articles XIIC and XIID

General. An initiative measure entitled the “Right to Vote on Taxes Act” (the “Initiative”) was approved by the voters of the State of California at the November 5, 1996 general election. The Initiative added Article XIIC and Article XIID to the California Constitution. According to the “Title and Summary” of the Initiative prepared by the California Attorney General, the Initiative limits “the authority of local governments to impose taxes and property related assessments, fees and charges.”

Article XIID. Article XIID defines the terms “fee” and “charge” to mean “any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service.” A “property related service” is defined as “a public service having a direct relationship to property ownership.” Article XIID further provides that reliance by an agency on any parcel map (including an assessor’s parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIID requires that any agency imposing or increasing any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, if and to the extent that a fee or charge imposed by a local government for wastewater service is ultimately determined to be a “fee” or “charge” as defined in Article XIID, the local government’s ability to increase such fee or charge may be limited by a majority protest.

In addition, Article XIID includes a number of limitations applicable to existing fees and charges including provisions to the effect that: (a) revenues derived from the fee or charge may not exceed the funds required to provide the property-related service; (b) such revenues may not be used for any purpose other than that for which the fee or charge was imposed; (c) the amount of a fee or charge imposed upon any parcel or person as an incident of property ownership may not exceed the proportional cost of the service attributable to the parcel; (d) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property related fees or charges based on potential or future use of a service are not permitted; and (e) no fee or charge may be imposed for general governmental purposes.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally believed that Article XIID did not apply to charges for water services that are “primarily based on the amount consumed” (i.e., metered water rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The Supreme Court stated in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (the “Bighorn Case”), however, that fees for ongoing water service through an existing connection were property-related fees and charges. The Supreme Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218. The City has complied with the notice and public hearing requirements of Article XIID in establishing Wastewater System rates and charges.

Article XIIC. Article XIIC provides that the initiative power may not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges is applicable to all local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the Supreme Court held in the Bighorn Case that the provisions of Article XIIC included rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. In any event, the City does not believe that Article XIIC grants to the voters within the City the power to repeal or reduce rates and charges for the wastewater service in a manner which would be inconsistent with the contractual obligations of the City. However, there can be no assurance of the availability of particular remedies adequate to protect the beneficial owners of the Bonds. Remedies available to beneficial owners of the Bonds in the event of a default by the City are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain. So long as the Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the Bonds and the rights and remedies of the Bond Owners will be exercised through the procedures of DTC.

Proposition 26

Proposition 26 was approved by the electorate at the November 2, 2010 election and amended California Constitution Articles XIII A and XIII C. The proposition imposes a two-thirds voter approval requirement for the imposition of fees and charges by the State. It also imposes a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds voter approval requirement with respect to fees and charges for special purposes. Proposition 26, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters in California Constitution Articles XIII A, XIII C and XIII D pursuant to Proposition 13, approved in 1978, Proposition 218, approved in 1996, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the State or local government of providing the service or product to the payor. Proposition 26 applies to charges imposed or increased by local governments after the date of its approval. The City believes its Wastewater System rates and charges are not taxes under Proposition 26. The City is unable to predict at this time how Proposition 26 will be interpreted by the courts or what its ultimate impact will be.

Constitutional Limitations on Appropriations and Fees

Under Article XIII B of the California Constitution, as amended, state and local government entities have an annual “appropriations limit” which limits their ability to spend certain moneys called “appropriations subject to limitation,” which consist of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge. The City is of the opinion that the user charges of the Wastewater System imposed by the City do not exceed the costs the City reasonably bears in providing the Wastewater Service. In general terms, the “appropriations limit” is to be based on certain 1978/79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population, and services provided by these entities. Among other provisions of Article XIII B, if an entity’s revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Future Initiatives

Articles XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to the State’s initiative process. From time to time other initiatives have been and could be proposed and adopted affecting the Wastewater System’s revenues or ability to increase revenues. Neither the nature and impact of these measures nor the likelihood of qualification for ballot or passage can be anticipated by the Authority or the City.

UNDERWRITING

Hilltop Securities Inc. (the “Underwriter”), has agreed, subject to certain conditions, to purchase the Bonds from the City at a purchase price of \$_____ (the principal amount of the Bonds, [plus/less] a [net] original issue [premium/discount] in the amount of \$_____, less an

Underwriter's discount in the amount of \$ _____). The public offering prices may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices shown on the inside cover page hereof.

MUNICIPAL ADVISOR

The City has retained Urban Futures, Incorporated as municipal advisor to the City (the "Municipal Advisor") in connection with the issuance of the Bonds. The Municipal Advisor has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement, or any other related information available to the City, with respect to accuracy and completeness of disclosure of such information. The Municipal Advisor has reviewed this Official Statement but makes no guaranty, warranty or other representation respecting accuracy and completeness of the information contained in this Official Statement.

PROFESSIONAL FEES

In connection with the issuance of the Bonds, fees payable to Norton Rose Fulbright US LLP, Los Angeles, California, as Bond Counsel and Disclosure Counsel, Urban Futures, Inc., as Municipal Advisor, Nixon Peabody LLP, as Underwriter's Counsel, and Wells Fargo Bank, National Association, as Trustee, are contingent upon the issuance of the Bonds.

LEGAL OPINIONS

Norton Rose Fulbright US LLP, Los Angeles, California, Bond Counsel, will render an opinion substantially in the form of APPENDIX E. Bond Counsel undertakes no responsibility for the accuracy, completeness or fairness of the Official Statement. Certain matters will be passed upon by Norton Rose Fulbright US LLP, as Disclosure Counsel. Bond and Disclosure Counsel's fee for delivery of its opinion is contingent on successful execution and delivery of the Bonds. Certain matters will be passed upon for the City by the City Attorney and for the Authority by the Authority's Counsel, Dennis H. Morita, and for the Underwriter by Nixon Peabody LLP, Los Angeles, California.

NO LITIGATION

Neither the Authority nor the City is aware of any pending or threatened litigation concerning the validity of the Bonds, the Indenture, or the Installment Purchase Agreement or challenging any action taken by the Authority or the City with respect to the Bonds, the Indenture, or the Installment Purchase Agreement. Furthermore, neither the Authority nor the City is aware of any pending or threatened litigation to restrain, enjoin, question or otherwise affect the Bonds, the Indenture, or the Installment Purchase Agreement or in any way contesting or affecting the validity or enforceability of any of the foregoing or any proceedings of the Authority or the City taken with respect to any of the foregoing.

Although from time to time there are a number of lawsuits and claims pending and threatened against the City, it is the opinion of the City that such litigation, claims and threatened litigation will not materially affect the City's finances or impair its ability to make Installment Payments or otherwise meet its obligations under the Installment Purchase Agreement.

TAX MATTERS

General. The delivery of the Bonds is subject to delivery of the opinion of Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the “Code”), of the owners thereof pursuant to section 103 of the Code, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The delivery of the Bonds is also subject to the delivery of the opinion of Bond Counsel, based upon existing provisions of the laws of the State that interest on the Bonds is exempt from personal income taxes of the State. A form of Bond Counsel’s anticipated opinion is included as APPENDIX E. The statutes, regulations, rulings, and court decisions on which such opinion will be based are subject to change.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the Authority and the City made in a certificate of even date with the initial delivery of the Bonds pertaining to the use, expenditure and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Indenture by the Authority and the City subsequent to the issuance of the Bonds. The Indenture and the tax certificate with respect to the Bonds contain covenants by the Authority and the City with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be invested, the calculation and payment to the United States Treasury of any “arbitrage profits” and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust (“FASIT”), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority and the City described above. No ruling has been sought from the IRS or the State with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the IRS or the State. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If

an audit of the Bonds is commenced, under current procedures, the IRS is likely to treat the Authority as the “taxpayer,” and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Authority may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Existing law may change to reduce or eliminate the benefit to owners of the Bonds of the exclusion of interest on the Bonds from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Bonds. Prospective purchasers of the Bonds should consult with their own tax advisors with respect to any proposed or future changes in tax law.

Tax Accounting Treatment of Discount and Premium on Certain Bonds. The initial public offering of certain of the Bonds (the “Discount Bonds”) may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount, allocable to the holding period of such Discount Bond by the initial purchaser, will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond taking into account the semiannual compounding of accrued interest at the yield to maturity on such Discount Bond, and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, “S” corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued original issue discount on Discount Bonds and with respect to the state and local tax consequences of owning and disposing of

Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial offering price of certain Bonds (the “Premium Bonds”) may be greater than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Premium Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income purposes and with respect to the state and local tax consequences of owning and disposing of Premium Bonds.

RATING

S&P Global Ratings (“S&P”) has assigned its municipal bond rating of “__” to the Bonds. This rating reflects only the views of such rating agency and is not a recommendation to buy, sell or hold the Bonds. An explanation of the significance of such rating should be obtained from such rating agency at the following address: S&P Global Ratings, 55 Water Street, New York, New York 10041. No assurance can be given that such rating will be retained for any given period of time or that the same will not be revised or withdrawn entirely by the rating agency if, in its judgment, circumstances so warrant. Except as otherwise required in the Continuing Disclosure Agreement, the City and the Authority undertake no responsibility either to bring to the attention of the owners of any Bonds any downward revision or withdrawal of any rating obtained or to oppose any such revision or withdrawal. Any such downward revision or withdrawal of the rating obtained may have an adverse effect on the marketability or market price of the Bonds.

CONTINUING DISCLOSURE

The City will undertake all responsibilities for any continuing disclosure with respect to holders of the Bonds as described below, and the Authority shall have no liability to the Owners of the Bonds or any other person with respect to the Rule.

The City has covenanted for the benefit of Owners of the Bonds to provide certain financial information and operating data relating to the City by not later than [February 15] of each year, commencing with its report to be delivered not later than [February 15], 2020 (the “Annual Report”) and to provide notices of the occurrence of certain enumerated events. The Annual Report and any notices of enumerated events will be filed, or caused to be filed, by the City with the Municipal Securities Rulemaking Board (the “MSRB”) through the EMMA

system. These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5). The specific nature of the information to be contained in the Annual Report or the notices of enumerated events by the City is contained in “APPENDIX E – FORM OF CONTINUING DISCLOSURE AGREEMENT.” The City has engaged Urban Futures, Incorporated, as Dissemination Agent, to assist the City in complying with its continuing disclosure obligations under the Rule. Failure of the City to provide the required ongoing information may have a negative impact on the value of the Bonds in the secondary market, but shall not constitute a default under the Indenture or the Installment Purchase Agreement.

[insert description of lapses]

MISCELLANEOUS

Any statements made in this Official Statement involving matters of opinion or estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will realize.

The preparation and distribution of this Official Statement has been duly authorized by the Authority and the City Council of the City.

IMPERIAL PUBLIC FINANCING AUTHORITY

By: _____
Executive Director

CITY OF IMPERIAL

By: _____
City Manager

APPENDIX A

GENERAL INFORMATION ABOUT THE CITY OF IMPERIAL AND IMPERIAL COUNTY

The following information regarding the City of Imperial, California (the “City”) and the surrounding area of the County of Imperial (“Imperial County”) is presented as general background data. The Bonds are payable solely from the sources described herein (see “SECURITY FOR THE BONDS”). The taxing power of the City, Imperial County, the State of California (the “State”) or any political subdivision thereof is not pledged to the payment of the Bonds. See the information under the caption “THE BONDS.”

General Information

The City is located in Imperial County in the southernmost portion of the State in the Imperial Valley, approximately 20 miles from the California-Mexico border and approximately 125 miles east of the City of San Diego, California.

The City is situated within the proximity of two international border crossings for commercial and noncommercial vehicles and is approximately 4 miles north of the City of El Centro, which is the location of the County seat and commercial center of the County for retail, transportation, wholesale, and agricultural industries.

Population

The City’s estimated population on January 1, 2018 was 19,372. The following table shows the estimated past population data for the City.

CITY OF IMPERIAL, CALIFORNIA			
Date	Population	Date	Population
Jan. 1, 2009	14,159	Jan. 1, 2014	16,655
Jan. 1, 2010	14,667	Jan. 1, 2015	17,267
Jan. 1, 2011	15,089	Jan. 1, 2016	17,897
Jan. 1, 2012	16,008	Jan. 1, 2017	18,341
Jan. 1, 2013	16,665	Jan. 1, 2018	19,372

Source: Demographic Research Unit, California State Department of Finance.

As of January 1, 2018, the County’s population was estimated at 190,624. In percentage terms, the County’s population grew by 4.7% during the period from 2013 to 2017. The following table sets forth the County’s population from 2014 through 2018.

**POPULATION OF IMPERIAL COUNTY
AND INCORPORATED CITIES
(As of January 1)⁽¹⁾**

<u>Area</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Brawley	26,181	26,526	26,837	27,116	27,417
Calexico	40,218	40,329	40,436	40,732	41,199
Calipatria	7,483	7,387	7,486	7,537	7,488
El Centro	44,494	44,941	45,221	45,413	46,315
Holtville	6,116	6,211	6,228	6,349	6,501
Imperial	16,665	17,267	17,897	18,341	19,372
Westmorland	2,260	2,256	2,257	2,279	2,325
Unincorporated Communities	<u>38,589</u>	<u>39,652</u>	<u>39,657</u>	<u>40,154</u>	<u>40,007</u>
Total County⁽¹⁾	182,006	184,569	186,019	187,921	190,624

⁽¹⁾ Estimated.

Source: State of California, Department of Finance, Demographic Research Unit.

Climate

The City has an arid desert climate and an elevation approximately 60 feet below sea level. In January, the average temperature is approximately 73 degrees with annual average low of 57 degrees and an average annual high of 88 degrees. In July, the typical high temperature is 106 degrees with a low of 75. The average rainfall is 2.9 inches.

Government Organization

The City was founded in 1901 by the Imperial Land Company, incorporated on July 12, 1904, and encompasses approximately 5.9 square miles. From 1904 to 1990, the management of the City was the Council/Commissioner form of government, where each council member supervised specific City departments or City projects. In 1990, the City began experiencing a growth increase, and several interested land developers had prepared plans for new development within the City. In November 1990, the City converted to its present Council-Manager form of government and hired its first City Manager to supervise the City’s growth. The City Manager directs a work force of 65 full-time and 7 part-time employees and appoints department heads on the basis of specialized knowledge, experience and education in their area of responsibility. The members of the City Council, the expiration dates of their terms are set forth in the chart below.

CITY COUNCIL

Council Member	Term Expires
Robert Amparano, Mayor	November 2020
Darrell Pechtl, Mayor Pro Tem	November 2020
Geoff Dale, Councilmember	November 2022
James Tucker, Councilmember	November 2022
Karin Eugenio, Councilmember	November 2022

Employment and Industry

The following table shows employment by industry group in the County from March 2014 through 2018.

**COUNTY OF IMPERIAL
ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY GROUP
For Years March 2014 through 2018**

<u>Industry Group</u> ⁽¹⁾	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Total Wage and Salary	65,700	63,700	64,100	64,800	64,800
Total Nonfarm:	53,700	51,100	52,400	54,300	54,100
Service Providing	48,100	47,800	48,900	50,700	50,500
Total Private	35,500	32,800	33,800	35,300	35,200
Government	18,200	18,300	18,600	19,000	18,900
Trade, Transportation and Utilities	11,500	11,900	12,100	12,600	12,000
Total Farm	12,000	12,600	11,700	10,500	10,700
Retail Trade	7,700	8,100	7,900	7,700	7,800
Wholesale Trade	1,800	1,800	1,800	2,000	3,600
Manufacturing	2,400	1,100	1,700	1,800	1,600
Financial Activities	1,500	1,500	1,400	1,300	1,200

Source: State of California Employment Development Department.

Commercial Activity

A summary of historic taxable sales within the County during the past five years for which data is available is shown in the following table. Annual figures for 2017 are not yet available. Total taxable sales during calendar year 2016 in the County were reported to be \$2.46 billion, a 7.3% decrease over the total taxable sales of \$2.65 billion reported during calendar year 2015. Taxable sales data for 2017 and 2018 not yet available.

**IMPERIAL COUNTY
Taxable Retail Sales
Number of Permits and Valuation of Taxable Transactions
(Dollars in Thousands)**

<u>Year</u>	<u>Retail Stores</u>		<u>Total All Outlets</u>	
	<u>Number of Permits</u>	<u>Taxable Transactions</u>	<u>Number of Permits</u>	<u>Taxable Transactions</u>
2012	2,258	\$1,482,810	3,288	\$2,356,313
2013	2,222	1,561,647	3,239	3,661,582
2014	2,293	1,615,754	3,266	2,893,261
2015 ⁽¹⁾	1,153	1,612,423	3,509	2,652,906
2016	N/A	1,600,491	N/A	2,458,984

⁽¹⁾ Permit figures for calendar year 2015 are not comparable to that of prior years due to outlet counts in these reports including the number of outlets that were active during the reporting period. Retailers that operate part-time are now tabulated with store retailers.

Source: California State Board of Equalization, Taxable Sales in California (Sales & Use Tax).

Largest Employers

The following table lists the largest employers within the County as of January 2018, listed alphabetically.

COUNTY OF IMPERIAL Major Employers (As of January 2018)

<u>Employer Name</u>	<u>Location</u>	<u>Industry</u>
8A Packing LLC	El Centro	Labor Organizations
Academic Services	Imperial	Schools-Universities & Colleges Academic
Allstar Seed Co	El Centro	Seeds & Bulbs-Wholesale
Calipatria State Prison	Calipatria	Government Offices-State
Centinela State Prison	Imperial	Government Offices-State
Central Union High School	El Centro	Schools
Clinicas De Salud Del Pueblo	Brawley	Clinics
El Centro Naval Air Facility	El Centro	Federal Government-National Security
El Centro Regional Medical Ctr	El Centro	Hospitals
Imperial County Bhvrl Health	El Centro	Government Offices-County
Imperial County Coroner	El Centro	Government Offices-
Imperial County Office-Educ	El Centro	County Schools
Imperial County Sheriff	El Centro	Government Offices-County
Imperial Date Gardens	Winterhaven	Nurserymen
Imperial Irrigation District	El Centro	Distribution Services
Imperial Irrigation District	Imperial	Distribution Services
Jjall Llc	Calexico	Labor Contractors
Paradise Casino	Winterhaven	Casinos
Pioneers Memorial Healthcare	Brawley	Health Care Management
Spreckels Sugar Co Inc	Brawley	Sugar Refiners (Mfrs)
United States Gypsum Co	Imperial	Gypsum & Gypsum Products (Mfrs)
US Border Patrol	El Centro	Government Offices-Us
Walmart Supercenter	El Centro	Department Stores
Walmart Supercenter	Calexico	Department Stores
Walmart Supercenter	Brawley	Department Stores

Source: California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2018 1st Edition.

Construction Activity

Provided below are the building permits and valuations for the County for calendar years 2013 through 2017.

IMPERIAL COUNTY Total Building Permit Valuations (Valuations in Thousands)

Permit Valuation	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
New Single-family	\$67,396.6	\$33,809.0	\$26,492.3	\$48,224.3	\$36,490.5
New Multi-family	0.0	9,582.3	20,797.8	7,761.8	773.7
Res. Alterations/Additions	<u>4,389.1</u>	<u>4,211.5</u>	<u>6,386.9</u>	<u>10,004.3</u>	<u>5,116.4</u>
Total Residential ⁽¹⁾	\$71,785.7	\$47,602.8	\$53,677.0	\$65,990.4	\$42,390.6
New Commercial	\$ 44,242.9	\$ 6,833.1	\$18,009.0	\$22,447.5	\$ 63,056.3
New Industrial	17,735.4	10,009.0	2,000.0	1,239.2	1,977.2
New Other	507,195.9	3,971.0	13,405.1	48,814.3	94,446.4
Com. Alterations/Additions	<u>22,475.6</u>	<u>12,257.6</u>	<u>13,616.3</u>	<u>18,720.0</u>	<u>12,701.0</u>
Total Nonresidential ⁽¹⁾	\$591,649.8	\$33,070.7	\$47,030.4	\$91,221.0	\$172,181.0
New Dwelling Units					
Single Family	334	179	125	230	191
Multiple Family	<u>0</u>	<u>59</u>	<u>133</u>	<u>41</u>	<u>8</u>
TOTAL	334	238	258	271	199

⁽¹⁾ Totals may not add due to rounding.

Source: Construction Industry Research Board, Building Permit Summary.

Agricultural Production

The County is one of the State's major agricultural producers, ranking as one of the top ten agricultural counties in California. Farming is concentrated in the Imperial Valley, an approximately one thousand square mile area that extends from the Mexican border north of the Salton Sea. Much of this farmland is owned by large farmers. Because the average annual rainfall in the County is less than three inches, an extensive irrigation system has been developed which provides adequate water from the Colorado River through the All-America Canal and the Imperial Irrigation District. The City is the headquarters for the Imperial Irrigation District, the sixth largest power utility in the State and one of the largest irrigation districts in the world. The Imperial Irrigation District provides jobs for more than 1,500 people, services irrigation wastewater to nearly 500,000 acres of farmland, and generates and distributes electricity to a 6,741 square mile area.

The County Department of Agriculture estimates that agricultural production totaled \$2,081,214,000 in 2017. The following table provides an agricultural production summary from 2013 through 2017.

**COUNTY OF IMPERIAL
TOTAL AGRICULTURAL PRODUCTION
For Years 2013 through 2017**

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Livestock	\$ 617,371,000	\$ 410,512,000	\$ 502,065,000	\$ 468,176,000	\$ 486,176,000
Field Crops	470,461,000	530,849,000	422,319,000	381,181,000	381,181,000
Vegetables & Melon Crops	865,401,000	723,260,000	805,021,000	1,006,345,000	1,006,345,000
Fruit & Nut Crops	100,019,000	95,909,000	83,277,000	80,098,000	80,098,000
Seed & Nursery Crops	100,557,000	93,818,000	107,673,000	123,057,000	123,057,000
Apiary Products	<u>4,708,000</u>	<u>4,441,000</u>	<u>4,779,000</u>	<u>4,357,000</u>	<u>4,357,000</u>
TOTAL	\$2,158,517,000	\$1,858,789,000	\$1,925,134,000	\$2,063,214,000	\$2,081,214,000

Source: Imperial County Department of Agriculture.

Transportation

Imperial is served by Greyhound and local bus lines, several truck lines and Southern Pacific Railroad. The Imperial County Airport, also known as Boley Field, is a public airport located in the City, which is used mostly for general aviation, air freight and cargo but is also served by one commercial airline, Mokulele Airlines. There are four additional airports in the county that provide general aviation activities; Holtville Airport (operated by the County), Calexico International Airport, Brawley Municipal Airport and Calipatria Airport.

The City is within four miles of interstate highway 8 for east-west traffic, and is intersected by state highway 86 for north-south traffic. The County is situated on the US-Mexican border with three strategic Ports of Entry: Calexico, Calexico East, and Algodones. The main east-west route is Interstate 8. The two north-south routes are Route 86 and Route 111, which are both part of the State's expressway system. These routes serve as the southwest NAFTA corridor, bringing goods from the industrial center of Baja, California to major markets on the west coast of the US and Canada.

Rail service in the County includes feeder Union Pacific lines connecting Calexico-Mexicali to the southern mainline in Niland passing through Heber, El Centro, Imperial, Brawley, and Calipatria. A short portion of the SDIV line from Plaster City to El Centro is also operated by Union Pacific. There is no passenger rail service.

Services and Facilities

Education. The City is served by two elementary schools, one junior high school and one high school. Higher education is available at Imperial Valley College, offering a two-year program and located in the City, and at San Diego State University (Brawley External Campus), a four-year college located in Calexico, California. University of Phoenix is located in El Centro, California.

Health Care Services. There are several medical facilities located within the City. These facilities offer the services of physicians, surgeons, dentists, optometrists and chiropractors. The closest hospital facility is located approximately three miles from the City in neighboring El Centro, California.

Cultural and Recreational Resources. A variety of recreational facilities are located nearby the City. For camping and dune buggy enthusiasts, located approximately 40 miles east of the City is the Imperial Sand Dunes Recreation Area, which is managed by the California Bureau of Land Management. The Imperial Sand Dunes Recreation Area is located within the Algodones sand dune field, which is approximately 45 miles long and 6 miles wide.

Three year-round golf courses are located within minutes of the City. The Salton Sea, located approximately 50 miles north of the City, is one of the world's largest inland seas and lowest spots on earth at 227 feet below sea level. The Salton Sea Recreational Area covers 14 miles of the northeastern shore and is available for camping, boating, water skiing, and fishing. Within the vicinity of the City are also areas for dove, quail, duck, pheasant and geese hunting.

The California Mid-Winter Fairground & Fiesta, located in the heart of Imperial, host the County's largest event, the ten-day fair, as well as many other festivals, barbecues, car races, concerts, trade shows, and private parties. Mexicali, Mexico, is located approximately 25 miles south of the City and offers quaint souvenir shops and dining.

Power and Water Supplies. Power and water are supplied to the County through the Imperial Irrigation District. The Imperial Irrigation District supplies approximately 500,000 acres of County farmland with Colorado River water to support irrigation. In addition to providing irrigation, the Imperial Irrigation District also supplies electrical energy to the Imperial Valley. The Imperial Irrigation District maintains over 3,000 miles of canals and drains are used to transport water from the Colorado River to the County's municipalities and cultivated areas.

The County has the largest known geothermal reserve in the nation which represents a power magnitude equal to an electrical potential of about 3,000 megawatts. Currently, the County has geothermal power facilities consisting of 10 generating plants in the Salton Sea Known Geothermal Resource Area. The combined capacity at of the facilities is approximately 327 net megawatts (nominal).

There are some minerals and metals located in the County. Gold is mined on the eastern border of the County and gypsum on the western border. There are also quantities of semiprecious stones such as emeralds and aquamarine.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE CITY OF IMPERIAL
FOR FISCAL YEAR ENDED JUNE 30, 2018**

APPENDIX C

**SUMMARY OF CERTAIN PROVISIONS OF THE
PRINCIPAL LEGAL DOCUMENTS**

APPENDIX D

BOOK ENTRY SYSTEM

The information in this Appendix D concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book-entry system has been obtained from DTC and neither the Authority nor the City take any responsibility for the completeness or accuracy thereof. Neither the Authority nor the City provide any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix D. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has an S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. No information on such website is incorporated herein by reference.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the

Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium (if any), and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Principal, premium (if any), and interest payments with respect to the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Bonds are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, representing the Bonds will be printed and delivered to DTC in accordance with the provisions of the Indenture.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the City believe to be reliable, but neither the Authority nor the City takes any responsibility for the accuracy thereof.

APPENDIX E
FORM OF BOND COUNSEL OPINION

APPENDIX F

FORM OF CONTINUING DISCLOSURE AGREEMENT