

INSTALLMENT PURCHASE AGREEMENT

INSTALLMENT PURCHASE AGREEMENT

by and between

CITY OF CALEXICO,
as Purchaser

and

CALEXICO FINANCING AUTHORITY,
as Seller

Dated as of December 1, 2018

Relating to

[\$Par Amount]
CALEXICO FINANCING AUTHORITY
WATER REVENUE BONDS
SERIES 2018A

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EXHIBIT A – PURCHASE PRICE

INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, made and entered into as of December 1, 2018, by and between the CITY OF CALEXICO, a general law city and a municipal corporation duly organized and existing under and by virtue of the laws of the State of California (the “Purchaser”), and the CALEXICO 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”):

W I T N E S S E T H:

WHEREAS, the Purchaser proposes to finance certain improvements to the Purchaser’s water system, as more particularly described herein (collectively, the “Improvements”); and

WHEREAS, the Authority has agreed to assist the Purchaser by refunding and defeasing the \$14,030,000 Community Redevelopment Agency of the City of Calexico Water System Lease Revenue Bonds Issuer of 2007, currently outstanding in the aggregate principal amount of \$_____, and financing the Improvements for the Purchaser on the terms and conditions set forth in this Agreement; and

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

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 GOOD AND 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 Water Revenues

The term "Additional Water 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 Water Revenues from any additions or improvements to or extensions of the Water 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 Water 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 Water Revenues arising from any increase in the charges made for service from the Water System that has become effective or will 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 Water 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, dated as of December 1, 2018, by and between the Purchaser and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

Authority

The term “Authority” means Calexico 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 Calexico Financing Authority Water Revenue Bonds, Series 2018A.

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 Series 2018A Installment Payments and Installment Payments and that are secured by a pledge of and lien on the Net Water Revenues.

Contracts

The term “Contracts” means this Agreement and all contracts of the Purchaser authorized and executed by the Purchaser, the installment payments under which are on a parity with the Series 2018A Installment Payments and that are secured by a pledge and lien on the Net Water Revenues.

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” means any additions, betterments, extensions or improvements to the Water System, the design, acquisition or construction of which (together with the incidental costs and expenses related thereto) is to be financed by the proceeds of the Bonds, including, but not limited to

Indenture

The term “Indenture” means the Indenture of Trust, dated as of December 1, 2018, 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 certified public accountant or firm of certified public accountants appointed and paid by the Authority, and who, or each of whom:

- (a) is in fact independent and not under domination of the Authority or the City;
- (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and
- (c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

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 2018A 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 2018A 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 2018A Installment Payments; Interest Component of Series 2018A Installment Payments; Principal Component of Series 2018A 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 2018A Installment Payments” means the Installment Payments scheduled to be paid by the Purchaser under and pursuant hereto. The term “Interest Component of Series 2018A Installment Payment”, with respect to any Series 2018A 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 2018A Installment Payment”, with respect to any Series 2018A 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 ____ 1 and ____ 1 in each year, as applicable, beginning _____ 1, 2019, and continuing so long as any Authority Bonds remain Outstanding.

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, Authority Bonds 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 Series 2018A Installment Payments and 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 Water Revenues

The term “Net Water Revenues” means, for any Fiscal Year, the Water 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 Water 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 Water System in good repair and working order, and including administrative costs of the Purchaser that are charged directly or apportioned to the Water System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys, 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 Calexico, a general law city and 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 The Bank of New York Mellon Trust Company, N.A., acting in its capacity as Trustee under and pursuant to the Indenture, and its successors and assigns.

Water Service

The term "Water Service" means the water providing service made available or provided by the Water System.

Water Revenues

The term "Water Revenues" means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Water 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 water, or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business

of the Water System, revenues from the lease of any water rights and/or water pumping allocations, 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 Water System,

(3) any impact fees and connection fees imposed for specific purposes (except for any such fees imposed for the financing or payment of the Improvements) as specified by resolutions or ordinances adopted by the City Council, and

(4) 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

(5) 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.

Water System

The term "Water System" means the whole and each and every part of the water system of the Purchaser, including the portion thereof existing on the date hereof, and including all additions, betterments, extensions and improvements to such water system or any part thereof hereafter acquired or constructed.

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 Chairman, Vice Chairman, or Executive Director or (ii) the Purchaser by the Mayor, Vice Mayor or City Manager 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.

ARTICLE II.

REPRESENTATIONS AND WARRANTIES

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

(a) The Purchaser is a general law city and 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 2018A 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 State of California personal income taxes.

(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 the interest on any Authority Bond would fail to be excluded pursuant to section 103(a) of the Code from the gross income of the owner thereof for purposes of federal income taxation, or to fail to be exempt from State of California personal income taxes.

ARTICLE III.

ISSUANCE OF AUTHORITY BONDS; SALE AND PURCHASE OF THE 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 _____ Dollars (\$[Par Amount]). The Authority and the Purchaser 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 Purchaser 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 Purchaser as Agent of Authority. The Authority hereby appoints the Purchaser as its agent to carry out all phases of the Acquisition and Construction of the additional Improvements to the Water System 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 Improvements. As consideration for the Purchaser's agreement to make Series 2018A Installment Payments in accordance with Section 4.2 hereof, the Authority hereby agrees to sell, and the Purchaser hereby agrees to purchase, the 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 2018A 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 2018A Installment Payment Date is set forth in Exhibit A hereto; provided, however, the amount payable by the Purchaser to the Authority on each Series 2018A 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 2018A 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 2018A Installment Payment Date as set forth in Exhibit A hereto.

Each Series 2018A Installment Payment shall be paid to the Authority in lawful money of the United States of America. If 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 2018A Installment Payments if paid in accordance with their terms.

The obligation of the Purchaser to make the Series 2018A 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 2018A Installment Payments required to be made by it under this section when due, whether or not the Water 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 2018A 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 Net Water Revenues. All Net Water Revenues are hereby irrevocably pledged to the payment of the Series 2018A Installment Payments as provided herein and Net Water Revenues shall not be used for any purpose other than as permitted herein while any of the Series 2018A Installment Payments remain unpaid. This pledge shall constitute a lien on Net Water Revenues, including Net Water Revenues in the Revenue Fund established herein, subject to the terms hereof, for the payment of the Series 2018A Installment Payments and all other Contracts and Bonds in accordance with the terms hereof and the Indenture.

Section 5.2. Allocation of Net Water Revenues. To carry out and effectuate the pledge and lien contained herein, the Purchaser agrees and covenants that all Water Revenues 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. Moneys in the Revenue Fund shall be used and applied by the Purchaser as provided in this Agreement.

The Purchaser shall, first 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 Net Water Revenues 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 5.2.

(a) Bond Payment Fund. On or before each Series 2018A 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 2018A Installment Payment due and payable on that Series 2018A Installment Payment Date. Such deposit to the Bond Payment Fund shall be reduced to the extent amounts on deposit therein are available for application to the Series 2018A Installment Payment due and payable on such Series 2018A Installment Payment Date. Notwithstanding anything to the contrary herein, investment earnings received by the Trustee from the investment of moneys on deposit in the Bond Payment Fund are to be retained by the Trustee and applied by it as provided for in the Indenture.

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.

(b) Reserve Funds. On or before each Series 2018A Installment Payment Date until the Authority Bonds have been paid, or provision for their payment has been made as provided in Section 10.3 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 or other fiduciary for deposit in any reserve fund and/or account as may have been established in connection with Bonds or Contracts, other than this Agreement, that sum, if any, necessary to restore such reserve fund or account to an amount equal to the amount required to be maintained therein.

(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; and

(b) The Net Water 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 Water Revenues, shall be at least equal to one hundred twenty five percent (125%) of the amount of Maximum Annual Debt Service.

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 any reserve fund deposit required therefor) 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.

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 2018A 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 Water 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 Net Water 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 Net Water 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 Net Water Revenues senior to the pledge of and lien on Net Water Revenues of the Series 2018A 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 Water System or any part thereof necessary to secure adequate Net Water Revenues for the payment of the Series 2018A Installment Payments, or that would otherwise impair the rights of the Authority hereunder or the operation of the Water System. Any real or personal property that has become nonoperative or that is not needed for the efficient and proper operation of the Water 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 2018A 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 Water 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 Water System exercising any remedy that would deprive the Purchaser of or otherwise interfere with its right to own and operate such portion of the Water System.

Section 6.4. Reserved.

Section 6.5. Reserved.

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

Section 6.7. 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 Net Water 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 2018A Installment Payments or to the Owners prior or superior to the lien of the Series 2018A Installment Payments or that might impair the security of the Series 2018A 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 Water System with responsible insurers in such amounts and against such risks (including damage to or destruction of the Water System) as are usually covered in connection with facilities similar to the Water System, so long as such insurance is available from reputable insurance companies at reasonable costs.

In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the following shall apply; provided however, the following shall not apply, if (1) the Net Proceeds are less than \$50,000, in which case the Purchaser may determine the use of such proceeds; or (2) the Purchaser certifies in a Written Order of the Purchaser delivered to the Trustee that if the damaged or destroyed portion of the Water System is not repaired or replaced, the Water System will generate Net Water Revenues equal to at least 125% of the amount described in clause (b) of Section 6.12 for each

future fiscal year that the Bonds are scheduled to remain outstanding without a rate increase triggering a noticed Proposition 218 rate hearing:

(i) The Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water 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 Water System shall be free and clear of all claims and liens.

(ii) 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 2018A 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 Water System, and/or not to construct other additions, betterments, extensions or improvements to the Water System; and thereupon such Net Proceeds shall be applied to the prepayment of Series 2018A Installment Payments as provided in Article VII and to the retirement of such Bonds and Contracts.

(iii) If such Net Proceeds exceed the costs of such reconstruction, repair or replacement portion of the Water System, and/or the cost of the construction of additions, betterments, extensions or improvements to the Water System, then the excess Net Proceeds may, in the Purchaser's discretion, be applied in part to the prepayment of Series 2018A 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 2018A Installment Payments then bears to the aggregate unpaid principal amount 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 water systems similar to the Water 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 water systems similar to the Water 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 Water 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, 2019);

(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) a detailed report as to all insurance policies maintained and self-insurance programs maintained by the Purchaser with respect to the Water 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 and a statement that all such policies comply with Section 6.8 hereof.

The Trustee shall have no duty to review, verify or analyze the documents provided to it pursuant to this Section 6.8(b)(1) and shall hold such documents solely as a repository for the benefit of the Owners. The Trustee shall not be deemed to have notice of any information contained therein or default or Event of Default which may be disclosed therein in any manner.

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 2018A 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 Water System, or any part thereof or upon the Water 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 Water 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. To the extent permitted by law, the Purchaser shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Water 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; and

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

In addition, to the extent permitted by law, the Purchaser shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year that are sufficient to yield Net Water Revenues that are at least equal to one hundred twenty five percent (125%) 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 rules and regulations requiring each customer to pay the rates, fees and charges applicable to the Water 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 Water System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows; provided however, the following shall not apply, if (1) the Net Proceeds are less than \$50,000, in which case the Purchaser may determine the use of such proceeds; or (2) the Purchaser certifies in a Written Order of the Purchaser delivered to the Trustee that if the portion of the Water System taken by eminent domain is not replaced, the Water System will generate Net Water Revenues equal to at least 125% of the amount described in clause (b) of Section 6.12 for each future fiscal year that the Bonds are scheduled to remain outstanding without a rate increase triggering a noticed Proposition 218 rate hearing:

(a) If (1) the Purchaser files with the Authority and the Trustee a certificate showing (i) the estimated loss of annual Net Water 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 Water System proposed to be acquired and constructed by the Purchaser from such Net Proceeds, and (iii) an estimate of the additional annual Net Water 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 Water Revenues will sufficiently offset the estimated loss of annual Net Water 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 2018A 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 2018A Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

(c) If (1) the Purchaser files with the Authority and the Trustee a certificate showing (i) the estimated loss of annual Net Water 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 Water System proposed to be acquired and constructed by the Purchaser from such Net Proceeds, and (iii) an estimate of the additional annual Net Water 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 Water Revenues will sufficiently offset the estimated loss of annual Net Water 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.

(d) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the Purchaser in part to the prepayment of Series 2018A 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 2018A 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 U.S. 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 Water 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 Water 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 Water System as may be reasonably necessary to cause the proper maintenance of the Water System in the event of failure by the Purchaser to perform its obligations hereunder.

ARTICLE VII.

PREPAYMENT OF SERIES 2018A INSTALLMENT PAYMENTS

Section 7.1. Prepayment.

(a) 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 2018A 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).

(b) The Purchaser may exercise its option to prepay the principal components of the Series 2018A 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 forty (40) 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(a), the Purchaser shall, within ten (10) Business 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. The Purchaser shall, within sixty (60) days of such written notice or three Business Days following the date on which the Purchaser receives actual notice of the amount of Net Proceeds to be received by the Purchaser as described in the Section 6.8 or 6.14 (whichever occurs later), specify the date on which the prepayment will be made, which date shall be ninety (90) days or longer from the date the written notice was given by the Purchaser, 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 2018A 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, which period shall not extend more than one hundred eighty (180) days from the date of the default notice; 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 2018A 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 2018A 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 2018A 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 2018A 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 2018A 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 Net Water 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; and

Second, to the payment of the entire principal amount of the unpaid Series 2018A 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 2018A 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 Water System or any other real property of the Purchaser and no default hereunder shall result in the loss of the Improvements or the Water 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 2018A Installment Payments to the Authority at the respective due dates or upon prepayment from the Net Water

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 2018A 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 2018A 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 2018A 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 2018A Installment Payments, sufficient moneys and Permitted Investments described in paragraph (1), (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 2018A Installment Payments to their respective Series 2018A 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 2018A 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 2018A 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 2018A Installment Payments).

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 2018A 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 2018A Installment Payments, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of the Series 2018A Installment Payments and shall be applied by the Trustee to the payment of the Series 2018A Installment Payments of the Purchaser.

ARTICLE X.

MISCELLANEOUS

Section 10.1. Liability of Purchaser Limited to Net Water Revenues. Notwithstanding anything contained herein, the Purchaser shall not be required to advance any moneys derived from any source of income other than the Net Water Revenues, the Revenue Fund and the other funds provided herein and in the Indenture for the payment of the Series 2018A 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 2018A Installment Payments is a special obligation of the Purchaser payable solely from Net Water 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 2018A 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 2018A 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. This Agreement shall be governed by and construed 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 Calexico
608 Heber Avenue
Calexico, California 92231
Attention: City Manager
Telephone:
Facsimile:

If to the Authority: Calexico Financing Authority
608 Heber Avenue
Calexico, California 92231
Attention:
Telephone:
Facsimile:

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. 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 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 so long as such limitation or surrender of such rights or powers shall not materially adversely affect the Owners of the Authority Bonds;

(2) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Agreement, or in any other respect whatsoever as the Authority or the Purchaser 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 Authority Bonds in the reasonable judgment of the Authority;

(3) to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes under the Code, if applicable; and

(4) to make such other amendments or modifications that do not materially adversely affect the 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.

[Remainder of page intentionally left blank.]

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 CALEXICO

By: _____
Chairman

CALEXICO FINANCING AUTHORITY

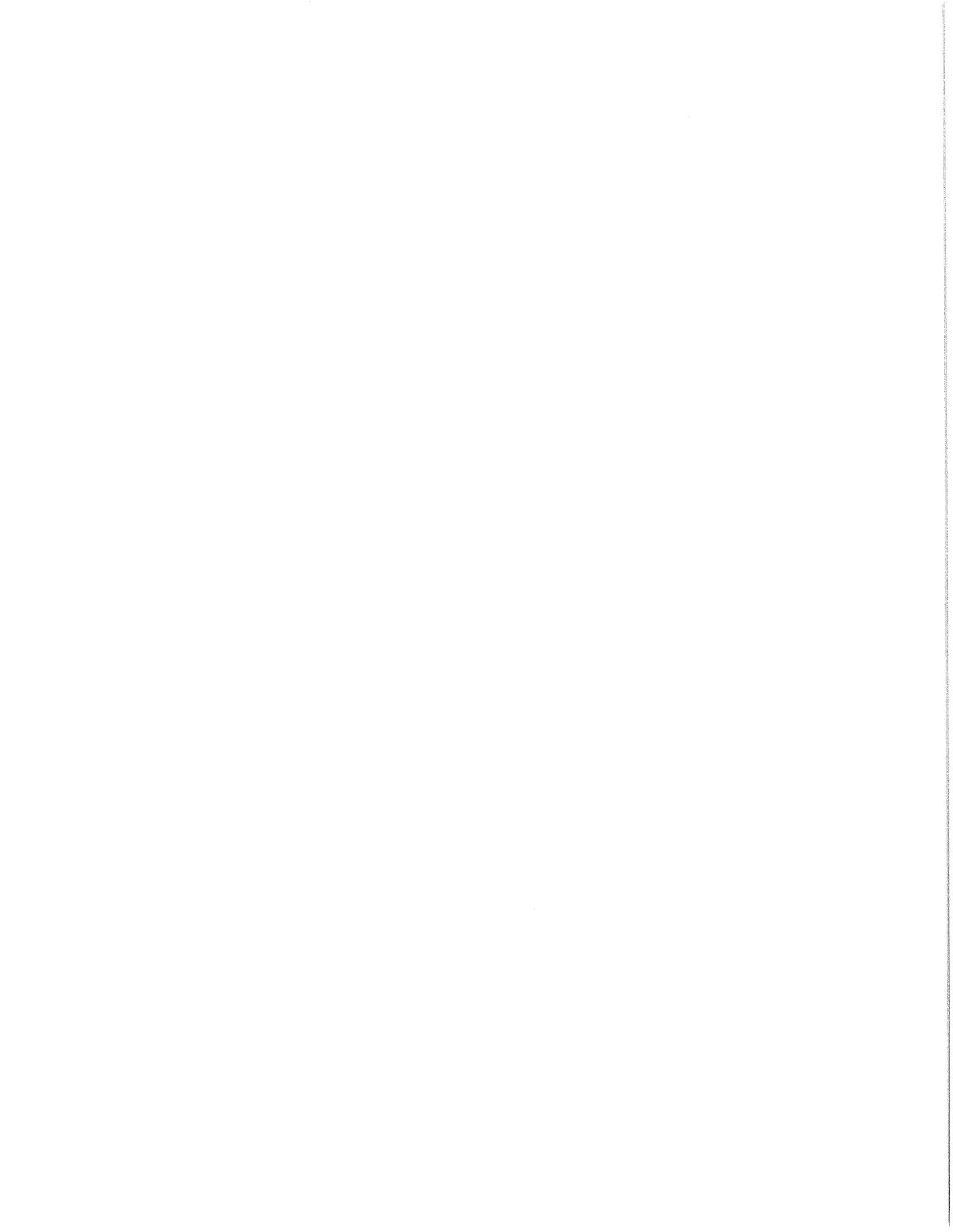
By: _____
Executive Director

EXHIBIT A

PURCHASE PRICE

1. The principal amount of payments to be made by the Purchaser hereunder is \$[Par Amount].
2. The installment payments of principal and interest are payable in the amounts and on the Installment Payment Dates as follows:

Series 2018A Installment Payment Date Preceding each of the following Interest Payment Dates	Amount Attributable to Principal	Amount Attributable to Interest	Total
---	--	---------------------------------------	-------



INSTALLMENT PURCHASE AGREEMENT

by and between

CITY OF CALEXICO,
as Purchaser

and

CALEXICO FINANCING AUTHORITY,
as Seller

Dated as of December 1, 2018

Relating to

[\$Par Amount]
CALEXICO FINANCING AUTHORITY
WASTEWATER REVENUE BONDS
SERIES 2018A

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EXHIBIT A – PURCHASE PRICE

INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, made and entered into as of December 1, 2018, by and between the CITY OF CALEXICO, a general law city and a municipal corporation duly organized and existing under and by virtue of the laws of the State of California (the "Purchaser"), and the CALEXICO 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"):

W I T N E S S E T H:

WHEREAS, the Purchaser proposes to finance certain improvements to the Purchaser's wastewater system, as more particularly described herein (collectively, the "Improvements"); and

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; and

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

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 GOOD AND 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 Water Revenues

The term "Additional Water 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 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 System that has become effective or will 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, dated as of December 1, 2018, by and between the Purchaser and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

Authority

The term “Authority” means Calexico 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 Calexico Financing Authority Wastewater Revenue Bonds, Series 2018A.

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 Series 2018A Installment Payments and Installment Payments and that are secured by a pledge of and lien on the Net Wastewater Revenues.

Contracts

The term “Contracts” means this Agreement and all contracts of the Purchaser authorized and executed by the Purchaser, the installment payments under which are on a parity with the Series 2018A Installment Payments and that are secured by a pledge and lien on the Net Wastewater Revenues.

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” means any additions, betterments, extensions or improvements to the Wastewater System, the design, acquisition or construction of which (together with the incidental costs and expenses related thereto) is to be financed by the proceeds of the Bonds, including, but not limited to

Indenture

The term “Indenture” means the Indenture of Trust, dated as of December 1, 2018, 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 certified public accountant or firm of certified public accountants appointed and paid by the Authority, and who, or each of whom:

- (a) is in fact independent and not under domination of the Authority or the City;
- (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and
- (c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

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 2018A 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 2018A 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 2018A Installment Payments; Interest Component of Series 2018A Installment Payments; Principal Component of Series 2018A 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 2018A Installment Payments” means the Installment Payments scheduled to be paid by the Purchaser under and

pursuant hereto. The term “Interest Component of Series 2018A Installment Payment”, with respect to any Series 2018A 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 2018A Installment Payment”, with respect to any Series 2018A 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 ____ 1 and ____ 1 in each year, as applicable, beginning _____ 1, 2019, and continuing so long as any Authority Bonds remain Outstanding.

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, Authority Bonds 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 Series 2018A Installment Payments and 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 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 System in good repair and working order, and including administrative costs of the Purchaser that are charged directly or apportioned to the Wastewater 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 Calexico, a general law city and 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 The Bank of New York Mellon Trust Company, N.A., acting in its capacity as Trustee under and pursuant to the Indenture, and its successors and assigns.

Wastewater Service

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

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 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 services and facilities or in the conduct or operation of the business of the Wastewater 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, charges or other moneys derived by the Purchaser from operations not related to the Wastewater System,
- (3) any impact fees and connection fees imposed for specific purposes (except for any such fees imposed for the financing or payment of the Improvements) as specified by resolutions or ordinances adopted by the City Council, and
- (4) 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
- (5) 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 System

The term “Wastewater System” means the whole and each and every part of the wastewater system of the Purchaser, including the portion thereof existing on the date hereof, and including all additions, betterments, extensions and improvements to such wastewater 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 Chairman, Vice Chairman, or Executive Director or (ii) the Purchaser by the Mayor, Vice Mayor or City Manager 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.

ARTICLE II.

REPRESENTATIONS AND WARRANTIES

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

(a) The Purchaser is a general law city and 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 2018A 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 State of California personal income taxes.

(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 the interest on any Authority Bond would fail to be excluded pursuant to section 103(a) of the Code from the gross income of the owner thereof for purposes of federal income taxation, or to fail to be exempt from State of California personal income taxes.

ARTICLE III.

ISSUANCE OF AUTHORITY BONDS; SALE AND PURCHASE OF THE 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 _____ Dollars (\$[Par Amount]). The Authority and the Purchaser 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 Purchaser 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 Purchaser as Agent of Authority. The Authority hereby appoints the Purchaser as its agent to carry out all phases of the Acquisition and Construction of the additional Improvements to the Wastewater System 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 Improvements. As consideration for the Purchaser's agreement to make Series 2018A Installment Payments in accordance with Section 4.2 hereof, the Authority hereby agrees to sell, and the Purchaser hereby agrees to purchase, the 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 2018A 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 2018A Installment Payment Date is set forth in Exhibit A hereto; provided, however, the amount payable by the Purchaser to the Authority on each Series 2018A 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 2018A 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 2018A Installment Payment Date as set forth in Exhibit A hereto.

Each Series 2018A Installment Payment shall be paid to the Authority in lawful money of the United States of America. If 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 2018A Installment Payments if paid in accordance with their terms.

The obligation of the Purchaser to make the Series 2018A 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 2018A Installment Payments required to be made by it under this section when due, whether or not the Wastewater 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 2018A 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 Net Wastewater Revenues. All Net Wastewater Revenues are hereby irrevocably pledged to the payment of the Series 2018A Installment Payments as provided herein and Net Wastewater Revenues shall not be used for any purpose other than as permitted herein while any of the Series 2018A Installment Payments remain unpaid. This pledge shall constitute a lien on Net Wastewater Revenues, including Net Wastewater Revenues in the Revenue Fund established herein, subject to the

terms hereof, for the payment of the Series 2018A Installment Payments and all other Contracts and Bonds in accordance with the terms hereof and the Indenture.

Section 5.2. Allocation of Wastewater Revenues. To carry out and effectuate the pledge and lien contained herein, the Purchaser agrees and covenants that all Wastewater Revenues 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. Moneys in the Revenue Fund shall be used and applied by the Purchaser as provided in this Agreement.

The Purchaser shall, first 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 Net Wastewater Revenues 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 5.2.

(a) Bond Payment Fund. On or before each Series 2018A 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 2018A Installment Payment due and payable on that Series 2018A Installment Payment Date. Such deposit to the Bond Payment Fund shall be reduced to the extent amounts on deposit therein are available for application to the Series 2018A Installment Payment due and payable on such Series 2018A Installment Payment Date. Notwithstanding anything to the contrary herein, investment earnings received by the Trustee from the investment of moneys on deposit in the Bond Payment Fund are to be retained by the Trustee and applied by it as provided for in the Indenture.

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.

(b) Reserve Funds. On or before each Series 2018A Installment Payment Date until the Authority Bonds have been paid, or provision for their payment has been made as provided in Section 10.3 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 or other fiduciary for deposit in any reserve fund and/or account as may have been established in connection with Bonds or Contracts, other than this Agreement, that sum, if any, necessary to restore such reserve fund or account to an amount equal to the amount required to be maintained therein.

(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; and

(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 twenty five percent (125%) of the amount of Maximum Annual Debt Service.

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 any reserve fund deposit required therefor) 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.

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 2018A 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 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 Net 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 Net

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 Net Wastewater Revenues senior to the pledge of and lien on Net Wastewater Revenues of the Series 2018A 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 System or any part thereof necessary to secure adequate Net Wastewater Revenues for the payment of the Series 2018A Installment Payments, or that would otherwise impair the rights of the Authority hereunder or the operation of the Wastewater System. Any real or personal property that has become nonoperative or that is not needed for the efficient and proper operation of the Wastewater 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 2018A 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 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 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 System.

Section 6.4. Reserved.

Section 6.5. Reserved.

Section 6.6. Maintenance and Operation of the Wastewater System. The Purchaser will maintain and preserve the Wastewater System in good repair and working order at all times and will operate the Wastewater 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 Net 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 2018A Installment Payments or to the Owners prior or superior to the lien of the Series 2018A Installment Payments or that might impair the security of the Series 2018A 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 System with responsible insurers in such amounts and against such risks (including damage to or destruction of the Wastewater System) as are usually covered in connection with facilities similar to the Wastewater 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 System caused by the perils covered by such insurance, the following shall apply; provided however, the following shall not apply, if

(1) the Net Proceeds are less than \$50,000, in which case the Purchaser may determine the use of such proceeds; or (2) the Purchaser certifies in a Written Order of the Purchaser delivered to the Trustee that if the damaged or destroyed portion of the Wastewater System is not repaired or replaced, the Wastewater System will generate Net Wastewater Revenues equal to at least 125% of the amount described in clause (b) of Section 6.12 for each future fiscal year that the Bonds are scheduled to remain outstanding without a rate increase triggering a noticed Proposition 218 rate hearing:

(i) The Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Wastewater 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 System shall be free and clear of all claims and liens.

(ii) 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 2018A 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 System, and/or not to construct other additions, betterments, extensions or improvements to the Wastewater System; and thereupon such Net Proceeds shall be applied to the prepayment of Series 2018A Installment Payments as provided in Article VII and to the retirement of such Bonds and Contracts.

(iii) If such Net Proceeds exceed the costs of such reconstruction, repair or replacement portion of the Wastewater System, and/or the cost of the construction of additions, betterments, extensions or improvements to the Wastewater System, then the excess Net Proceeds may, in the Purchaser's discretion, be applied in part to the prepayment of Series 2018A 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 2018A Installment Payments then bears to the aggregate unpaid principal amount 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 systems similar to the Wastewater 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 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 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, 2019);

(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) a detailed report as to all insurance policies maintained and self-insurance programs maintained by the Purchaser with respect to the Wastewater 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 and a statement that all such policies comply with Section 6.8 hereof.

The Trustee shall have no duty to review, verify or analyze the documents provided to it pursuant to this Section 6.8(b)(1) and shall hold such documents solely as a repository for the benefit of the Owners. The Trustee shall not be deemed to have notice of any information contained therein or default or Event of Default which may be disclosed therein in any manner.

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 2018A 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 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 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. To the extent permitted by law, the Purchaser shall 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 Net 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; and

(c) 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, to the extent permitted by law, the Purchaser 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 twenty five percent (125%) 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 rules and regulations requiring each customer to pay the rates, fees and charges applicable to the Wastewater 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 System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows; provided however, the following shall not apply, if (1) the Net Proceeds are less than \$50,000, in which case the Purchaser may determine the use of such proceeds; or (2) the Purchaser certifies in a Written Order of the Purchaser delivered to the Trustee that if the portion of the Wastewater System taken by eminent domain is not replaced, the Wastewater System will generate Net Wastewater Revenues equal to at least 125% of the amount described in clause (b) of Section 6.12 for each future fiscal year that the Bonds are scheduled to remain outstanding without a rate increase triggering a noticed Proposition 218 rate hearing:

(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 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 2018A 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 2018A Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

(c) 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 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.

(d) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the Purchaser in part to the prepayment of Series 2018A 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 2018A 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 U.S. 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 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 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 System as may be reasonably necessary to cause the proper maintenance of the Wastewater System in the event of failure by the Purchaser to perform its obligations hereunder.

ARTICLE VII.

PREPAYMENT OF SERIES 2018A INSTALLMENT PAYMENTS

Section 7.1. Prepayment.

(a) 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 2018A 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).

(b) The Purchaser may exercise its option to prepay the principal components of the Series 2018A 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 forty (40) 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(a), the Purchaser shall, within ten (10) Business 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. The Purchaser shall, within sixty (60) days of such written notice or three Business Days following the date on which the Purchaser receives actual notice of the amount of Net Proceeds to be received by the Purchaser as described in the Section 6.8 or 6.14 (whichever occurs later), specify the date on which the prepayment will be made, which date shall be ninety (90) days or longer from the date the written notice was given by the Purchaser, 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 2018A 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, which period shall not extend more than one hundred eighty (180) days from the date of the default notice; 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 2018A 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 2018A 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 2018A 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 2018A 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 2018A 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 Net 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; and

Second, to the payment of the entire principal amount of the unpaid Series 2018A 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 2018A 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 System or any other real property of the Purchaser and no default hereunder shall result in the loss of the Improvements or the Wastewater 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 2018A

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 2018A 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 2018A 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 2018A 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 2018A Installment Payments, sufficient moneys and Permitted Investments described in paragraph (1), (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 2018A Installment Payments to their respective Series 2018A 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 2018A 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 2018A Installment Payments as have been so provided for, thereupon cease, terminate, become

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 2018A 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. This Agreement shall be governed by and construed 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 Calexico 608 Heber Avenue Calexico, California 92231 Attention: City Manager Telephone: Facsimile:
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If to the Authority:	Calexico Financing Authority 608 Heber Avenue Calexico, California 92231
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Attention:
Telephone:
Facsimile:

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. 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 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 so long as such limitation or surrender of such rights or powers shall not materially adversely affect the Owners of the Authority Bonds;

(2) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Agreement, or in any other respect whatsoever as the Authority or the Purchaser 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 Authority Bonds in the reasonable judgment of the Authority;

(3) to maintain the exclusion of interest on the Bonds from gross income for federal income tax purposes under the Code, if applicable; and

(4) to make such other amendments or modifications that do not materially adversely affect the 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.

[Remainder of page intentionally left blank.]

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 CALEXICO

By: _____
Chairman

CALEXICO FINANCING AUTHORITY

By: _____
Executive Director

EXHIBIT A

PURCHASE PRICE

1. The principal amount of payments to be made by the Purchaser hereunder is \$[Par Amount].
2. The installment payments of principal and interest are payable in the amounts and on the Installment Payment Dates as follows:

Series 2018A Installment Payment Date Preceding each of the following Interest Payment Dates	Amount Attributable to Principal	Amount Attributable to Interest	Total
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