

INSTALLMENT PURCHASE AGREEMENT

by and between

CITY OF GARDEN GROVE

and

GARDEN GROVE PUBLIC FINANCING AUTHORITY

Dated as of November 1, 2020

Relating to

\$_____

**GARDEN GROVE PUBLIC FINANCING AUTHORITY
WATER REVENUE BONDS, SERIES 2020A**

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INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, dated as of November 1, 2020, is entered into by and between the CITY OF GARDEN GROVE, a municipal corporation and general law city that is duly organized and existing under the Constitution and laws of the State of California (the “**City**”), and the GARDEN GROVE PUBLIC FINANCING AUTHORITY, a joint exercise of powers agency that is duly organized and existing under and by virtue of the laws of the State of California (the “**Authority**”).

RECITALS

A. The City proposes to finance the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its Water System, as described in Exhibit A (collectively, the “**2020 Project**”).

B. The City also proposes to refinance the acquisition and construction of certain existing improvements, betterments, renovations and expansions of facilities within its Water System, as described in Exhibit A (collectively, the “**2010 Projects**”).

C. The Authority has agreed to assist the City in financing the 2020 Project and refinancing the 2010 Projects on the terms and conditions that are set forth herein.

D. The Authority is authorized by Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, including but not limited to Section 6540 *et seq.*, to finance and refinance the acquisition and construction of property for its members.

E. The City is authorized by law to acquire and/or otherwise contract for construction of the 2020 Project.

F. The City is authorized by Articles 9, 10 and 11 of Chapter 3 of Part 1 of Division 2 of the Government Code of the State of California, commencing with Section 53550, to refinance the 2010 Projects.

G. The City and the Authority have duly authorized the execution of this Installment Purchase Agreement.

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

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

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms that are defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document that is mentioned herein or therein have the meanings that are defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms that are defined herein. All capitalized terms that are used herein and not defined herein shall have the meanings that are ascribed thereto in the Indenture.

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

Acquisition Fund. The term "Acquisition Fund" means the fund by that name created pursuant to Section 3.04 of the Indenture.

Authority. The term "Authority" means Garden Grove Public Financing Authority, a joint exercise of powers agency that is duly organized pursuant to the JPA Agreement and existing under and by virtue of the laws of the State of California.

Bonds. The term "Bonds" means the 2015 Bonds and all other revenue bonds or notes of the City that are authorized, executed, issued and delivered by the City, the payments of which are payable from Net Revenues on a parity with the Series 2020 Installment Payments and which are secured by a pledge of and lien on Revenues as described in Section 5.01 hereof.

City. The term "City" means City of Garden Grove, a municipal corporation and general law city that is duly organized and existing under the Constitution and laws of the State of California.

City Manager. The term "City Manager" means the City Manager of the City, or any other person that is designated by the City Manager of the City to act on behalf of the City Manager.

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

Date of Operation. The term "Date of Operation" means, with respect to any uncompleted Project, the estimated date by which such Project will have been completed and, in the opinion of an engineer, will be ready for commercial operation by or on behalf of the City.

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

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

any future similar program);

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

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

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

provided that, as to any such Bonds or Contracts bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall be the greater of: (a) the actual interest rate on such Bonds or Contracts on the date of calculation, or if the indebtedness is not yet outstanding, the initial interest rate (if established and binding); (b) if the Bonds or Contracts have been outstanding for at least twelve months, the average rate over the twelve calendar months immediately preceding the date of calculation; and (c) (i) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the most recently published Securities Industry and Financial Markets Association Index for tax-exempt variable rate obligations; or (ii) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus 50 basis points; provided, however, that for purposes of any portion of Section 5.03 (Additional Contracts and Bonds) and Section 6.14 (Amount of Rates and Charges), measuring actual debt service coverage during a test period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during the test period; and

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

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

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

provided further that, Debt Service shall not include interest which is paid from investment earnings on amounts on deposit in reserve funds and transferred to the 2020A Bond Payment Fund.

Event of Default. The term “Event of Default” means an event that is described in Section 8.01.

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

Indenture. The term “Indenture” means the Indenture of Trust, dated as of the date hereof, by and between the City and the Authority, relating to the 2020A Bonds.

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

Independent Financial Consultant. The term “Independent Financial Consultant” means a financial consultant or firm of such consultants that is appointed by the City, and who, or each of whom: (1) is in fact independent and not under domination of the City; (2) does not have any substantial interest, direct or indirect, with the City; (3) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make reports to the City; and (4) is registered as a “municipal advisor,” as defined in Section 15B of the Securities Exchange Act of 1934, as amended.

Installment Payment Date. The term “Installment Payment Date” means any date on which Installment Payments are scheduled to be paid by the City under and pursuant to any Contract.

Installment Payments. The term “Installment Payments” means the Installment Payments of interest and principal scheduled to be paid by the City under and pursuant to the Contracts.

Installment Purchase Agreement. The term “Installment Purchase Agreement” means this Installment Purchase Agreement, by and between the City and the Authority, dated as of November 1, 2020, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

JPA Agreement. The term “JPA Agreement” means the Joint Exercise of Powers Agreement, dated June 22, 1993, as amended by Amendment No. 1 thereto dated March 28, 2006, by and among the City, the Successor Agency to the Garden Grove Agency for Community Development and the Garden Grove Sanitary District, pursuant to which the Authority is established.

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

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

Operation and Maintenance Costs. The term “Operation and Maintenance Costs” means: (i) 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 City that are charged directly

or apportioned to the Water System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the City or charges (other than Debt Service payments) required to be paid by it to comply with the terms of any Bonds or Contracts or any resolution or indenture authorizing the issuance or execution of any Bonds or Contracts; and (ii) costs spent or incurred in the purchase of water for the Water System; 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 and all capital charges.

Project. The term “Project” means additions, betterments, extensions or improvements to the City’s facilities designated by the City Council of the City as a Project, the acquisition and construction of which is to be paid for by the proceeds of any Contracts or Bonds.

Purchase Price. The term “Purchase Price” means the principal amount plus interest thereon owed by the City to the Authority under the terms hereof as provided in Section 4.01.

Rate Stabilization Fund. The term “Rate Stabilization Fund” means the fund by that name that is described in Section 5.05.

Revenue Fund. The term “Revenue Fund” means the fund by that name which has been continued pursuant to Section 5.02.

Revenues. The term “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 City from the sale, furnishing and supplying of the 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; (2) the proceeds of any stand-by or water availability charges, development fees and connection charges collected by the City with respect to the Water System; (3) the earnings on and income derived from the investment of amounts described in clauses (1) and (2) above including City Water System reserves; (4) any interest payments on Bonds or Contracts reimbursed to the City by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program; but excluding (x) customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the City; (y) any proceeds of taxes or assessments restricted by law to be used by the City to pay Bonds or Contracts or other obligations heretofore or hereafter issued; and (z) revenues of any water system acquired through merger, consolidation or similar action to the extent that the exclusion of such acquired water system is required pursuant to the terms of such merger, consolidation or similar action.

Upon the maturity or earlier redemption of the 2015 Bonds: (i) “Revenues” shall also include all amounts transferred from the Rate Stabilization Fund, if such a fund is established, to the Revenue Fund during any Fiscal Year in accordance with Section 5.05; and (ii) “Revenues” shall not include any amounts transferred from the Revenue Fund to the Rate Stabilization Fund, if such a fund is established, during any Fiscal Year in accordance with Section 5.02(c).

Series 2020 Installment Payment Date. The term “Series 2020 Installment Payment Date” means the Business Day prior to June 15 and December 15 of each year, commencing June 15, 2021.

Series 2020 Installment Payments. The term “Series 2020 Installment Payments” means the Installment Payments scheduled to be paid by the City under and pursuant to the Installment Purchase Agreement.

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

2010 Projects. The term “2010 Projects” means the additions, betterments, extensions and improvements to the City’s Water System facilities, including real property and buildings, if any, which are described as such in Exhibit A.

2015 Bonds. The term “2015 Bonds” means the City of Garden Grove Water Revenue Refunding Bonds, Series 2015.

2020 Project. The term “2020 Project” means the additions, betterments, extensions and improvements to the City’s Water System facilities, including real property and buildings, if any, which are described as such in Exhibit A, to the extent: (i) approved pursuant to the California Environmental Quality Act; and (ii) paid for with the proceeds of the 2020A Bonds, and as modified in conformance with Section 3.02 hereof.

2020A Bonds. The term “2020A Bonds” means the Garden Grove Public Financing Authority Water Revenue Bonds, Series 2020A, issued pursuant to the Indenture.

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

Water System. The term “Water System” means the entire water supply, treatment, storage and distribution system of the City, including but not limited to all facilities, properties and improvements at any time owned, controlled or operated by the City for the supply, treatment and storage of water to residents of the City and adjacent areas, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the City.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.01. Representations by the City. The City makes the following representations:

(a) The City is a municipal corporation and general law city that is duly organized and existing under the Constitution and laws of the State of California.

(b) The City has full legal right, power and authority to enter into this Installment Purchase Agreement, carry out its obligations hereunder and carry out and consummate all other transactions that are contemplated by this Installment Purchase Agreement, and the City has complied with the provisions of the laws of the State of California in all matters relating to such transactions.

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

(d) The City will not take or, to the extent within its power, permit any action to be taken which results in the interest that is paid for the installment purchase of the 2020 Project and the 2010 Projects under the terms of this Installment Purchase Agreement being included in the gross income of the Authority or its assigns for purposes of federal or State of California personal income taxation.

(e) The City has determined that it is necessary and proper for City uses and purposes within the terms of the laws of the State of California that the City finance and acquire the 2020 Project and refinance and acquire the 2010 Projects in the manner that is provided for in this Installment Purchase Agreement in order to provide essential services and facilities to persons residing in the City.

Section 2.02. Representations and Warranties by the Authority. The Authority makes the following representations and warranties:

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

(b) The execution and delivery of this Installment Purchase 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 which results in interest that is paid for the installment purchase of the 2020 Project and the 2010 Projects under the terms of this Installment Purchase Agreement being included in the gross income of the Authority or its assigns for purposes of federal or State of California personal income taxation.

ARTICLE III

ACQUISITION AND CONSTRUCTION OF PROJECTS

Section 3.01. Acquisition and Construction of the 2020 Project. The Authority hereby agrees to cause the 2020 Project and any additions or modifications thereto to be constructed, acquired and installed by the City as its agent. The City shall enter into contracts and provide for, as agent for the Authority, the complete design, construction, acquisition and installation of the 2020 Project in accordance with all applicable laws. The City hereby agrees that it will cause the construction, acquisition and installation of the 2020 Project to be diligently performed after the deposit of funds

into the Acquisition Fund pursuant to Section 3.02 of the Indenture, upon satisfactory completion of design work and compliance with the California Environmental Quality Act and approval by the City Council of the City, and that it will use its best efforts to cause the construction, acquisition and installation of the 2020 Project to be substantially completed by three years after the Closing Date, unforeseeable delays beyond the reasonable control of the City only excepted. It is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any cost of the 2020 Project and that all such costs and expenses shall be paid by the City.

Section 3.02. Changes to the 2020 Project. The City may substitute other improvements for those listed as components of the 2020 Project in Exhibit A, but only if the City first files with the Authority and the Trustee a statement of the City in the form attached as Exhibit C: (a) identifying the improvements to be substituted and the improvements to City facilities they replace in the 2020 Project; and (b) stating that the estimated costs of construction, acquisition and installation of the substituted improvements are not less than such costs for the improvements previously planned.

Section 3.03. Sale and Purchase of the 2010 Projects. The parties hereby confirm that the City currently has title to the 2010 Projects. In consideration for the Authority's assistance in refinancing the 2010 Projects, the City agrees to sell, and hereby sells, to the Authority, and the Authority agrees to purchase, and hereby purchases, from the City, the 2010 Projects in the manner and in accordance with the provisions of the Installment Purchase Agreement.

Section 3.04. Purchase and Sale of the 2020 Project and the 2010 Projects. In consideration for the Series 2020 Installment Payments, the Authority agrees to sell, and hereby sells, to the City, and the City agrees to purchase, and hereby purchases, from the Authority, the 2020 Project and the 2010 Projects at the purchase price that is specified in Section 4.01 hereof and otherwise in the manner and in accordance with the provisions of the Installment Purchase Agreement.

Section 3.05. Title. All right, title and interest in each component of the 2020 Project shall vest in the City immediately upon acquisition or construction thereof. All right, title and interest in each component of the 2010 Projects shall vest in the City immediately upon execution and delivery of the Installment Purchase Agreement. Such vesting shall occur without further action by the Authority or the City, and the Authority shall, if requested by the City or if necessary to assure such automatic vesting, deliver any and all documents which are required to assure such vesting.

Section 3.06. Acquisition Fund. There has been established with the Trustee pursuant to the Indenture the Acquisition Fund. The moneys in the Acquisition Fund shall be held by the Trustee in trust and applied to the payment of the costs of acquisition and construction of the 2020 Project and of expenses incidental thereto. Before any payment is made from the Acquisition Fund by the Trustee, the Director of Finance of the City, acting as agent of the Authority, shall cause to be filed with the Trustee a certificate of the City in the form set forth in Exhibit D.

ARTICLE IV

INSTALLMENT PAYMENTS

Section 4.01. Purchase Price.

(a) The Purchase Price to be paid by the City hereunder to the Authority is the sum of the principal amount of the City'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 City hereunder is set forth in Exhibit B.

(c) The interest to accrue on the unpaid balance of such principal amount is as specified in Section 4.02 and Exhibit B, and shall be paid by the City as and constitute interest paid on the principal amount of the City's obligations hereunder.

Section 4.02. Series 2020 Installment Payments. The City shall, subject to its rights of prepayment provided in Article VII, pay the Authority the Purchase Price in installment payments of interest and principal in the amounts and on the Series 2020 Installment Payment Dates as set forth in Exhibit B.

Each Series 2020 Installment Payment shall be paid to the Authority in lawful money of the United States of America. In the event that the City fails to make any of the payments which are required to be made by it under this section, such payment shall continue as an obligation of the City until such amount shall have been fully paid, and the City 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 2020 Installment Payments if paid in accordance with their terms.

The obligation of the City to make the Series 2020 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 City will not discontinue or suspend any Series 2020 Installment Payment which is 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 its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and whether or not the 2020 Project has been completed, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

ARTICLE V

SECURITY

Section 5.01. Pledge of Revenues. The Revenues, amounts that are transferred from the Rate Stabilization Fund, if established, to the Revenue Fund as described in Section 5.05, other amounts that are on deposit in the Revenue Fund and any other amounts (including proceeds of the sale of the 2020A Bonds) which are held in any fund or account that is established pursuant to the Installment Purchase Agreement (except the Rate Stabilization Fund, if established (other than those amounts

which are transferred by the City from the Rate Stabilization Fund, if established, to the Revenue Fund)) are irrevocably pledged to the payment of the Series 2020 Installment Payments. Except for the payment of the Operation and Maintenance Costs, the Revenues shall not be used for any other purpose while any of the Series 2020 Installment Payments remain unpaid; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted herein. This pledge shall constitute a first lien on Revenues, the Revenue Fund and the other funds and accounts that are created hereunder for the payment of the Series 2020 Installment Payments and all other Contracts and Bonds in accordance with the terms hereof and of the Indenture.

Section 5.02. Allocation of Revenues. In order to carry out and effectuate the pledge and lien contained herein, the City agrees and covenants that all Revenues shall be received by the City in trust hereunder and shall be deposited when and as received in a special fund designated as the "Revenue Fund," which fund is hereby continued and which fund the City agrees and covenants to maintain and to hold 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 City as provided in this Installment Purchase Agreement.

The City shall, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts which are 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. All remaining moneys in the Revenue Fund shall be set aside by the City at the following times in 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 hereinafter authorized in this section:

(a) 2020A Bond Payment Fund. On or before each Series 2020 Installment Payment Date, the City shall, from remaining moneys in the Revenue Fund, transfer to the Trustee for deposit in the 2020A Bond Payment Fund an amount that is equal to the interest and principal payable and coming due on the 2020A Bonds on the next succeeding Series 2020 Installment Payment Date. The City shall also, from the moneys in the Revenue Fund, transfer to the applicable trustee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of the Contract, Bond, resolution or indenture relating thereto.

Any moneys which are on deposit in the 2020A Bond Payment Fund on each Series 2020 Installment Payment Date (other than amounts that are required for the payment of past due principal or interest with respect to any 2020A Bonds not presented for payment) shall be credited to the payment of the Series 2020 Installment Payments due and payable on such date. No deposit need be made in the 2020A Bond Payment Fund as Series 2020 Installment Payments if the amount in the 2020A Bond Payment Fund is at least equal to the amount of the Series 2020 Installment Payment that is due and payable on the next succeeding Series 2020 Installment Payment Date.

(b) Reserve Funds. On or before each Series 2020 Installment Payment Date, the City shall, from remaining moneys in the Revenue Fund, thereafter, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for deposit to reserve funds or accounts established for Bonds or Contracts an amount that is equal to the amount required to be deposited therein.

(c) Surplus. Moneys on deposit in the Revenue Fund which are not necessary to make any of the payments which are required above may be expended by the City at any time for any purpose permitted by law or deposited in the Rate Stabilization Fund, if established.

Section 5.03. Additional Contracts and Bonds. The City may at any time execute any Contract or issue any Bonds, as the case may be, in accordance herewith; provided:

(a) The Net Revenues for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of adoption by the City Council of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by a report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the City, shall have produced a sum equal to at least one hundred twenty-five per cent (125%) of the Debt Service for such twelve month period. When calculated for purposes of this subsection, Net Revenues do not include amounts transferred from the Rate Stabilization Fund, if established, to the Revenue Fund pursuant to Section 5.05 that are in excess of twenty-five percent (25%) of Debt Service for such Fiscal Year; and

(b) The Net Revenues for any consecutive twelve calendar month period during the eighteen calendar month period preceding the date of adoption by the City Council of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, including adjustments to give effect as of the first day of such twelve month period to increases or decreases in rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by a report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the City, shall have produced a sum equal to at least one hundred twenty-five per cent (125%) of the Debt Service for such twelve month period plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such twelve month period, assuming that such Contracts had been executed or Bonds had been issued at the beginning of such twelve month period, plus the Debt Service which would have accrued had such proposed additional Contract been executed or such proposed additional Bonds been issued at the beginning of such twelve month period. When calculated for purposes of this subsection, Net Revenues do not include amounts transferred from the Rate Stabilization Fund, if established, to the Revenue Fund pursuant to Section 5.05 that are in excess of twenty-five percent (25%) of Debt Service for such Fiscal Year; and

(c) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest Date of Operation of any uncompleted Project to be financed from proceeds of such Contracts or Bonds, as evidenced by a certificate of the City Manager on file with the City, including (after giving effect to the completion of all such uncompleted Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed, prescribed or received for Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of the City Manager on file with the City, shall produce a sum equal to at least one hundred twenty-five per cent (125%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Projects.

Section 5.04. Investments. All moneys which are held by the City in the Revenue Fund shall be invested in Permitted Investments, and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein.

Section 5.05. Rate Stabilization Fund. Upon the maturity or earlier redemption of the 2015 Bonds, the City is authorized but not required to establish a special fund designated as the “Rate Stabilization Fund.” If the City elects to establish a Rate Stabilization Fund, such fund will be held by the City in trust under the Installment Purchase Agreement. The City agrees and covenants to maintain and to hold such fund, if established, separate and apart from other funds so long as any Contracts or Bonds remain unpaid. Money transferred by the City from the Revenue Fund to the Rate Stabilization Fund, if established, in accordance with Section 5.02(c) will be held in the Rate Stabilization Fund and applied in accordance with the Installment Purchase Agreement.

The City may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund, if established, and transfer such amounts to the Revenue Fund for application in accordance with Section 5.02 or, in the event that all or a portion of the Series 2020 Installment Payments are discharged in accordance with Article VII, transfer all or any portion of such amounts for application in accordance with Article VII. Any such amounts transferred from the Rate Stabilization Fund, if established, to the Revenue Fund in accordance with the Indenture constitute pledged Revenues.

ARTICLE VI

COVENANTS OF THE CITY

Section 6.01. Compliance with Installment Purchase Agreement and Ancillary Agreements. The City will punctually pay the Series 2020 Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all of the agreements, conditions, covenants and terms contained herein which are required to be observed and performed by it, and will not terminate the Installment Purchase 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 2020 Project or the 2010 Projects, 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 which is contained herein and 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 City will faithfully observe and perform all of the agreements, conditions, covenants and terms which are 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 6.02. Against Encumbrances. The City will not make any pledge of or place any lien on Revenues or the moneys in the Revenue Fund except as provided herein. In addition, the City may at any time, or from time to time, issue evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of and lien on Revenues or any moneys in the Revenue Fund as may from time to time be deposited therein (as provided in Section 5.02),

provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

Section 6.03. Against Sale or Other Disposition of Property. The City will not enter into any agreement or lease which impairs the operation of the Water System or any part thereof which is necessary to secure adequate Revenues for the payment of the Series 2020 Installment Payments, or which would otherwise impair the rights of the Authority hereunder or the operation of the Water System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the City to pay the Series 2020 Installment Payments and if the proceeds of such sale are deposited in the Revenue Fund.

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

Section 6.04. Against Competitive Facilities. The City will not, to the extent permitted by law, acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the City any water system competitive with the Water System.

Section 6.05. Tax Covenants. Notwithstanding any other provision of the Installment Purchase Agreement, absent an opinion of Bond Counsel that the exclusion from gross income of the interest on the 2020A Bonds will not be adversely affected for federal income tax purposes, the City covenants to comply with all applicable requirements of the Code which are necessary to preserve such exclusion from gross income with respect to the 2020A Bonds and specifically covenants, without limiting the generality of the foregoing, as follows:

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

(b) Arbitrage. The City will make no use of the proceeds of the 2020A Bonds or of any other amounts or property, regardless of the source, and the City will not take any action or refrain from taking any action, which will cause the 2020A Bonds to be “arbitrage bonds” within the meaning of Section 148 of the Code;

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

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

(e) Hedge Bonds. The City will make no use of the proceeds of the 2020A Bonds or any other amounts or property, regardless of the source, and the City will not take any action and refrain from taking any action, that would cause the 2020A Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the City takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest on the 2020A Bonds for federal income tax purposes; and

(f) Miscellaneous. The City will not take any action and will refrain from taking any action which is inconsistent with its expectations stated in the Tax Certificate executed by the City in connection with the issuance of the 2020A Bonds and will comply with the covenants and requirements that are stated therein and incorporated by reference herein.

This section and the covenants that are set forth herein shall not be applicable to, and nothing that is contained herein shall be deemed to prevent the City from causing the Authority to issue revenue bonds or issuing bonds or executing and delivering contracts that are payable on a parity with the 2020A Bonds, the interest with respect to which has been determined to be subject to federal income taxation.

Section 6.06. Prompt Acquisition and Construction. The City will take all necessary and appropriate steps to acquire and construct the 2020 Project, as agent of the Authority, with all practicable dispatch and in an expeditious manner and in conformity with law so as to complete the same as soon as possible.

Section 6.07. Maintenance and Operation of the Water System. The City will maintain and preserve the Water System in good repair and working order at all times, operate the Water System in an efficient and economical manner and pay all Operation and Maintenance Costs as they become due and payable.

Section 6.08. Payment of Claims. The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or the funds or accounts created hereunder or under the Indenture or on any funds in the hands of the City which are pledged to pay the Series 2020 Installment Payments or the Bonds, or which might impair the security of the Series 2020 Installment Payments.

Section 6.09. Compliance with Contracts. The City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, which are required to be performed by it contained in all contracts for the use of the Water System and all other contracts affecting or involving the Water System, to the extent that the City is a party thereto.

Section 6.10. Insurance.

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

In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement

of the damaged or destroyed portion of the Water System, except as described in the following paragraph. The City shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and liens.

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

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

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

Section 6.11. Accounting Records; Financial Statements and Other Reports.

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

(b) The City will prepare and file with the Authority or its assignee, annually within two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ended June 30, 2020) financial statements of the City for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon. The Trustee shall have no obligation to review any such financial statements.

Section 6.12. Protection of Security and Rights of the Authority. The City will preserve and protect the security hereof and the rights of the Authority to the Series 2020 Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 6.13. Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System or any part thereof, or upon the Revenues when the same shall become due. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System, or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 6.14. Amount of Rates and Charges.

(a) In any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund, if established, on the first day of such Fiscal Year is less than the Series 2020 Installment Payments payable in such Fiscal Year, the City shall, to the fullest extent permitted by law, fix and prescribe, at the commencement of each Fiscal Year, rates and charges for the Water Service which are reasonably expected, at the commencement of each Fiscal Year, to be at least sufficient to yield during each Fiscal Year Net Revenues equal to one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year. When calculated for purposes of this subsection, Net Revenues do not include amounts which are transferred from the Rate Stabilization Fund, if established, pursuant to Section 5.05 that are in excess of twenty-five percent (25%) of Debt Service for such Fiscal Year.

(b) In any Fiscal Year in which the amount on deposit in the Rate Stabilization Fund on the first day of such Fiscal Year is at least equal to the Series 2020 Installment Payments payable in such Fiscal Year, to the fullest extent permitted by law, the City will fix and prescribe, at the commencement of each such Fiscal Year, rates and charges for the Water Service which are reasonably expected, at the commencement of such Fiscal Year, to be at least sufficient to yield during such Fiscal Year Net Revenues equal to one hundred percent (100%) of Debt Service for such Fiscal Year. When calculated for purposes of this subsection, Net Revenues do not include any amounts which are transferred from the Rate Stabilization Fund, if established, pursuant to Section 5.05.

(c) The City may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of this section. To the extent that the covenant with respect to rates and charges in connection with any Bonds or Contracts differs from the foregoing covenant, the City shall also comply with the covenant with respect to rates and charges in connection with such Bonds or Contracts.

Section 6.15. Collection of Rates and Charges. Subject to State law and State executive orders, the City will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the Water Service to such customer's land and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the City may discontinue such service from the Water System and such service shall not thereafter be recommenced except in accordance with City by-laws or rules, regulations and the laws of the State of California governing such situations of delinquency.

Section 6.16. Eminent Domain Proceeds. If all or any part of the Water System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

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

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

Section 6.17. Further Assurances. The City 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 6.18. Enforcement of Contracts. So long as any of the 2020A Bonds are outstanding, the City will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into if such rescission or amendment would in any manner impair or adversely affect the ability of the City to pay principal of and interest on the 2020A Bonds.

Section 6.19. Continued Existence of Authority. The City and the Authority will take or cause to be taken all actions reasonably necessary to continue the Authority's existence until such time as the 2020A Bonds are no longer Outstanding under the Indenture.

ARTICLE VII

PREPAYMENT OF SERIES 2020 INSTALLMENT PAYMENTS

Section 7.01. Prepayment.

(a) The City may or shall, as the case may be, prepay from Net Proceeds as provided herein the Series 2020 Installment Payments in whole, or in part, on any date in the order of payment date as directed by the City, at a prepayment price equal to the sum of the principal amount to be prepaid plus accrued interest thereon to the date of prepayment, without premium.

(b) The City may prepay the Series 2020 Installment Payments as a whole, or in part, on the Business Day prior to ____ 15, 20__ or any date thereafter in the order of payment date as directed by the City, at a prepayment price equal to the principal amount of the Series 2020 Installment Payments to be prepaid, together with accrued interest thereon to the date of prepayment, without premium.

(c) Notwithstanding any such prepayment, the City 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).

Section 7.02. Method of Prepayment. Before making any prepayment pursuant to Section 7.01, the City shall, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay, give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be paid, which date shall be not less than forty-five (45) (or such shorter number of days as is acceptable to the Trustee) days from the date that such notice is given.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

Section 8.01. Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen:

(a) if default shall be made by the City in the due and punctual payment of any Series 2020 Installment Payment or any Contract or Bond when and as the same shall become due and payable;

(b) if default shall be made by the City in the performance of any of the agreements or covenants which are required herein to be performed by it, and such default shall have continued for a period of sixty (60) days after the City shall have been given notice in writing of such default by the Authority; provided, however, that if in the reasonable opinion of the City the default stated in the notice can be corrected, but not within such 60 day period, and corrective action is instituted by the City within such 60 day period and diligently pursued in good faith until the default is corrected, such default will not be an Event of Default under the Installment Purchase Agreement; provided, however, that such extension of the cure period shall not be longer than 180 days from the delivery date of such default notice;

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

(d) if payment of the principal of any Contract or Bond is accelerated in accordance with its terms;

then and in each and every such case during the continuance of an Event of Default, the Authority shall, by notice in writing to the City, declare the entire principal amount of the unpaid Series 2020 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 section, however, is subject to the condition that if at any time after the entire principal amount of the unpaid Series 2020 Installment Payments and the accrued interest thereon shall have been so declared due and payable, but before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall deposit with the Authority an amount that is sufficient to pay the unpaid principal amount of the Series 2020 Installment Payments or the unpaid payment of any other Contract or Bond referred to in clause (a) 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 2020 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 2020 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 City, 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 8.02. Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 8.01, all Revenues thereafter received by the City shall be applied in the following order:

First, to the payment, without preference or priority, and in the event of any insufficiency of such Revenues ratably without any discrimination or preference, of the fees, costs and expenses of the Trustee and its assigns and thereafter to the Authority, as the case may be, in carrying out the provisions of this article, including reasonable compensation to their respective accountants and counsel;

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

Third, to the payment of the entire principal amount of the unpaid Series 2020 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 2020 Installment Payments and such Bonds and Contracts if paid in accordance with their respective terms.

Section 8.03. 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 City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform and carry out its or his or her duties under the laws of the State of California and the agreements and covenants required to be performed by it or him or her contained herein;

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

(c) by suit in equity upon the happening of an Event of Default to require the City 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 2020 Project, the 2010 Projects, the Water System or other assets of the City, and no default hereunder shall result in the loss of the 2020 Project, the 2010 Projects, the Water System or other assets of the City.

Section 8.04. Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the Series 2020 Installment Payments to the Authority at the respective due dates or upon prepayment from the Net 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 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 that is conferred upon the Authority by the laws of the State of California 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 City 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 8.05. Remedies Not Exclusive. No remedy that is conferred upon or reserved to the Authority herein 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 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 laws of the State of California or any other law.

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.01. Discharge of Obligations. When:

(a) all or any portion of the Series 2020 Installment Payments shall have become due and payable in accordance herewith or a written notice of the City to prepay all or any portion of the Series 2020 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 2020 Installment Payment 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 2020 Installment Payments, sufficient moneys or a combination of sufficient moneys and non-callable Permitted Investments that are described in clause (A) of the definition thereof, the principal of and

interest on which Permitted Investments when due will provide money that is sufficient in the opinion of an Independent Certified Public Accountant to pay all principal, prepayment premium, if any, and interest of such Series 2020 Installment Payments to their respective Series 2020 Installment Payment 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, the right, title and interest of the Authority herein and the obligations of the City hereunder shall, with respect to all or such portion of the Series 2020 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 City to have such moneys and such Permitted Investments applied to the payment of such Series 2020 Installment Payments).

In such event, upon request of the City, the Trustee shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and shall execute and deliver to the City all such instruments prepared by or on behalf of the City and 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 City, after payment of all amounts due the Trustee pursuant to the Indenture, as an overpayment of Series 2020 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 2020 Installment Payments, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of the Series 2020 Installment Payments and shall be applied by the Trustee to the payment of the Series 2020 Installment Payments of the City.

ARTICLE X

MISCELLANEOUS

Section 10.01. Liability Limited. Notwithstanding anything contained herein, the City shall not be required to advance any moneys derived from any source of income other than the Revenues, the Revenue Fund and the other funds provided herein for the payment of amounts due hereunder or for the performance of any agreements or covenants that are required to be performed by it contained herein. The City 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 City for such purpose.

The obligation of the City to make the Series 2020 Installment Payments is a special obligation of the City payable from the Net Revenues and does not constitute a debt of the City or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Section 10.02. Benefits of Installment Purchase Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the City or the Authority any right, remedy or claim under or pursuant hereto, and any agreement or covenant that is required herein to be performed by or on behalf of the City or the Authority shall be for the sole and exclusive benefit of the other party.

Section 10.03. Successor Is Deemed Included in all References to Predecessor. Whenever either the City 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 City or the Authority, and all agreements and covenants which are required hereby to be performed by or on behalf of the City or the Authority shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 10.04. Waiver of Personal Liability. No member, officer or employee of the City shall be individually or personally liable for the payment of the Series 2020 Installment Payments, but nothing contained herein shall relieve any member, officer or employee of the City from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 10.05. 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 the Installment Purchase Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.06. 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 City 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 City and the Authority hereby declare that they would have executed the Installment Purchase 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 10.07. Assignment. The Installment Purchase Agreement and any rights hereunder may be assigned by the Authority, as a whole or in part, without the necessity of obtaining the prior consent of the City. In addition to the rights and remedies assigned by the Authority to the Trustee, to the extent that the Indenture and the Installment Purchase Agreement confer upon or give or grant to the Trustee any right, remedy or claim under or by reason of the Indenture or the Installment Purchase Agreement, the Trustee is hereby explicitly recognized as being a third party beneficiary hereunder and may enforce any such right, remedy or claim conferred given or granted.

Section 10.08. Net Contract. The Installment Purchase Agreement shall be deemed and construed to be a net contract, and the City shall pay absolutely net during the term hereof the Series 2020 Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 10.09. California Law. THE INSTALLMENT PURCHASE AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 10.10. 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 City: City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92840
Attention: City Manager

If to the Authority: Garden Grove Public Financing Authority
c/o City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92840
Attention: Secretary

If to the Trustee: U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust
Reference: Garden Grove Water Revenue Bonds, Series 2020

Section 10.11. Effective Date. The Installment Purchase 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 10.12. Execution in Counterparts. The Installment Purchase 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 10.13. Indemnification of Authority. The City hereby agrees to indemnify and hold harmless the Authority and its assigns and its officers and directors 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 10.14. Amendments Permitted.

(a) This Installment Purchase Agreement and the rights and obligations of the Authority and the City and of the Owners of the 2020A Bonds and of the Trustee may be modified or amended at any time by an amendment hereto which shall become binding upon the written consents of the Owners of a majority in aggregate principal amount of the 2020A Bonds then Outstanding, exclusive of 2020A Bonds disqualified as provided in Section 11.09 of the Indenture. No such modification or amendment may: (1) extend the fixed maturity of any 2020A Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the rate of interest or the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each 2020A Bond so affected; or (2) reduce the aforesaid percentage of 2020A Bonds the consent of the Owners of which is required to affect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets

pledged under the Installment Purchase Agreement prior to or on a parity with the lien created by the Installment Purchase Agreement except as permitted herein, or deprive the Owners of the 2020A Bonds of the lien created by the Indenture on such Revenues and other assets except as permitted herein, without the consent of the Owners of all of the 2020A Bonds then Outstanding.

(b) This Installment Purchase Agreement and the rights and obligations of the Authority and the City and of the Owners of the 2020A Bonds may also be modified or amended at any time by an amendment hereto which shall become binding upon adoption, without the consent of the Owners of any 2020A 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 City contained in the Installment Purchase Agreement other covenants and agreements thereafter to be observed, to pledge or assign additional security for the 2020A Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the City; (2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Installment Purchase Agreement, or in regard to matters or questions arising under the Installment Purchase Agreement, as the City may deem necessary or desirable; and (3) to modify, amend or supplement the Installment Purchase Agreement in such manner as to cause interest on the 2020A Bonds to remain excludable from gross income under the Code. No amendment without consent of the Owners may modify any of the rights or obligations of the Trustee without the written consent thereto, and prior to so consenting, the Trustee shall be entitled to receive and rely on an opinion of counsel to the effect that such amendment complies with the terms hereof.

[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 GARDEN GROVE

By: _____
Mayor

ATTEST:

City Clerk

GARDEN GROVE PUBLIC FINANCING
AUTHORITY

By: _____
Chair

ATTEST:

Secretary

EXHIBIT A

DESCRIPTION OF THE 2020 PROJECT AND THE 2010 PROJECTS

2020 Project

(i) a study and structural evaluation of water facilities; (ii) water main replacements; (iii) rehabilitation and upgrade of Supervisory Control and Data Acquisition and other control systems; (iv) rehabilitation of storage reservoirs and booster pump stations; (v) evaluation and rehabilitation of existing wells and/or redevelopment of new well(s); and (vi) other improvements or additions to Water System facilities as may be identified in the City's Capital Improvement Plan and other evaluations/studies from time to time.

2010 Projects

Rehabilitation of existing wells and new well construction, replacement of pump starters with variable frequency drives, replacement of natural gas engines with electric motors, various rehabilitation of booster pumps, roof repairs at underground water storage reservoirs, and higher capacity water main replacements at various priority locations; and certain other improvements or additions to the Water System as were identified in the City's Capital Improvement Plan

EXHIBIT B

PURCHASE PRICE

1. The principal amount of payments to be made by the City hereunder is \$_____.
2. The Series 2020 Installment Payments of principal and interest are payable in the amounts and on the Series 2020 Installment Payment Dates as follows:

<i>Installment Payment Date (Business Day Prior to)</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total Series 2020 Installment Payment</i>
6/15/2021	\$	\$	\$
12/15/2021			
6/15/2022			
12/15/2022			
6/15/2023			
12/15/2023			
6/15/2024			
12/15/2024			
6/15/2025			
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6/15/2039			
12/15/2039			
6/15/2040			
12/15/2040			
6/15/2041			
12/15/2041			

<i>Installment Payment Date (Business Day Prior to)</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total Series 2020 Installment Payment</i>
6/15/2042			
12/15/2042			
6/15/2043			
12/15/2043			
6/15/2044			
12/15/2044			
6/15/2045			
12/15/2045			
6/15/2046			
12/15/2046			
6/15/2047			
12/15/2047			
6/15/2048			
12/15/2048			
6/15/2049			
12/15/2049			
6/15/2050			
TOTAL	\$_____	\$	\$

EXHIBIT C

FORM OF SUBSTITUTION STATEMENT

Garden Grove Public Financing Authority
c/o City of Garden Grove
11222 Acacia Parkway
Garden Grove, California 92840
Attention: Executive Director

U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust
Reference: Garden Grove Water Revenue Bonds, Series 2020

The undersigned City Manager of the City of Garden Grove (the “City”) hereby states pursuant to Section 3.02 of the Installment Purchase Agreement, dated as of November 1, 2020 (the “Installment Purchase Agreement”), by and between Garden Grove Public Financing Authority and the City, that each component of the 2020 Project (as such term is defined in the Installment Purchase Agreement) described in the first column of Exhibit A attached hereto, with an estimated cost set forth in the second column of Exhibit A, will be replaced by the corresponding improvement described in the third column of Exhibit A with an estimated cost set forth in the fourth column of Exhibit A.

Dated: _____, 20__

City Manager

EXHIBIT A

<i>Components of 2020 Project to be Replaced</i>	<i>Cost of Each Components of 2020 Project to be Replaced</i>	<i>Improvements to be Substituted</i>	<i>Cost of Each Improvement to be Substituted</i>
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EXHIBIT D

FORM OF REQUISITION FROM ACQUISITION FUND

\$ _____
GARDEN GROVE PUBLIC FINANCING AUTHORITY
WATER REVENUE BONDS, SERIES 2020A

REQUISITION NO. __ FOR
DISBURSEMENT FROM ACQUISITION FUND

The undersigned hereby states and certifies:

(i) that the undersigned is the duly appointed, qualified and acting City Manager of the City of Garden Grove, a municipal corporation that is organized and existing under the Constitution and laws of the State of California (the "City"), and as such, is familiar with the facts herein certified and is authorized to certify the same;

(ii) that, pursuant to Section 3.06 of that certain Installment Purchase Agreement, dated as of November 1, 2020 (the "Installment Purchase Agreement"), by and between the Garden Grove Public Financing Authority and the City, the undersigned hereby requests U.S. Bank National Association, as trustee for the above-captioned obligations, to disburse this date the following amounts from the Acquisition Fund established under the Indenture relating to the above-captioned obligations, to the payees designated on the attached Exhibit A;

(iii) that each obligation mentioned herein has been incurred by the City and is a proper charge against the Acquisition Fund;

(iv) that any approval required under the California Environmental Quality Act, as amended (Division 13 of the California Public Resources Code), prior to the expenditure of such amount for the purpose set forth on the attached Exhibit A has been received and is final; and

(v) that there has not been filed with or served upon the City notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to any of the payees named on the attached Exhibit A, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

Dated: _____, 20__

CITY OF GARDEN GROVE

By: _____
City Manager

EXHIBIT A

ACQUISITION FUND DISBURSEMENTS

<i>Item Number</i>	<i>Payee Name and Address</i>	<i>Purpose of Obligation</i>	<i>Amount</i>
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