

## AGENDA

Garden Grove Public Financing Authority



Tuesday, October 13, 2020

6:30 PM

Community Meeting Center 11300  
Stanford Avenue Garden Grove California  
92840

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**COVID-19 Information:** Masks are required to be worn and adherence to six foot distancing from others when attending public meetings.

**Meeting Assistance:** Any person requiring auxiliary aids and services, due to a disability, to address the City Council, should contact the City Clerk's Office 72 hours prior to the meeting to arrange for accommodations. Phone: 714) 741-5040.

**Agenda Item Descriptions:** Are intended to give a brief, general description of the item. The City Council may take legislative action deemed appropriate with respect to the item and is not limited to the recommended action indicated in staff reports or the agenda.

**Documents/Writings:** Any revised or additional documents/writings related to an item on the agenda distributed to all or a majority of the Council Members within 72 hours of a meeting, are made available for public inspection at the same time (1) in the City Clerk's Office at 11222 Acacia Parkway, Garden Grove, CA 92840, during normal business hours; (2) on the City's website as an attachment to the City Council meeting agenda; and (3) at the Council Chamber at the time of the meeting.

**Public Comments:** Members of the public desiring to address the City Council are requested to complete a **pink speaker card** indicating their name and address, and identifying the subject matter they wish to address. This card should be given to the City Clerk prior to the start of the meeting. General comments are made during "Oral Communications" and should be limited to matters under consideration and/or what the City Council has jurisdiction over. Persons wishing to address the City Council regarding a Public Hearing matter will be called to the podium at the time the matter is being considered.

**Manner of Addressing the City Council:** After being called by the Mayor, you may approach the podium, it is requested that you state your name for the record, and proceed to address the City Council. All remarks and questions should be addressed to the City Council as a whole and not to individual Council Members or staff members. Any person making impertinent, slanderous, or profane remarks or who becomes boisterous while addressing the City Council shall be called to order by the Mayor. If such conduct continues, the Mayor may order the person barred from addressing the City Council any further during that meeting.

**Time Limitation:** When any group of persons wishes to address the City Council on the same subject matter, the Mayor may request a spokesperson be chosen to represent the group, so as to

avoid unnecessary repetition. At the City Council's discretion, a limit on the total amount of time for public comments during Oral Communications and/or a further limit on the time allotted to each speaker during Oral Communications may be set.

**PLEASE SILENCE YOUR CELL PHONES DURING THE MEETING.**

## AGENDA

### Open Session

ROLL CALL: MEMBER BRIETIGAM, MEMBER D. NGUYEN, MEMBER BUI, MEMBER KLOPFENSTEIN, MEMBER K. NGUYEN, VICE CHAIR O'NEILL, CHAIR JONES

1. ORAL COMMUNICATIONS

2. CONSENT ITEMS

*(Consent Items will be acted on simultaneously with one motion unless separate discussion and/or action is requested by a Public Financing Authority member.)*

2.a. Adoption of a Resolution increasing the number of board members to seven. *(Action Item)*

2.b. Receive and file minutes from the meeting held on September 22, 2015. *(Action Item)*

3. ITEMS FOR CONSIDERATION

3.a. Adoption of a Resolution authorizing the sale and issuance of Garden Grove Public Financing Authority Water Revenue Bonds, Series 2020A, and approving the execution and delivery of other related documents. *(Action Item)*

4. MATTERS FROM THE CHAIR, AUTHORITY MEMBERS AND EXECUTIVE DIRECTOR:

5. ADJOURNMENT

City of Garden Grove

INTER-DEPARTMENT MEMORANDUM

To: Scott C. Stiles From: Teresa Pomeroy  
Dept.: Executive Director Dept.: Secretary  
Subject: Adoption of a Resolution increasing the number of board members to seven. (Action Item) Date: 10/13/2020

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OBJECTIVE

For the Garden Grove Public Financing Authority Board to adopt the attached Resolution increasing the Board membership reflective of the elected seats on the City Council.

BACKGROUND

The Garden Grove Public Financing Authority was established June 22, 1993, with the number of members to equal the number of elected City Council Members, which at the time were five. The members of the City Council serve as the Board of Directors of the Authority. With the increased number of City Council Members due to the transition to district elections in 2016, the number of Board members must be increased to seven.

DISCUSSION

The attached Resolution increases the membership of the Garden Grove Public Financing Authority to seven as the members of the City Council continue to serve as the Authority's Board of Directors.

FINANCIAL IMPACT

None.

RECOMMENDATION

It is recommended that the Public Financing Authority Board:

- Adopt the attached Resolution increasing the membership of the Garden Grove Public Financing Authority.

**ATTACHMENTS:**

Description	Upload Date	Type	File Name
Resolution	10/6/2020	Resolution	GARDEN_GROVE_PUBLIC_FINANCING_AUTHORITY_RESOLUTION_INCREASING_BOARD_TO_7_MEMBERS.docx

GARDEN GROVE PUBLIC FINANCING AUTHORITY

RESOLUTION NO.

RESOLUTION OF THE BOARD OF DIRECTORS OF THE GARDEN GROVE PUBLIC FINANCING AUTHORITY INCREASING THE NUMBER OF BOARD MEMBERS

WHEREAS, the Garden Grove Public Financing Authority (Authority) is a joint exercise of powers authority organized and existing under Article 1 and Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (JPA Act) for the purpose of assisting the City of Garden Grove (City) and the Garden Grove Sanitary District (District) in the financing of the construction, reconstruction, modernization, and equipping of capital improvements on behalf of the City and District;

WHEREAS, to fulfill its purposes, the Authority, from time to time, authorizes the issuance of bonds pursuant to the JPA Act and the Marks-Roos Local Bond Pooling Act of 1985, Government Code Section 6584 et seq;

WHEREAS, Section 2.03 of the Joint Powers Agreement pertaining to the Board of Directors provides that the members of the City Council of the City, as such members may change from time to time, shall constitute the Directors of the Authority, thereon consisting of five directors.

WHEREAS, in 2016, the Garden Grove City Council established six voting districts and a Mayor at Large thereby increasing the number of Council members to 7;

NOW, THEREFORE, the Board of Directors of the Authority does hereby resolve as follows:

SECTION 1. Recitals. Each of the foregoing recitals is true and correct.

SECTION 2. Board of Directors. Notwithstanding any provision to the contrary in the joint powers agreement establishing the Authority, any bylaws of the Authority or in any prior resolutions or actions of the Board of Directors of the Authority, from the date hereof, the Authority shall continue to be administered by a Board of Directors consisting of the seven members of the City Council of the City.

SECTION 3. Other Actions. The Chairman, Vice Chairman, Executive Director, Treasurer, Secretary, and other officers of the Authority are authorized and directed, jointly and severally, to do any and all things which they may deem necessary or advisable in order to effectuate the purposes of this Resolution, and such actions previously taken by such officers are hereby ratified and confirmed.

SECTION 4. Effect. This Resolution shall take effect from and after its date of adoption.



MINUTES

GARDEN GROVE PUBLIC FINANCING AUTHORITY

Regular Meeting

Tuesday, September 22, 2015

Courtyard Center  
12732 Main Street, Garden Grove, CA 92840

CONVENE MEETING

At 7:20 p.m., Vice Chair Jones convened the meeting.

ROLL CALL: PRESENT: (4) Vice Chair Jones, Member Beard, Bui, Phan

ABSENT: (1) Chair Nguyen

ORAL COMMUNICATIONS

Speakers: Gary Hewitt, Verla Lambert, Josh McIntosh, Charles Mitchell, Stephanie Klopfenstein, Maureen Blackmun, Frederick Facenelli, Mike Hearst, Director OCVCD, Robin Marcario

RECESS

At 7:49 p.m., Vice Chair Jones declared a recess.

RECONVENE

At 8:12 p.m., Vice Chair Jones reconvened the meeting with Members Beard, Bui, and Phan present.

MINUTES (F: Vault)

It was moved by Member Bui, seconded by Member Beard that:

The minutes from the meetings held on June 14, 2011, and June 28, 2011, be received and filed.

The motion carried by a 4-0-1 vote as follows:

Ayes: (4) Beard, Bui, Jones, Phan  
Noes: (0) None  
Absent: (1) Nguyen

JOINT PUBLIC HEARING WITH THE CITY COUNCIL - ISSUANCE OF LEASE REVENUE BONDS, SERIES 2015A TO REFUND THE 2002 CITY CERTIFICATES OF PARTICIPATION (F: P-60.1) (XR: 60.1)

Following Staff's presentation, Vice Chair Jones declared the Public Hearing open and asked if anyone wished to address the Public Financing Authority on the matter.

Speakers: Charles Mitchell; Unknown speaker

There being no further response from the audience, the Public Hearing was declared closed.

City Council Action

It was moved by Council Member Beard, seconded by Council Member Phan that:

Resolution No. 9319-15 entitled A Resolution authorizing the execution and delivery by the City of a Ground Lease, Lease Agreement, Indenture, Escrow Agreement, Continuing Disclosure Certificate and a Bond Purchase Agreement in connection with the issuance of Garden Grove Public Financing Authority Lease Revenue Bonds, Series 2015A, approving the issuance of such Bonds in an aggregate principal amount not to exceed \$28,000,000, authorizing the distribution of an official statement in connection with the offering and sale of such bonds, and authorizing the execution of necessary documents and certificates and related actions, be adopted.

The motion carried by a 4-0-1 vote as follows:

Ayes: (4) Beard, Bui, Jones, Phan  
Noes: (0) None  
Absent: (1) Nguyen

Public Finance Authority Action

It was moved by Member Beard, seconded by Member Phan that:

Resolution No. 12-15 entitled A Resolution authorizing the execution and delivery by the Authority of a Ground Lease, Lease Agreement, Indenture, Assignment Agreement, and a Bond Purchase Agreement in connection with the issuance of

Garden Grove Public Financing Authority Lease Revenue Bonds, Series 2015A, authorizing the issuance of such Bonds in an aggregate amount not to exceed \$28,000,000, authorizing the distribution of an official statement in connection with the offering and sale of such bonds, and authorizing the execution of necessary documents and certificates and related actions, be adopted.

The motion carried by a 4-0-1 vote as follows:

Ayes: (4) Beard, Bui, Jones, Phan  
Noes: (0) None  
Absent: (1) Nguyen

#### ADJOURNMENT

At 8:34 p.m., Vice Chair Jones adjourned the meeting.

KATHLEEN BAILOR, CMC  
SECRETARY



**City of Garden Grove**

**INTER-DEPARTMENT MEMORANDUM**

To: Scott C. Stiles                      From: Patricia Song  
Dept.: City Manager                      Dept.: Finance  
Subject: Adoption of a Resolution      Date: 10/13/2020  
          authorizing the sale and  
          issuance of Garden Grove  
          Public Financing Authority  
          Water Revenue Bonds,  
          Series 2020A, and approving  
          the execution and delivery of  
          other related  
          documents. (*Action Item*)

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**OBJECTIVE**

For the Garden Grove Public Financing Authority to approve a resolution authorizing the sale and issuance of Garden Grove Public Financing Authority Water Revenue Bonds, Series 2020A, and approving the execution and delivery of certain documents in connection therewith and certain other matters.

**BACKGROUND**

On April 30, 2010, the Garden Grove Public Financing Authority issued its Revenue Bonds, Series 2010 (the 2010 Bonds) to finance certain water utility capital improvement projects. The interest rates for the 2010 Bonds range from 2.0% to 6.389%. As of June 30, 2020, the 2010 Bonds carried a remaining principal balance of \$10,630,000.

**DISCUSSION**

In a recent financial review with the City’s Municipal Advisor, Fieldman, Rolapp & Associates, Inc. (FRA), it was identified that the 2010 Bonds would become callable as of December 15, 2020. The current municipal bond market shows favorable condition to refund the 2010 Bonds. The financing team has estimated that the net present value savings to refund the 2010 Bonds to be approximately \$1.5 million or 14.3% of the refunded bonds. Consequently, it is beneficial for the City to refund the 2010 Bonds to achieve savings in debt service.

In July 2020, the City received its draft 2020 Water Master Plan Update. In the update, a few key capital improvement projects were identified to cost-effectively

meet the City's water distribution system infrastructure needs. The Water utility currently does not have existing capital to carry out these projects. Public financing is necessary to undertake the acquisition and construction of certain capital improvements, betterments, renovations and expansions of facilities within its water system (the 2020 Project). FRA has recommended raising new capital sufficient to cover the 2020 Projects while refunding the 2010 Bonds.

### FINANCIAL IMPACT

The par amount of the 2020 Bonds is estimated to be \$22,590,000, with anticipated original issuance premium of \$4,177,650, with a total proceeds of \$26,767,650. Among the total proceeds, about \$11 million will be used to defease the 2010 Bonds, and \$16 million as "new money" to fund for the 2020 Projects. The proposed bond structure will maximize cash flow savings in the initial year. The refunding portion of the 2020 Bonds will not extend the term of the 2010 Bonds, and the new money portion will carry a 30-year amortization period with annual debt service payments ranging between \$1.0 million to \$1.8 million.

It is estimated that by refunding the 2010 Bonds, the Authority will realize a net present value savings of \$1.5 million or 14.3% of the refunded debt.

Total cost of issuance is estimated to be \$347,714, which will be paid from the proceeds of the 2020 Bonds. This amount covers the cost of bond and disclosure counsel, municipal advisor, trustee and escrow agent, credit rating, underwriter, City administrative costs and other fees.

The stated rate of the 2020 bonds will be 4.0%, with the true interest cost 2.56% per annum. The annual debt service payments of the 2020 Bonds will be incorporated in the Water utility fund's annual operating budget.

### RECOMMENDATION

It is recommended that the Garden Grove Public Financing Authority:

- Adopt the resolution authorizing the sale and issuance of Garden Grove Public Financing Authority Water Revenue Bonds, Series 2020A, and approving the execution and delivery of certain documents in connection therewith and certain other matters (Attachment 1);
- Approve the Installment Purchase Agreement by and between City of Garden Grove and Garden Grove Public Financing Authority (Attachment 2);
- Approve the Indenture of Trust by and between U.S. Bank National Association as Trustee and the Garden Grove Public Financing Authority Relating to Garden Grove Public Financing Authority Water Revenue Bonds, Series 2020A (Attachment 3);
- Approve the Escrow Agreement by and among the City of Garden Grove, the Garden Grove Public Financing Authority, and the U.S. Bank National Association, as Escrow Agent (Attachment 4);

- Approve the Bond Purchase Agreement by and among Stifel, Nicolaus & Company, Inc., the Garden Grove Public Financing Authority, and the City of Garden Grove (Attachment 5); and
- Approve the Preliminary Official Statement for the Garden Grove Public Financing Authority Water Revenue Bonds, Series 2020A (Attachment 6); and
- Authorize the Executive Director or his designee to execute any other documents that are necessary to cause the issuance of the 2020 Bonds.

**ATTACHMENTS:**

<b>Description</b>	<b>Upload Date</b>	<b>Type</b>	<b>File Name</b>
1 - Resolution Authorizing Bond Issuance	9/23/2020	Resolution	1-Authority_Resolution_Garden_Grove_2020_Water_Bonds.pdf
2 - Installment Purchase Agreement	9/23/2020	Agreement	2-Installment_Purchase_Agreement_Garden_Grove_2020_Water_Bonds.pdf
3 - Indenture of Trust	9/23/2020	Agreement	3-Indenture_Garden_Grove_2020_Water_Bonds.pdf
4 - Escrow Agreement	9/23/2020	Agreement	4-Escrow_Agreement_(2010_Bonds)_Garden_Grove_2020_Water_Bonds.pdf
5 - Bond Purchase Agreement	9/23/2020	Agreement	5-BPA_-_Garden_Grove_PFA_2020_Bonds.pdf
6 - Preliminary Official Statement	9/23/2020	Exhibit	6-Official_Statement_Garden_Grove_2020_Water_Bonds.pdf

RESOLUTION NO. \_\_\_\_\_

RESOLUTION OF THE BOARD OF DIRECTORS OF THE  
GARDEN GROVE PUBLIC FINANCING AUTHORITY  
AUTHORIZING THE SALE AND ISSUANCE OF GARDEN  
GROVE PUBLIC FINANCING AUTHORITY WATER  
REVENUE BONDS, SERIES 2020A, IN AN AGGREGATE  
PRINCIPAL AMOUNT NOT TO EXCEED \$25,000,000 AND  
APPROVING THE EXECUTION AND DELIVERY OF  
CERTAIN DOCUMENTS IN CONNECTION THEREWITH AND  
CERTAIN OTHER MATTERS

WHEREAS, the Garden Grove Public Financing Authority (the “**Authority**”), a public entity that is duly organized and existing under a joint exercise of powers agreement and under the Constitution and laws of the State of California (the “**State**”), has the powers, among others, to issue bonds and to finance water facilities on behalf of its members pursuant to Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State, including but not limited to Article 4 thereof, known as the “Marks-Roos Local Bond Pooling Act of 1985,” Government Code Section 6584 *et seq.* (the “**Act**”);

WHEREAS, the City of Garden Grove (the “**City**”), a municipal corporation and general law city that is duly organized and existing under the Constitution and laws of the State of California, and a member of the Authority, proposes to undertake the financing of the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its water system (collectively, the “**2020 Project**”);

WHEREAS, the City also proposes to refinance the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its water system (the “**2010 Projects**”) which were previously financed from proceeds of the Garden Grove Public Financing Authority Water Revenue Bonds, Series 2010A, 2010B and 2010C (collectively, the “**2010 Bonds**”);

WHEREAS, the Board of Directors of the Authority (the “**Board**”) has determined that it is desirable to issue its Water Revenue Bonds, Series 2020A (the “**Bonds**”) in an aggregate principal amount not to exceed \$25,000,000 to assist the City in financing the 2020 Project and refinancing the 2010 Projects;

WHEREAS, the Bonds are to be secured by installment payments to be made pursuant to an Installment Purchase Agreement (the “**Installment Purchase Agreement**”), by and between the City and the Authority, which installment payments will be payable from net revenues of the City’s water system;

WHEREAS, the Board has determined that it is in the best interest of the Authority to enter into the Installment Purchase Agreement with the City, and to approve certain other documents;

WHEREAS, the Authority and U.S. Bank National Association, as trustee (the “**Trustee**”), desire to enter into an Indenture of Trust (the “**Indenture**”), to provide for the

issuance and security of the Bonds and to provide for the financing of the 2020 Project and the refinancing of the 2010 Projects;

WHEREAS, pursuant to the Indenture, the Authority will assign to the Trustee the installment payments payable under the Installment Purchase Agreement;

WHEREAS, in order to effect the refunding of the 2010 Bonds, the City, the Authority and U.S. Bank National Association, as trustee for the 2010 Bonds and as escrow agent, desire to enter into an Escrow Agreement (2010 Bonds) (the “**Escrow Agreement**”);

WHEREAS, the Authority desires to execute and deliver a bond purchase agreement (the “**Purchase Contract**”) with the City and Stifel, Nicolaus & Company, Incorporated, as the underwriter of the Bonds (the “**Underwriter**”), with respect to the Bonds;

WHEREAS, in order to effect a public sale of the Bonds to the Underwriter, the Authority is required under federal securities laws and regulations to prepare a preliminary official statement with respect to the Bonds (the “**Preliminary Official Statement**”) disclosing material information about the City, the 2020 Project and the City’s water system; and

WHEREAS, the Authority wishes to approve the Preliminary Official Statement for the Bonds, which has been prepared by the City and the Authority with the assistance of Stradling Yocca Carlson & Rauth, a Professional Corporation, as disclosure counsel (“**Disclosure Counsel**”);

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE GARDEN GROVE PUBLIC FINANCING AUTHORITY, as follows:

Section 1. The Board hereby specifically finds and declares that each of the statements, findings and determinations of the Authority that are set forth in the above recitals and in the preambles of the documents that are approved herein are true and correct and that the financing of the 2020 Project and the refinancing of the 2010 Projects will result in significant public benefits for the residents of the City. The Board hereby further finds and determines that: (a) there are significant public benefits to the citizens of the City of the type described in Section 6586 of the Act in having the Authority assist the City with respect to the financing of the 2020 Project and the refinancing of the 2010 Projects through the issuance of the Bonds, in that the issuance of the Bonds and related transactions will result in demonstrable savings in effective interest rate to the City and significant reductions in effective user charges levied by the City; and (b) the 2020 Project and the 2010 Projects include facilities for the production, storage, transmission or treatment of water within the meaning of Section 6586.5(c) of the Act.

Section 2. The Board hereby authorizes the preparation, sale and delivery of the Bonds in accordance with the terms and provisions of the Indenture in an aggregate principal amount (not in excess of \$25,000,000) that is determined by the Chair, the Vice Chair, the Executive Director, the Treasurer or the Secretary of the Authority (each, an “**Authorized Officer**”), together with other available funds, as being necessary: (a) to finance the 2020 Project and refinance the 2010 Projects; (b) to pay the costs of issuing the Bonds; (c) if advisable to reduce the interest rate payable on the Bonds and/or secure a higher credit rating on the Bonds, to establish a reserve fund for the Bonds; and (d) if determined to be in the

best interest of the City, to capitalize interest on the Bonds during all or a portion of the construction period for the 2020 Project.

Section 3. The form of the Bonds, as set forth in the form of the Indenture (as the Indenture may be modified pursuant hereto), is hereby approved; and the Authorized Officers are hereby authorized and directed to execute the Bonds by manual or facsimile signature in the name and on behalf of the Authority.

Section 4. The Installment Purchase Agreement is hereby approved substantially in the form on file with the Secretary. Each Authorized Officer or the designee thereof is hereby authorized and directed to execute and deliver the Installment Purchase Agreement with such changes, insertions and omissions as may be recommended by General Counsel or Stradling Yocca Carlson & Rauth, a Professional Corporation, as bond counsel ("**Bond Counsel**") and approved by the officer executing the same, said execution being conclusive evidence of such approval.

Section 5. The Indenture is hereby approved substantially in the form on file with the Secretary. Each Authorized Officer or the designee thereof is hereby authorized and directed to execute and deliver such Indenture with such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and approved by the officer executing the same, said execution being conclusive evidence of such approval.

Section 6. The Escrow Agreement is hereby approved substantially in the form on file with the Secretary. Each Authorized Officer or the designee thereof is hereby authorized and directed to execute and deliver such Escrow Agreement with such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and approved by the officer executing the same, said execution being conclusive evidence of such approval.

Section 7. The Purchase Contract is hereby approved substantially in the form on file with the Secretary. Each Authorized Officer or the designee thereof is hereby authorized and directed to execute and deliver such Purchase Contract with such changes, insertions and omissions as may be recommended by General Counsel or Bond Counsel and approved by the officer executing the same, said execution being conclusive evidence of such approval; provided, however, that in no event shall the aggregate principal amount of the Bonds exceed \$25,000,000, nor shall the underwriting discount exceed 1.00% of the aggregate principal amount of the Bonds, nor shall the true interest cost of the Bonds exceed 4.00%; and provided further that the Bonds issued to refund the 2010 Bonds shall result in an aggregate net present value debt service savings of 3% or greater.

Section 8. The preparation and distribution of the Preliminary Official Statement in substantially the form on file with the Secretary is hereby approved. Each Authorized Officer is hereby authorized: (i) to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the "**Rule**") deeming the Preliminary Official Statement substantially final under the Rule, except for the omission of information as permitted by the Rule; and (ii) to execute, approve and deliver the final Official Statement substantially in the form of the Preliminary Official Statement with such changes, insertions and omissions as the officer or officers executing said document may require or approve, subject to advice from the General Counsel or Disclosure Counsel, such approval to be conclusively evidenced by

the execution and delivery thereof. The Underwriter is directed to deliver copies of the final Official Statement to all actual initial purchasers of the Bonds.

Section 9. The proceeds of the Bonds shall be deposited as provided in the Indenture and the Installment Purchase Agreement to finance the 2020 Project and refinance the 2010 Projects.

Section 10. The appointment of U.S. Bank National Association, as Trustee under and pursuant to the Indenture, with the powers and duties of said office as set forth therein, is hereby approved.

Section 11. The Board hereby authorizes each Authorized Officer: (i) to solicit bids for a municipal bond insurance policy and/or reserve surety; (ii) to negotiate the terms of such policy or policies; (iii) to finalize, if appropriate, the form of such policy or policies with a municipal bond insurer; and (iv) if it is determined that the policy or policies will result in net savings for the City, to pay the insurance premium of such policy or policies from the proceeds of the issuance and sale of the Bonds.

Section 12. The Authorized Officers or any other proper officer of the Authority, acting singly, be and each of them hereby is authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Indenture, the Installment Purchase Agreement, the Escrow Agreement, the Purchase Contract, bond insurance, a reserve surety and this Resolution, including any reimbursement agreement or other agreement relative to bond insurance or a reserve surety and any escrow or redemption instructions related to the 2010 Bonds. In the event that the Chair of the Board is unavailable to sign any of the agreements described herein, any other member of the Board may sign such agreement.

Section 13. Unless otherwise defined herein, all terms that are used herein and not otherwise defined shall have the meanings given to such terms in the Indenture unless the context otherwise clearly requires.

Section 14. In accordance with Section 5852.1 of the California Government Code, the Authority has obtained from Fieldman, Rolapp & Associates, Inc., the City's Municipal Advisor, required good faith estimates relating to the Bonds, and such estimates are disclosed and set forth in Exhibit A.

Section 15. This Resolution shall take effect from and after its date of adoption.

Adopted this 13th day of October, 2020.

ATTEST:

\_\_\_\_\_  
CHAIR

\_\_\_\_\_  
SECRETARY



STATE OF CALIFORNIA )  
COUNTY OF ORANGE ) ss:  
CITY OF GARDEN GROVE )

I, Teresa Pomeroy, CMC, Secretary of the Garden Grove Public Financing Authority, do hereby certify that the foregoing Resolution was duly adopted by the Board of Directors of the Garden Grove Public Financing Authority at a regular meeting held on the 13th day of October, 2020.

AYES: COUNCIL MEMBERS:  
NOES: COUNCIL MEMBERS:  
ABSENT: COUNCIL MEMBERS:

\_\_\_\_\_  
SECRETARY

## EXHIBIT A

### GOVERNMENT CODE SECTION 5852.1 DISCLOSURE

The following information consists of estimates that have been provided by the City's Municipal Advisor and has been represented by such party to have been provided in good faith:

- (A) True Interest Cost of the Bonds: 2.56%
- (B) Finance Charge of the Bonds (Sum of all fees/charges paid to third parties):  
\$347,714
- (C) Net Proceeds of the Bonds to be Received (net of finance charges, reserves and capitalized interest, if any): \$25,243,494
- (D) Total Payment Amount through Maturity of the Bonds: \$35,937,177

The foregoing constitute good faith estimates only. The principal amount of the Bonds, the true interest cost of the Bonds, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to: (a) the actual date of the sale of the Bonds being different than the date assumed for purposes of such estimates; (b) the actual principal amount of Bonds sold being different from the estimated amount used for purposes of such estimates; (c) the actual amortization of the Bonds being different than the amortization assumed for purposes of such estimates; (d) the actual market interest rates at the time of sale of the Bonds being different than those estimated for purposes of such estimates; (e) other market conditions; or (f) alterations in the City's financing plan, or a combination of such factors.

The actual date of sale of the Bonds and the actual principal amount of Bonds sold will be determined by the Authority based on a variety of factors. The actual interest rates borne by the Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the Authority.

**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			
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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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**INDENTURE OF TRUST**

**Dated as of November 1, 2020**

**by and between**

**U.S. BANK NATIONAL ASSOCIATION  
as Trustee**

**and the**

**GARDEN GROVE PUBLIC FINANCING AUTHORITY**

**Relating to**

**\$\_\_\_\_\_**

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

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## INDENTURE OF TRUST

THE INDENTURE OF TRUST is made and entered into and dated as of November 1, 2020, by and between 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**”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association that is duly organized and existing under the laws of the United States of America, as trustee hereunder (the “**Trustee**”).

### RECITALS

A. The Authority has been created pursuant to the JPA Agreement with the powers, among others, to issue bonds and to finance water facilities on behalf of its members.

B. The City of Garden Grove (the “**City**”), a member of the Authority, has determined that it is in the best interest of the public to finance and refinance certain improvements to its Water System with the assistance of the Authority.

C. The Authority is authorized pursuant to State law, including but not limited to, Section 6588(c) of the Government Code of the State of California (the “**Government Code**”), and pursuant to Sections 4.02 and 4.03(e) of the JPA Agreement to incur indebtedness to finance and refinance such improvements, and is authorized pursuant to State law, including but not limited to Section 6588(m) of the Government Code, to assign and pledge to the repayment of such indebtedness amounts payable to the Authority by its members.

D. The City has determined that it is in the City’s best interest to finance the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its Water System (collectively, the “**2020 Project**”), as further described in the Installment Purchase Agreement.

E. The City has also determined that it is in the City’s best interest to refinance the acquisition and construction of certain existing improvements, betterments, renovations and expansions of facilities within its Water System (collectively, the “**2010 Projects**”), as further described in the Installment Purchase Agreement.

F. The Authority hereby finds pursuant to Section 6586 of the Government Code that the issuance of the bonds that are authorized pursuant to Section 2.01 hereof (the “**Bonds**”) to finance the 2020 Project and refinance the 2010 Projects will have demonstrable savings in effective interest rate, bond preparation, bond underwriting or bond issuance costs and significant reductions in effective user charges levied by the City.

G. In order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and premium, if any, thereon, the Authority has authorized the execution and delivery of the Indenture.

H. The Authority has determined that all acts and proceedings which are required by law and necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special obligations of the Authority, and to

constitute the Indenture a valid and binding agreement for the uses and purposes set forth herein in accordance with its terms, have been done and taken, and the execution and delivery of the Indenture have been in all respects duly authorized.

## GRANTING CLAUSES

The Authority, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created, the mutual covenants herein and the purchase and acceptance of the Bonds by the owners thereof, and for other valuable considerations, the receipt of which is hereby acknowledged, in order to secure the payment of the principal of and the interest and premium (if any) on all Bonds at any time issued and Outstanding under the Indenture, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, does hereby assign and pledge unto, and grant a security interest in, the following (the “**Trust Estate**”) to the Trustee, and its successors in trust and assigns forever, for the securing of the performance of the obligations of the Authority to the Bond Owners hereinafter set forth:

### FIRST

All right, title and interest of the Authority in and to the Authority Revenues (as such term is defined herein), including, but without limiting the generality of the foregoing, the present and continuing right to make claim for, collect, receive and receipt for any Authority Revenues which are payable to or receivable by the Authority under the Constitution of the State, the Government Code and the Indenture and any other applicable laws of this State or otherwise, to bring actions and proceedings thereunder for the enforcement thereof, and to do any and all things which the Authority is or may become entitled to do thereunder, subject to the terms hereof.

### SECOND

All moneys and securities held in funds and accounts of the Indenture, except amounts held in the Rebate Fund, and all other rights of every name and nature from time to time herein or hereafter by delivery or by writing of any kind pledged, assigned or transferred as and for additional security hereunder to the Trustee by the Authority or by anyone on its behalf, or with its written consent, and to hold and apply the same, subject to the terms hereof.

### THIRD

All of the rights, title, and interest (but no obligations) of the Authority in the Installment Purchase Agreement, including all rights of the Authority to receive payments thereunder and all rights of the Authority thereunder as may be necessary to enforce compliance with said provisions (including enforcement of payment obligations and rate covenants, if any, contained in the Installment Purchase Agreement) or otherwise to protect the interest of the Owners of the Bonds, subject to the terms hereof, and excepting therefrom any rights to give consents or approvals, to indemnification or to receive notices thereunder.

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors in trust and assigns forever for the benefit of the Owners, and such pledge shall constitute a lien on and security interest in such Trust Estate;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future owners of the Bonds issued under and secured by the Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds over any of the other Bonds;

PROVIDED, HOWEVER, that if the Authority, its successors or assigns shall well and truly pay, or cause to be paid, the principal of and interest and any redemption premium on the Bonds due or to become due thereon, at the times and in the manner provided in the Bonds according to the true intent and meaning thereof, and shall well and truly keep, perform and observe all of the covenants and conditions pursuant to the terms of the Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due in accordance with the terms and provisions hereof, then upon such final payments or deposits as herein provided, the Indenture and the rights hereby granted shall cease, terminate and be void; otherwise the Indenture shall remain in full force and effect.

It is expressly declared that all Bonds which are issued and secured hereunder are to be issued, authenticated and delivered, and all sold property, rights and interests, including, without limitation, the Authority Revenues, hereby assigned and pledged, are to be dealt with and disposed of, under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes hereinafter expressed, and the Authority has agreed and covenanted and does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Bonds, as follows:

## ARTICLE I

### DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms that are defined in this Section 1.01 shall, for all purposes of the Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined. Unless the context otherwise requires, all capitalized terms that are used herein and not defined have the meanings ascribed thereto in the Installment Purchase Agreement.

Acquisition Fund. The term “Acquisition Fund” means the fund by that name established pursuant to Section 3.04.

Authority. The term “Authority” means the Garden Grove Public Financing Authority, a public body that is duly organized and existing under the JPA Agreement, and under the Constitution and laws of the State of California.

Authority Revenues. The term “Authority Revenues” means: (a) all Series 2020 Installment Payments received by the Authority or the Trustee pursuant to or with respect to the Installment Purchase Agreement; and (b) all interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder.

Authorized Representative. The term “Authorized Representative” means with respect to the Authority, its Chair, Vice Chair, Executive Director, Treasurer or Secretary, or any other person

designated as an Authorized Representative of the Authority by a Certificate of the Authority signed by its Chair, Vice Chair, Executive Director, Treasurer or Secretary and filed with the Trustee.

Bond Counsel. The term “Bond Counsel” means Stradling, Yocca, Carlson & Rauth, or another firm of nationally recognized attorneys experienced in the issuance of obligations the interest on which is excludable from gross income under Section 103 of the Code.

Bond Year. The term “Bond Year” has the meaning that is set forth in the Tax Certificate.

Bonds. The term “Bonds” means the Water Revenue Bonds, Series 2020A issued by the Authority and at any time Outstanding pursuant to the Indenture.

Business Day. The term “Business Day” means: (i) a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State, or in any other state in which the Office of the Trustee is located, are closed; or (ii) a day on which the New York Stock Exchange is not closed.

Certificate; Direction; Request; Requisition. The terms “Certificate,” “Direction,” “Request,” and “Requisition” of the Authority mean a written certificate, direction, request or requisition signed in the name of the Authority by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.02, each such instrument shall include the statements that are provided for in Section 1.02.

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

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

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

Costs of Issuance. The term “Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority and related to the authorization, issuance, sale and delivery of the Bonds, including but not limited to costs of preparation and reproduction of documents, printing expenses, filing and recording fees, initial fees and charges of the Trustee and counsel to the Trustee, legal fees and charges, fees and disbursements of consultants and professionals, rating agency fees, title insurance premiums, letter of credit fees and bond insurance premiums (if any), fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

Costs of Issuance Fund. The term “Costs of Issuance Fund” means the fund by that name established pursuant to Section 3.03.

Defeasance Obligations. The term “Defeasance Obligations” means the investments described in part (A) of the definition of “Permitted Investments.”

Depository; DTC. The terms “Depository” and “DTC” mean The Depository Trust Company, New York, New York, a limited purpose trust company that is organized under the laws of the State of New York, in its capacity as securities depository for the Bonds.

Escrow Agent. The term “Escrow Agent” means U.S. Bank National Association, in its capacity as escrow agent and trustee for the 2010 Bonds under the Escrow Agreement (2010 Bonds), dated as of the date hereof, by and among the City, the Authority and the Escrow Agent.

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

Fitch. The term “Fitch” means Fitch Ratings, Inc., or any successor thereto.

Government Code. The term “Government Code” means the Government Code of the State.

Indenture. The term “Indenture” means the Indenture of Trust, dated as of November 1, 2020, by and between the Authority and the Trustee, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture.

Information Services. The term “Information Services” means the Municipal Securities Rulemaking Board; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the Authority may specify in a certificate to the Trustee.

Installment Purchase Agreement. The term “Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of the date hereof, by and between the Authority and the City, as amended from time to time.

Interest Account. The term “Interest Account” means the account by that name in the 2020A Bond Payment Fund established pursuant to Section 5.01.

Interest Payment Date. The term “Interest Payment Date” means June 15 and December 15 of each year, commencing June 15, 2021.

Investment Agreement. The term “Investment Agreement” means an investment agreement by a provider, supported by appropriate opinions of counsel, provided that any such Investment Agreement shall: (i) be from a provider rated by S&P or Moody’s at “A-” or “A3”, respectively, or above; (ii) require the Authority or the City to terminate such agreement and immediately reinvest the proceeds thereof in other Permitted Investments if the rating assigned to the provider by S&P or Moody’s falls to “BBB” or “Baa2”, respectively, or below; and (iii) expressly permit the withdrawal, without penalty, of any amounts necessary at any time to fund any deficiencies on account of debt service requirements with respect to the Bonds, together with such amendments as may be approved by the Authority and the Trustee (which may rely on the direction of the Authority, without liability) from time to time.

Letter of Representations. The term “Letter of Representations” means the letter of the Authority delivered to and accepted by the Depository on or prior to delivery of the Bonds as book-entry bonds setting forth the basis on which the Depository serves as depository for such book-entry bonds, as originally executed or as it may be supplemented or revised or replaced by a letter from the Authority delivered to and accepted by the Depository.

Moody’s. The term “Moody’s” means Moody’s Investors Service, Inc. or any successor thereto.

Nominee. The term “Nominee” means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.08 hereof.

Office. The term “Office” means with respect to the Trustee, the principal corporate trust office of the Trustee at 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, or at such other or additional offices as may be specified in writing by the Trustee to the Authority, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

Opinion of Counsel. The term “Opinion of Counsel” means a written opinion of counsel (including but not limited to counsel to the Authority) selected by the Authority. If and to the extent required by the provisions of Section 1.02, each Opinion of Counsel shall include the statements that are provided for in Section 1.02.

Outstanding. The term “Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.09) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except: (i) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (ii) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.02, including Bonds (or portions thereof) described in Section 11.10; and (iii) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

Owner; Bond Owner. The terms “Owner” or “Bond Owner,” whenever used herein with respect to a Bond, mean the person in whose name the ownership of such Bond is registered on the Registration Books.

Participants. The term “Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book-entry certificates as securities depository.

Permitted Investments. The term “Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(A) for all purposes, including: (i) as defeasance investments in refunding escrow accounts; and (ii) for the purpose of investing (and receiving premium credit for) accrued and capitalized interest: (1) cash; or (2) direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America; and

(B) for all purposes other than: (i) defeasance investments in refunding escrow accounts; and (ii) investing (and receiving credit for) accrued and capitalized interest: (1) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including the Export Import Bank; Farmers Home Administration; General Services Administration; U.S. Maritime Administration; Small Business Administration; Government National Mortgage Association (GNMA); U.S. Department of Housing & Urban Development (PHAs); and Federal Housing Administration; (2) bonds, notes or other evidences of indebtedness rated “AAA” and “Aaa” by the applicable Rating Agency issued by the Federal National Mortgage Association or the



Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years; (3) U.S. dollar denominated deposit accounts, certificates of deposit, federal funds and banker's acceptances with domestic commercial banks, which may include the Trustee and its affiliates, which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank); (4) commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's and which matures not more than 270 days after the date of purchase; (5) investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including funds for which the Trustee or its affiliates provide investment advisory or other management services; (6) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice and which are rated, based on the escrow, in the highest rating category of S&P and Moody's, or any successor thereto; (7) any Investment Agreement; (8) the Local Agency Investment Fund of the State of California; and (9) any other investment permitted by law.

Principal Account. The term "Principal Account" means the account by that name in the 2020A Bond Payment Fund established pursuant to Section 5.01.

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

Rebate Fund. The term "Rebate Fund" means the fund by that name established pursuant to Section 5.07.

Record Date. The term "Record Date" means, with respect to any Interest Payment Date, the first day of the calendar month in which such Interest Payment Date falls, whether or not such day is a Business Day.

Redemption Date. The term "Redemption Date" means the date fixed for an optional redemption prior to maturity of the Bonds.

Redemption Fund. The term "Redemption Fund" means the fund by that name established pursuant to Section 5.05.

Redemption Price. The term "Redemption Price" means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the interest accrued to the applicable Redemption Date and the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond and the Indenture.

Registration Books. The term "Registration Books" means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to Section 2.05.

Responsible Officer of the Trustee. The term "Responsible Officer of the Trustee" means any officer within the corporate trust division (or any successor group or department of the Trustee) including any vice president, assistant vice president, assistant secretary, senior associate, associate or any other officer or assistant officer of the Trustee customarily performing functions similar to those

performed by the persons who at the time shall be such officers, respectively, or to whom any corporate trust matter is referred at the Office because of such person's knowledge of and familiarity with the particular subject and having direct responsibility for the administration of the Indenture.

S&P. The term "S&P" means S&P Global Ratings, a Standard & Poor's Financial Services LLC business, or any successor thereto.

Securities Depositories. The term "Securities Depositories" means The Depository Trust Company; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other securities depositories as the Authority may designate in a Request of the Authority delivered to the Trustee.

State. The term "State" means the State of California.

Supplemental Indenture. The term "Supplemental Indenture" means any indenture that is hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

Tax Certificate. The term "Tax Certificate" means the Tax Certificate dated the Closing Date, concerning certain matters pertaining to the use and investment of proceeds of the Bonds issued by the Authority on the date of issuance of the Bonds, including any and all exhibits attached thereto.

Trustee. The term "Trustee" means U.S. Bank National Association, a national banking association duly organized and existing under the laws of the United States of America, or its successor, as Trustee hereunder as provided in Section 8.01.

2010 Bonds. The term "2010 Bonds" means, collectively, the Authority's Water Revenue Bonds, Series 2010A (Tax-Exempt), Series 2010B (Federally Taxable Direct Pay Build America Bonds) and Series 2010C (Federally Taxable Recovery Zone Economic Development Bonds).

2020A Bond Payment Fund. The term "2020A Bond Payment Fund" means the fund by that name established pursuant to Section 5.01(c).

Section 1.02. Content of Certificates and Opinions. Every certificate or opinion that is provided for in the Indenture, except the certificate of destruction that is provided for in Section 11.05 hereof, with respect to compliance with any provision hereof shall include: (1) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the certificate or opinion is based; (3) a statement that, in the opinion of such person he or she has made or caused to be made such examination or investigation as is necessary to enable such person to express an informed opinion with respect to the subject matter referred to in the instrument to which such person's signature is affixed; (4) a statement of the assumptions upon which such certificate or opinion is based, and that such assumptions are reasonable; and (5) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate or opinion that is made or given by an officer of the Authority may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an Independent Certified Public Accountant, unless such officer knows,

or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an Independent Certified Public Accountant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Authority) upon a certificate or opinion of or representation by an officer of the Authority, unless such counsel or Independent Certified Public Accountant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Authority, or the same counsel or Independent Certified Public Accountant, as the case may be, need not certify to all of the matters that are required to be certified under any provision of the Indenture, but different officers, counsel or Independent Certified Public Accountants may certify to different matters, respectively.

Section 1.03. Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa, and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of the Indenture; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to the Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

THE BONDS

Section 2.01. Authorization of Bonds. The Authority hereby authorizes the issuance hereunder from time to time of the Bonds, which shall constitute special obligations of the Authority, for the purpose of financing the 2020 Project and refinancing the 2010 Projects. The Bonds are hereby designated the "Garden Grove Public Financing Authority Water Revenue Bonds, Series 2020A" in the aggregate principal amount of \$\_\_\_\_\_. The Indenture constitutes a continuing agreement with the Owners from time to time of the Bonds to secure the full payment of the principal of and interest and premium (if any) on all the Bonds, subject to the covenants, provisions and conditions herein contained.

Section 2.02. Terms of the Bonds. The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

The Bonds shall mature on December 15 in each of the years and in the amounts set forth below and shall bear interest on each Interest Payment Date at the rates set forth below:

<i>Maturity Date (December 15)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
20[___]	\$	%
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		
2038		
2039		
2040		
2041		
2042		
2043		
2044		
2045		
2046		
2047		
2048		
2049		
2050		

\* Term Bond.

Interest on the Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee sent by first class mail on the applicable Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books (except that in the case of an Owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such Owner's option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such Owner prior to the Record Date. Principal of and premium (if any) on any Bond shall be paid by wire or check of the Trustee upon presentation and surrender thereof at maturity or upon the prior redemption thereof, at the Office of the Trustee. Both the principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

Each Bond shall be dated the date of initial delivery, and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless: (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) unless it is authenticated on or before [December 1, 2020], in which event it shall bear interest from the date of initial delivery; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon. Interest on the Bonds shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

Section 2.03. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. The Trustee shall not be required to register the transfer of any Bond during the period in which the Trustee is selecting Bonds for redemption and any Bond that has been selected for redemption.

Whenever any Bond or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds of authorized denomination or denominations for a like series and aggregate principal amount of the same maturity. The Trustee shall require the Bond Owner requesting such transfer to pay any tax or other governmental charge that is required to be paid with respect to such transfer. Following any transfer of Bonds, the Trustee will cancel and destroy the Bonds that it has received.

Prior to any transfer of the Bonds outside the book entry system (including, but not limited to, the initial transfer outside the book entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

Section 2.04. Exchange of Bonds. Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of other authorized denominations of the same series and maturity. The Trustee shall not be required to exchange any Bond during the period in which the Trustee is selecting Bonds for redemption and any Bond that has been selected for redemption. The Trustee shall require the Bond Owner requesting such exchange to pay any tax or other governmental charge that is required to be paid with respect to such exchange. Following any exchange of Bonds, the Trustee will cancel and destroy the Bonds that it has received.

Section 2.05. Registration Books. The Trustee will keep or cause to be kept, at the Office of the Trustee, sufficient records for the registration and transfer of ownership of the Bonds, which shall upon reasonable notice and at reasonable times be open to inspection during regular business hours by the Authority, the City and the Owners; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as hereinbefore provided.

The person in whose name any Bond shall be registered shall be deemed the Owner thereof for all purposes hereof, and payment of or on account of the interest on and principal and Redemption

Price of such Bonds shall be made only to or upon the order in writing of such registered Owner, which payments shall be valid and effectual to satisfy and discharge liability upon such Bond to the extent of the sum or sums so paid.

Section 2.06. Form and Execution of Bonds. The Bonds shall be in substantially the form set forth in Exhibit A. The Bonds shall be executed in the name and on behalf of the Authority with the manual or facsimile signature of its Chair, attested by the manual or facsimile signature of its Secretary. The Bonds may carry a seal, and such seal may be in the form of a facsimile of the Authority's seal and may be reproduced, imprinted or impressed on the Bonds. The Bonds shall then be delivered to the Trustee for authentication by it. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the Authority before the Bonds so signed or attested shall have been authenticated or delivered by the Trustee, or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though those who signed and attested the same had continued to be such officers of the Authority, and any Bonds may be signed and attested on behalf of the Authority by those persons who at the actual date of execution of such Bonds are the proper officers of the Authority although at the nominal date of such Bonds any such person shall not have been such officer of the Authority.

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

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

Section 2.08. Book-Entry System.

(a) Election of Book-Entry System. Prior to the issuance of the Bonds, the Authority may provide that such Bonds shall be initially issued as book-entry Bonds. If the Authority shall elect to deliver any Bonds in book-entry form, then the Authority shall cause the delivery of a separate single fully registered bond (which may be typewritten) for each maturity date of such Bonds in an authorized denomination corresponding to that total principal amount of the Bonds designated to mature on such date. Upon initial issuance, the ownership of each such Bond shall be registered in the Bond Registration Books in the name of the Nominee, as nominee of the Depository, and ownership of the Bonds, or any portion thereof may not thereafter be transferred except as provided in Section 2.08(e).

With respect to book-entry Bonds, the Authority and the Trustee shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such book-entry Bonds. Without limiting the immediately preceding sentence, the Authority and the Trustee shall have no responsibility or obligation with respect to: (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in book-entry Bonds; (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Bond Registration Books, of any notice with respect to book-entry Bonds, including any notice of redemption; (iii) the selection by the Depository and its Participants of the beneficial interests in book-entry Bonds to be redeemed in the event that the Authority redeems the Bonds in part; or (iv) the payment by the Depository or any Participant or any other person of any amount of principal of, premium, if any, or interest on book-entry Bonds. The Authority and the Trustee may treat and consider the person in whose name each book-entry Bond is registered in the Bond Registration Books as the absolute Owner of such book-entry Bond for the purpose of payment of principal of, premium and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owner, as shown in the Bond Registration Books, or his or her respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond Registration Books, shall receive a Bond evidencing the obligation to make payments of principal of, premium, if any, and interest on the Bonds. Upon delivery by the Depository to the Authority and the Trustee of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in the Indenture shall refer to such nominee of the Depository.

(b) Delivery of Letter of Representations. In order to qualify the book-entry Bonds for the Depository's book-entry system, the Authority shall execute and deliver to the Depository a Letter of Representations. The execution and delivery of a Letter of Representations shall not in any way impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in such book-entry Bonds other than the Owners, as shown on the Registration Books. In addition to the execution and delivery of a Letter of Representations, the Authority and the Trustee, if necessary, shall take such other actions, not inconsistent with the Indenture, as are reasonably necessary to qualify book-entry Bonds for the Depository's book-entry program.

(c) Selection of Depository. In the event that: (i) the Depository determines not to continue to act as securities depository for book-entry Bonds; or (ii) the Authority determines that continuation of the book-entry system is not in the best interest of the beneficial owners of the Bonds or the Authority, then the Authority will discontinue the book-entry system with the Depository. If the Authority determines to replace the Depository with another qualified securities depository, the Authority shall prepare or direct the preparation of a new single, separate, fully registered Bond for each of the maturity dates of such book-entry Bonds, registered in the name of such successor or substitute qualified securities depository or its Nominee as provided in subsection (e) hereof. If the Authority fails to identify another qualified securities depository to replace the Depository, then the Bonds shall no longer be restricted to being registered in such Bond Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such Bonds shall designate, in accordance with the provisions of Sections 2.03 and 2.04 hereof.

(d) Payments To Depository. Notwithstanding any other provision of the Indenture to the contrary, so long as all Outstanding Bonds are held in book-entry form and registered in the name of the Nominee, all payments of principal of, redemption premium, if any, and interest on such Bonds and all notices with respect to such Bonds shall be made and given, respectively to the Nominee, as provided in the Letter of Representations or as otherwise instructed by the Depository and agreed to by the Trustee notwithstanding any inconsistent provisions herein.

(e) Transfer of Bonds to Substitute Depository.

(i) The Bonds shall be initially issued as provided in Section 2.01 hereof. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except:

(A) to any successor of DTC or its nominee, or of any substitute depository designated pursuant to clause (B) of subsection (i) of this Section 2.08(e) (a “**Substitute Depository**”); provided that any successor of DTC or Substitute Depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(B) to any Substitute Depository, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the Authority that DTC (or its successor) is no longer able to carry out its functions as depository; provided that any such Substitute Depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(C) to any person as provided below, upon: (1) the resignation of DTC or its successor (or any Substitute Depository or its successor) from its functions as depository; or (2) a determination by the Authority that DTC or its successor (or Substitute Depository or its successor) is no longer able to carry out its functions as depository.

(ii) In the case of any transfer pursuant to clause (A) or clause (B) of subsection (i) of this Section 2.08(e), upon receipt of all Outstanding Bonds by the Trustee, together with a written request of the Authority to the Trustee designating the Substitute Depository, a single new Bond, which the Authority shall prepare or cause to be prepared, shall be issued for each maturity of Bonds then Outstanding, registered in the name of such successor or such Substitute Depository or their Nominees, as the case may be, all as specified in such written request of the Authority. In the case of any transfer pursuant to clause (C) of subsection (i) of this Section 2.08(e), upon receipt of all



Outstanding Bonds by the Trustee, together with a written request of the Authority to the Trustee, new Bonds, which the Authority shall prepare or cause to be prepared, shall be issued in such denominations and registered in the names of such persons as are requested in such written request of the Authority, subject to the limitations of Section 2.01 hereof, provided that the Trustee shall not be required to deliver such new Bonds within a period of less than sixty (60) days from the date of receipt of such written request from the Authority.

(iii) In the case of a partial redemption or an advance refunding of any Bonds evidencing a portion of the principal maturing in a particular year, DTC or its successor (or any Substitute Depository or its successor) shall make an appropriate notation on such Bonds indicating the date and amounts of such reduction in principal, in form acceptable to the Trustee, all in accordance with the Letter of Representations. The Trustee shall not be liable for such Depository's failure to make such notations or errors in making such notations and the records of the Trustee as to the outstanding principal amount of such Bonds shall be controlling.

(iv) The Authority and the Trustee shall be entitled to treat the person in whose name any Bond is registered as the Owner thereof for all purposes of the Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Authority; and the Authority and the Trustee shall not have responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any beneficial owners of the Bonds. Neither the Authority nor the Trustee shall have any responsibility or obligation, legal or otherwise, to any such beneficial owners or to any other party, including DTC or its successor (or Substitute Depository or its successor), except to the Owner of any Bonds, and the Trustee may rely conclusively on its records as to the identity of the Owners of the Bonds.

### ARTICLE III

#### ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

Section 3.01. Issuance of the Bonds. At any time after the execution of the Indenture, the Authority may execute and the Trustee shall authenticate and, upon Request of the Authority, deliver the Bonds in the aggregate principal amount of \$\_\_\_\_\_.

Section 3.02. Application of Proceeds of the Bonds. The proceeds received by the Trustee from the sale of the Bonds shall be deposited in trust with the Trustee, who shall apply such proceeds as follows pursuant to a Direction of the Authority or the City:

- (a) The Trustee shall deposit the amount of \$\_\_\_\_\_ in the Costs of Issuance Fund.
- (b) The Trustee shall transfer \$\_\_\_\_\_ to the Escrow Agent to be applied to redeem the 2010 Bonds.
- (c) The Trustee shall deposit the amount of \$\_\_\_\_\_ in the Acquisition Fund to finance a portion of the costs of the 2020 Project.

The Trustee may establish temporary funds or accounts in its records to facilitate and record the above transfer of proceeds.

Section 3.03. Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the “Costs of Issuance Fund.” The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon submission of Requisitions of the Authority, on which the Trustee is entitled to rely conclusively, without investigation, stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred, that such payment is a proper charge against said fund and that payment for such charge has not previously been made. On the six month anniversary of the Closing Date, or upon the earlier Request of the Authority, all amounts remaining in the Costs of Issuance Fund shall be deposited in the Interest Account and the Costs of Issuance Fund shall be closed.

Section 3.04. Acquisition Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as 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 City Manager, 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 to the Installment Purchase Agreement.

Upon receipt of each such certificate, on which the Trustee is entitled to rely conclusively, without investigation, the Trustee will pay the amount that is set forth in such certificate as directed by the terms thereof or disburse funds to the City for such payment as directed by the City in such certificate. The Trustee need not make any such payment if it has received notice of any lien, right to lien, attachment upon or claim affecting the right to receive payment of any of the moneys to be so paid, which has not been released or will not be released simultaneously with such payment.

When the 2020 Project shall have been constructed and acquired in accordance with the Installment Purchase Agreement, a statement of the City stating the fact and date of such acquisition, construction and acceptance and stating that all of such costs of acquisition and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Acquisition Fund is to be maintained in the full amount of such claims until such dispute is resolved), shall be delivered to the Trustee by the City Manager. Upon the receipt of such statement, the Trustee shall deposit any remaining balance in the Acquisition Fund which is not needed for Acquisition Fund purposes (but less the amount of any such retention, which amount shall be certified to the Trustee by the City Manager) to the Trustee in the 2020A Bond Payment Fund for payment of Bonds in accordance herewith.

Section 3.05. Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Authority, the City or the Trustee with respect to or in connection with the Installment Purchase Agreement. The recital contained in the Bonds that the same are issued pursuant to the Constitution and laws of the State shall be conclusive evidence of the validity and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Terms of Redemption.

(a) The Bonds with stated maturities on or after December 15, 20\_\_, are subject to redemption prior to their respective stated maturities, as a whole or in part as directed by the Authority in a Request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) and by lot within each maturity in integral multiples of \$5,000, on \_\_\_\_ , 20)) or any date thereafter at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

(b) The Bonds with stated maturities on December 15, 20\_\_ are subject to mandatory sinking fund redemption in part (by lot) on December 15, 20\_\_ and each December 15 thereafter, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date (December 15)</i>	<i>Principal Amount</i>
20__	
20__	
20__	
20__	
20__*	

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\* Final Maturity.

If some but not all of the Bonds maturing on December 15, 20\_\_ are redeemed pursuant to subsections (a) or (c), the principal amount of the applicable Bonds to be redeemed pursuant to this subsection (b) on any subsequent December 15 will be reduced, by \$5,000 or an integral multiple thereof, as designated by the Authority in a Certificate of the Authority filed with the Trustee; provided, however, that the aggregate amount of such reductions shall not exceed the aggregate amount of the applicable Bonds redeemed pursuant to subsections (a) or (c).

(c) The Bonds shall be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the Authority in a Request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, Sections 6.10 and 6.16 of the Installment Purchase Agreement, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

Section 4.02. Selection of Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds for redemption as a whole or in part on any date as directed by the Authority and by lot within each

maturity in integral multiples of \$5,000 in accordance with Section 4.01 hereof. The Trustee will promptly notify the Authority in writing of the numbers of the Bonds or portions thereof so selected for redemption.

Section 4.03. Notice of Redemption. Notice of redemption shall be mailed by first class mail not less than twenty (20) days nor more than sixty (60) days before any Redemption Date, to the respective Owners of any Bonds that are designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and the Information Services. Each notice of redemption shall state the date of notice, the redemption date, the place or places of redemption and the Redemption Price, and shall designate the maturities, CUSIP numbers, if any, and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds or parts thereof that are designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any Bond. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

With respect to any notice of optional redemption of Bonds, such notice may state that such redemption shall be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys that are sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed and that, if such moneys shall not have been so received, said notice shall be of no force and effect and the Trustee shall not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption shall not be made, and the Trustee shall within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Section 4.04. Partial Redemption of Bonds. Upon surrender of any Bond redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered and of the same series, interest rate and maturity.

Section 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under the Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof. The Trustee shall, upon surrender for payment of any of the Bonds to be redeemed on their Redemption Dates, pay such Bonds at the Redemption Price.

All Bonds redeemed pursuant to the provisions of this Article shall be canceled upon surrender thereof.

## ARTICLE V

### REVENUES, FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

#### Section 5.01. Pledge and Assignment; 2020A Bond Payment Fund.

(a) All of the Authority Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account that is established pursuant to the Indenture (except the Rebate Fund) are hereby irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the Bonds in accordance with their terms and the provisions of the Indenture. Said pledge shall constitute a lien on and security interest in such amounts and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and shall be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice hereof.

(b) The Authority, for good and valuable consideration in hand received, does hereby irrevocably assign and transfer to the Trustee without recourse, for the benefit of the Owners of the Bonds as set forth herein, all of its rights, title, and interest in all Series 2020 Installment Payments payable by the City pursuant to the Installment Purchase Agreement, including all rights of the Authority thereunder as may be necessary to enforce compliance with said provisions (including enforcement of payment obligations and rate covenants, if any, contained in the Installment Purchase Agreement, or otherwise to protect the interest of the Owners of the Bonds). Such assignment shall be subject to and limited by the terms of the Indenture.

(c) There is hereby established with the Trustee the 2020A Bond Payment Fund, which the Trustee covenants to maintain and hold in trust separate and apart from other funds held by it so long as any Series 2020 Installment Payments remain unpaid. Except as directed in Sections 5.06 and 5.08, all Authority Revenues shall be promptly deposited by the Trustee upon receipt thereof into the 2020A Bond Payment Fund; except that all moneys received by the Trustee and required hereunder to be deposited in the Redemption Fund shall be promptly deposited therein. All Authority Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee shall also create and maintain an Interest Account and a Principal Account within the 2020A Bond Payment Fund.

Section 5.02. Allocation of Authority Revenues. The Trustee shall transfer from the 2020A Bond Payment Fund and deposit into the following respective accounts the following amounts in the following order of priority and at the following times, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Authority Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Not later than the day preceding each date on which the interest on the Bonds shall become due and payable hereunder, the Trustee shall deposit in the Interest Account that sum, if any, required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all Bonds then Outstanding.

(b) Not later than the day preceding each date on which the principal of the Bonds shall become due and payable hereunder, the Trustee shall deposit in the Principal Account that sum, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such date or subject to mandatory sinking fund redemption on such date.

Section 5.03. Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or accelerated prior to maturity pursuant to the Indenture).

Section 5.04. Application of Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at maturity, mandatory sinking fund redemption, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such Bonds, upon written direction of the Authority, the Trustee shall apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Request of the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds.

Section 5.05. Application of Redemption Fund. There is hereby established with the Trustee, when needed, a special fund designated as the "Redemption Fund." All amounts in the Redemption Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and accrued interest on the Bonds to be redeemed on any Redemption Date pursuant to Section 4.01(a) or (c); provided, however, that at any time prior to selection for redemption of any such Bonds, upon written direction of the Authority, the Trustee shall apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Request of the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds.

Section 5.06. Investments. All moneys in any of the funds or accounts that are established with the Trustee pursuant to the Indenture shall be invested by the Trustee solely in Permitted Investments, which will, as nearly as practicable, mature on or before the dates when such moneys are anticipated to be needed for disbursement. Such investments shall be directed by the Authority pursuant to a Request of the Authority filed with the Trustee at least two (2) Business Days in advance of the making of such investments (which directions shall be promptly confirmed to the Trustee in writing). In the absence of any such directions from the Authority, the Trustee shall invest any such moneys in Permitted Investments that are described in clause (B)(5) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a written direction from the City specifying a specific money market fund and, if no such written direction from the City is so received, the Trustee shall hold such moneys uninvested. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder (except for interest or gain derived from the Permitted Investment described in clause (B)(8) of the definition thereof, which shall be retained in such Permitted Investment) shall be

deposited in the Interest Account unless otherwise provided in the Indenture. For purposes of acquiring any investments hereunder, the Trustee may commingle funds (other than the Rebate Fund) held by it hereunder upon the Request of the Authority. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section 5.06. The Trustee is entitled to rely on the Authority's investment direction as to the suitability and legality of the directed investments.

The Authority acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Authority further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request at no additional cost and other trade confirmations may be obtained from the applicable broker. The Trustee will furnish the Authority with periodic cash transaction statements which shall include detail for all investment transactions effected by the Trustee hereunder. Upon the Authority's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee under the Indenture.

The Authority shall invest, or cause to be invested, all moneys in any fund or accounts established with the Trustee as provided in the Tax Certificate.

In making any market valuations of investments hereunder, the Trustee may utilize and rely conclusively and without liability on generally recognized securities pricing services that may be available to the Trustee, including brokers and dealers in securities, and including those that are available through the Trustee's accounting system.

#### Section 5.07. Rebate Fund.

(a) Establishment. The Trustee shall establish a separate fund designated the "Rebate Fund" when required in accordance herewith. Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest with respect to the Bonds will not be adversely affected, the Authority shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund for the Bonds shall be governed by this Section and the Tax Certificate for the Bonds, unless and to the extent that the Authority delivers to the Trustee an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected, if such requirements are not satisfied. Notwithstanding anything to the contrary herein or in the Tax Certificate, the Trustee: (i) shall be deemed conclusively to have complied with the provisions thereof if it follows all Requests of the Authority; (ii) shall have no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Certificate; (iii) may rely conclusively on the Authority's calculations and determinations and certifications relating to rebate matters; and (iv) shall have no responsibility to independently make any calculations or determinations or to review the Authority's calculations or determinations thereunder.

(i) Computation. Within 55 days of the end of each fifth Bond Year (as such term is defined in the Tax Certificate), the Authority shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (*e.g.*, the temporary investments exceptions of Section 148(f)(4)(B) and the construction expenditures exception of Section 148(f)(4)(C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the “**1½% Penalty**”) has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the “**Rebatable Arbitrage**”). The Authority shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Transfer. Within 55 days of the end of each fifth Bond Year, upon the Request of the Authority, an amount shall be deposited to the Rebate Fund by the Trustee from any Authority Revenues legally available for such purpose (as specified by the Authority in the aforesaid Request), if and to the extent required so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with clause (i) of this subsection (a). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, upon Request of the Authority, the Trustee shall withdraw the excess from the Rebate Fund and then credit the excess to the 2020A Bond Payment Fund.

(iii) Payment to the Treasury. The Trustee shall pay, as directed by Request of the Authority, to the United States Treasury, out of amounts in the Rebate Fund:

(A) Not later than 60 days after the end of: (X) the fifth Bond Year; and (Y) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and

(B) Not later than 60 days after the payment of all of the Bonds, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code and Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the Authority shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this subsection (a) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T (prepared by the Authority), or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment of the Bonds and the payments described in subsection (a) above being made may be withdrawn by the Authority and utilized in any manner by the Authority.



(c) Survival of Defeasance. Notwithstanding anything in this Section to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance or payment in full of the Bonds.

Section 5.08. Application of Funds and Accounts When No Bonds are Outstanding. On the date on which all Bonds shall be retired hereunder or provision made therefor pursuant to Article X and after payment of all amounts due the Trustee hereunder, all moneys then on deposit in any of the funds or accounts (other than the Rebate Fund) established with the Trustee pursuant to the Indenture shall be withdrawn by the Trustee and paid to the Authority for distribution in accordance with the Installment Purchase Agreement.

## ARTICLE VI

### PARTICULAR COVENANTS

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

Section 6.02. Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of the Indenture, except subject to the prior payment in full for the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Section 6.03. Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrances upon the Authority Revenues and other assets pledged or assigned under the Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by the Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the JPA Agreement, and reserves the right to issue other obligations for such purposes.

Section 6.04. Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into the Indenture and to pledge and assign the Authority Revenues and other assets that are pledged and assigned under the Indenture in the manner and to the extent that is provided in the Indenture. The Bonds and the provisions of the Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee may, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Authority Revenues and other assets and all the rights of the Bond Owners under the Indenture against all claims and demands of all persons whomsoever.

Section 6.05. Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions that are undertaken by it relating to the proceeds of Bonds, the Authority Revenues and all funds and accounts that have been established by it pursuant to the Indenture. Such books of record and account shall be available for inspection by the Authority and the City upon reasonable prior notice during business hours and under reasonable circumstances.

Section 6.06. Tax Covenants. Notwithstanding any other provision of the Indenture or the Installment Purchase Agreement, absent an opinion of Bond Counsel that the exclusion from gross income of the interest on the Bonds will not be adversely affected for federal income tax purposes, the Authority covenants to comply with all applicable requirements of the Code that are necessary to preserve such exclusion from gross income with respect to the Bonds and specifically covenants, without limiting the generality of the foregoing, as follows:

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

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

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

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

(e) Hedge Bonds. The Authority will make no use of the proceeds of the Bonds or any other amounts or property, regardless of the source, and the Authority will not take any action and will refrain from taking any action, that would cause the Bonds to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the Authority 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 Bonds for federal income tax purposes; and

(f) Miscellaneous. The Authority 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 Authority in connection with the issuance of the 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 Authority from issuing revenue bonds or

executing and delivering contracts that are payable on a parity with the Bonds, the interest with respect to which has been determined to be subject to federal income taxation.

Section 6.07. Payments Under Installment Purchase Agreement. The Authority shall promptly collect all Series 2020 Installment Payments due from the City pursuant to the Installment Purchase Agreement and, subject to the provisions of Article VIII, shall enforce and take all steps, actions and proceedings which the Authority or the Trustee determines to be reasonably necessary for the enforcement of all of the obligations of the City thereunder.

The Authority shall not enter into any amendments to the Installment Purchase Agreement except as permitted therein. The Trustee shall give written consent only if: (a) such amendment, modification or termination will not materially adversely affect the interests of the Bond Owners, as evidenced by an opinion of counsel delivered to the Trustee; or (b) the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding to such amendment, modification or termination.

Section 6.08. Waiver of Laws. The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in the Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

Section 6.09. Further Assurances. The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in the Indenture.

Section 6.10. Eminent Domain. If all or any part of the Water System shall be taken by eminent domain proceedings (or sold to a government entity that is threatening to exercise the power of eminent domain), the Net Proceeds therefrom shall be applied in the manner that is specified in Section 6.16 of the Installment Purchase Agreement.

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

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

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

(b) Default by the Authority in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in the Indenture or in the Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof specifying such default and requiring the same to be remedied shall have been given to the Authority by the Trustee or by the

Owners of not less than a majority in aggregate principal amount of Bonds Outstanding; provided, however, that if in the reasonable opinion of the Authority the default stated in the notice can be corrected, but not within such sixty (60) day period, and corrective action is instituted by the Authority within such sixty (60) day period and diligently pursued in good faith until the default is corrected, such default shall not be an Event of Default hereunder; provided, however, that such extension of the cure period shall not be longer than 180 days from the delivery date of such default notice.

(d) The Authority 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 a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority 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 Authority or of the whole or any substantial part of its property.

Section 7.02. Remedies Upon Event of Default. If any Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may and, at the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, shall in each case, upon notice in writing to the Authority and the City, declare the principal of all of the Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in the Indenture or in the Bonds contained to the contrary notwithstanding.

Nothing contained in the Indenture shall permit or require the Trustee or the Authority to accelerate payments due under the Installment Purchase Agreement if the City, which is a party to such Installment Purchase Agreement, is not in default of its obligation thereunder.

Any such declaration is subject to the condition that if, at any time after such declaration, but before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority or the City shall deposit with the Trustee an amount that is sufficient to pay all the principal of and installments of interest on the Bonds the payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable charges and expenses of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds that is due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case the Trustee shall on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or affect any subsequent Event of Default or impair or exhaust any right or power consequent thereon.

Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

Section 7.03. Application of Authority Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Authority Revenues and any other funds then held or

thereafter received by the Trustee under any of the provisions of the Indenture (other than amounts held in the Rebate Fund) shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses that are necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and to the payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Indenture; and

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of the Indenture, in the following order of priority:

First: To the payment to the persons that are entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount that is available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by acceleration or redemption, with interest on the overdue principal at the rate of eight percent (8%) per annum, and, if the amount that is available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference; and

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

Section 7.04. Trustee to Represent Bond Owners. The Trustee is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney in fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds or the Indenture and applicable provisions of any other law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as is deemed most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds or the Indenture or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Authority Revenues and other assets pledged under the Indenture, pending such proceedings. All rights of action under the Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action

or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of the Indenture.

Section 7.05. Bond Owners' Direction of Proceedings. Anything in the Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing that are executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction to direct the method of conduct in all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of the Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond Owners who are not parties to such direction (the Trustee having no duty to make such determination).

Section 7.06. Suit by Owners. No Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Installment Purchase Agreement, the JPA Agreement or any other applicable law with respect to such Bonds, unless: (a) such Owners shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction which is inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by their action to affect, disturb or prejudice the security of the Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, the Indenture, the Installment Purchase Agreement, the JPA Agreement or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of the Indenture.

Section 7.07. Absolute Obligation of the Authority. Nothing in this Section or in any other provision of the Indenture or in the Bonds shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Authority Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Section 7.08. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies,

and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.09. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein.

## ARTICLE VIII

### THE TRUSTEE

#### Section 8.01. Duties, Immunities and Liabilities of Trustee.

(a) The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in the Indenture, and no implied covenants or duties shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by the Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Authority may remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee. The Authority shall promptly appoint a successor Trustee by an instrument in writing.

(c) The Trustee may at any time resign by giving written notice of such resignation to the Authority and by giving the Bond Owners notice of such resignation by mail at the addresses shown on the Registration Books. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. If no successor Trustee shall have been appointed and have accepted appointment within forty-five (45) days of giving notice of removal or notice of resignation as aforesaid, the retiring Trustee or any Bond Owner (on behalf of himself and all other Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee that is appointed under the Indenture shall signify its acceptance of such appointment by executing and delivering to the Authority and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect

as if originally named Trustee herein; but, nevertheless at the Request of the Authority or the request of the successor Trustee, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all of the right, title and interest of such predecessor Trustee in and to any property held by it under the Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property that is subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the Authority shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the Authority shall mail or cause the successor trustee to mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency which is then rating the Bonds and to the Bond Owners at the addresses shown on the Registration Books. If the Authority fails to mail such notice within fifteen (15) days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the Authority.

(e) Any Trustee that is appointed under the provisions of this Section in succession to the Trustee shall be a trust company, banking association or bank having the powers of a trust company, having a combined capital and surplus of at least Seventy Five Million Dollars (\$75,000,000), and subject to supervision or examination for federal or state authority. If such bank, banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority that is referred to above, then for the purpose of this subsection, the combined capital and surplus of such trust company, banking association or bank shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

Section 8.02. Merger or Consolidation. Any trust company, banking association or bank into which the Trustee may be merged or converted or with which it may be consolidated, any trust company, banking association or bank resulting from any merger, conversion or consolidation to which it shall be a party or any trust company, banking association or bank to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such trust company, banking association or bank shall be eligible under Section 8.01(e), shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 8.03. Liability of Trustee.

(a) The recitals of facts herein and in the Bonds shall be taken as statements of the Authority, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of the Indenture, the Bonds or the Installment Purchase Agreement, nor shall the Trustee incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as



a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in principal amount of the Bonds then Outstanding.

(b) The Trustee shall not be liable for any error of judgment that is made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority (or such other percentage provided for herein) in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under the Indenture.

(d) The Trustee shall not be liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by the Indenture.

(e) The Trustee shall not be deemed to have knowledge of any default or Event of Default hereunder or under the Installment Purchase Agreement or any other event which, with the passage of time, the giving of notice, or both, would constitute an Event of Default hereunder or under the Installment Purchase Agreement unless and until a Responsible Officer of the Trustee shall have actual knowledge of such event or the Trustee shall have been notified in writing, in accordance with Section 11.07, of such event by the Authority or the Owners of not less than twenty-five percent (25%) of the Bonds then Outstanding. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by the Authority or the City of any of the terms, conditions, covenants or agreements herein, or under the Installment Purchase Agreement, of any of the documents executed in connection with the Bonds or as to the existence of an Event of Default thereunder or an event which would, with the giving of notice, the passage of time, or both, constitute an Event of Default thereunder. The Trustee shall not be responsible for the validity, effectiveness or priority of any collateral that is given to or held by it.

(f) No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of its duties hereunder, or in the exercise of any of its rights or powers.

(g) The Trustee shall be under no obligation to exercise any of the rights or powers that are vested in it by the Indenture, including at the request or direction of Owners pursuant to the Indenture, unless such Owners shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction. No permissive power, right or remedy that is conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

(h) Whether or not herein expressly so provided, every provision of the Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article VIII.

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

(j) The immunities that are extended to the Trustee also extend to its directors, officers, employees and agents.

(k) The Trustee may execute any of the trusts or powers of the Indenture and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

(l) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, pandemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosions, mob violence, riots, action of civil or military authority, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the 2020 Project, malicious mischief, condemnation and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(m) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“**Instructions**”) given pursuant to the Indenture and delivered using Electronic Means (“**Electronic Means**”), which shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the Authority shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“**Authorized Officers**”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee Instructions using Electronic Means and the Trustee acts upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The Authority understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Authority and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Authority. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding the fact that such directions conflict or are inconsistent with a subsequent written instruction. The Authority agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the

method(s) selected by the Authority; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedure.

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

(o) The permissive right of the Trustee to do things enumerated herein shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

(p) In acting or omitting to act pursuant to the Installment Purchase Agreement or any other documents executed in connection herewith or therewith, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under this Indenture and the Installment Purchase Agreement, including, but not limited to, this Article VIII.

Section 8.04. Right to Rely on Documents. The Trustee shall be protected in acting upon any notice, resolution, requisition, request, consent, order, certificate, report, opinion, notes, direction, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee may treat the Owners of the Bonds appearing in the Trustee's Registration Books as the absolute owners of the Bonds for all purposes and the Trustee shall not be affected by any notice to the contrary.

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

Section 8.05. Preservation and Inspection of Documents. All documents that are received by the Trustee under the provisions of the Indenture shall be retained in its possession and shall be subject at all reasonable times to the inspection of the Authority, the City and any Bond Owner, and their agents and representatives duly authorized in writing, at reasonable hours and under reasonable conditions.

Section 8.06. Compensation and Indemnification. The Authority shall pay to the Trustee from time to time reasonable compensation for all services that are rendered under the Indenture, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under the Indenture.

The Authority shall indemnify, defend and hold harmless the Trustee, its officers, employees, directors and agents from and against any loss, costs, claims, liability or expense (including fees and expenses of its attorneys and advisors) incurred without negligence or willful misconduct on its part, arising out of or in connection with the execution of the Indenture, the Installment Purchase Agreement, or any other document executed in connection herewith or therewith, and acceptance or administration of this trust, including costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder. The rights of the Trustee and the obligations of the Authority under this Section 8.06 shall survive removal or resignation of the Trustee hereunder or the discharge of the Bonds and the Indenture.

## ARTICLE IX

### MODIFICATION OR AMENDMENT OF THE INDENTURE

#### Section 9.01. Amendments Permitted.

(a) The Indenture and the rights and obligations of the Authority, the Owners of the Bonds and the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter into when the written consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, exclusive of Bonds that are disqualified as provided in Section 11.09, has been filed with the Trustee. No such modification or amendment may: (1) extend the fixed maturity of any 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 Bond so affected; or (2) reduce the aforesaid percentage of 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 Authority Revenues and other assets pledged under the Indenture prior to or on a parity with the lien that is created by the Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by the Indenture on such Authority Revenues and other assets except as permitted herein, without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture pursuant to this subsection (a), the Trustee shall mail a notice, setting forth in general terms the substance of such Supplemental Indenture, to each Rating Agency and the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b) The Indenture and the rights and obligations of the Authority, the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Outstanding Bonds, including, without limitation, for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Authority contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional

security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;

(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 Indenture, or in regard to matters or questions arising under the Indenture, as the Authority may deem necessary or desirable;

(3) to modify, amend or supplement the Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereunder in effect, and to add such other terms conditions and provisions as may be permitted by said act or similar federal statute; and

(4) to modify, amend or supplement the Indenture in such manner as to cause interest on the Bonds to remain excludable from gross income under the Code.

(c) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture that is authorized by subsections (a) or (b) of this Section which materially adversely affects the Trustee's own rights, duties or immunities under the Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture hereunder, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion of interest on the Bonds from federal income taxation and from state income taxation.

Section 9.02. Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article, the Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under the Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced thereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of the Indenture for any and all purposes.

Section 9.03. Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Authority so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of his or her Bonds for the purpose at the Office of the Trustee or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority, to any modification or amendment that is contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same maturity.

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

## ARTICLE X

### DEFEASANCE

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

- (a) by paying or causing to be paid the principal of and interest and redemption premiums (if any) on the Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem all Bonds then Outstanding; or
- (c) by delivering to the Trustee, for cancellation by it, all of the Bonds then Outstanding.

If the Authority shall also pay or cause to be paid all other sums that are payable hereunder by the Authority, then and in that case, at the election of the Authority (as evidenced by a Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and the Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Authority Revenues and other assets under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied, except for Section 8.06 hereunder, which shall survive. In such event, upon the Request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be prepared by or on behalf of the Authority and necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to the Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption to the Authority.

Section 10.02. Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Outstanding Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities that are deposited with the Trustee as aforesaid for their payment, subject however, to the provisions of Section 10.04.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds that were previously issued and delivered, which the Authority may have acquired in any manner

whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 10.03. Deposit of Money or Securities with Trustee. Whenever in the Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Indenture and shall be:

(a) lawful money of the United States of America in an amount that is equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of Bonds which are to be redeemed prior to maturity and in respect of which notice of such redemption shall have been given as provided in Article IV or provisions satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount of such Bonds and all unpaid interest and premium, if any, thereon to the redemption date; or

(b) Defeasance Obligations the principal of and interest on which when due will, in the written opinion of an Independent Certified Public Accountant filed with the Authority and the Trustee, provide money that is sufficient to pay the principal of and all unpaid interest to maturity, or to the redemption date (with premium, if any), as the case may be, on the Bonds to be paid or redeemed, as such principal, interest and premium, if any, become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that: (i) the Trustee shall have been irrevocably instructed (by the terms of the Indenture or by Request of the Authority) to apply such money to the payment of such principal, interest and premium, if any, with respect to such Bonds; and (ii) the Authority shall have delivered to the Trustee an opinion of Bond Counsel addressed to the Authority and the Trustee to the effect that such Bonds have been discharged in accordance with the Indenture (which opinion may rely upon and assume the accuracy of the Independent Certified Public Accountant's opinion referred to above).

Section 10.04. Payment of Bonds After Discharge of Indenture. Notwithstanding any provisions of the Indenture, any moneys which are held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and which remain unclaimed for two (2) years after the principal of all of the Bonds has become due and payable (whether at maturity or upon call for redemption or by acceleration as provided in the Indenture), if such moneys were so held at such date, or two (2) years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid (without liability for interest) to the Authority free from the trusts created by the Indenture upon receipt of an indemnification agreement that is acceptable to the Authority and the Trustee indemnifying the Trustee with respect to claims of Owners of Bonds which have not yet been paid, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the Authority as aforesaid, the Trustee shall at the written direction of the Authority (at the cost of the Authority) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

## ARTICLE XI

### MISCELLANEOUS

Section 11.01. Liability of Authority Limited to Authority Revenues. Notwithstanding anything in the Indenture or the Bonds, the Authority shall not be required to advance any moneys derived from any source other than the Authority Revenues and other moneys pledged under the Indenture for any of the purposes of the Indenture, whether for the payment of the principal of or interest on the Bonds or for any other purpose of the Indenture. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes.

The Bonds are not a debt of the members of the Authority, the State or any of its political subdivisions (other than the Authority) and neither the members of the Authority, said State nor any of its political subdivisions (other than the Authority) is liable thereon. The City shall have no liability or obligation herein except with respect to Series 2020 Installment Payments payable under the Installment Purchase Agreement.

Section 11.02. Successor Is Deemed Included in All References to Predecessor. Whenever in the Indenture either the Authority or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all covenants and agreements in the Indenture by or on behalf of the Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.03. Limitation of Rights to Parties and Bond Owners. Nothing in the Indenture or in the Bonds, express or implied, is intended or shall be construed to give to any person other than the Authority, the Trustee, the City and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of the Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the City and the Owners of the Bonds.

Section 11.04. Waiver of Notice; Requirement of Mailed Notice. Whenever in the Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person who is entitled to receive such notice, and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in the Indenture any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

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

Section 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in the Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in the Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of the Indenture, and the Indenture shall be construed as if such invalid



or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into the Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of the Indenture may be held illegal, invalid or unenforceable.

Section 11.07. Notices. Any notice to or demand upon the Authority or the Trustee shall be deemed to have been sufficiently given or served for all purposes by being sent by facsimile or by being deposited, first class mail, postage prepaid, in a post office box to c/o City of Garden Grove, 11222 Acacia Parkway, Garden Grove, California 92840 (or such other address as may have been filed in writing by the Authority with the Trustee), or to the Trustee at its Office by first class mail. Notwithstanding the foregoing provisions of this Section 11.07, the Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of, any notice unless and until the Trustee actually receives such notice.

Section 11.08. Evidence of Rights of Bond Owners. Any request, consent or other instrument that is required or permitted by the Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of the Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in this Section.

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

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

Section 11.09. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under the Indenture, Bonds which are actually known by a Responsible Officer of the Trustee to be owned or held by or for the account of the Authority, or by any other obligor on the Bonds, or by any person that is directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, unless all Bonds are so owned or held, in which case no such Bonds shall be disregarded. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person that is directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon

request, the Authority shall certify to the Trustee those Bonds that are disqualified pursuant to this Section 11.09 and the Trustee may conclusively rely on such certificate.

Section 11.10. Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular Bonds (or portions of Bonds in the case of registered Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of Section 10.04 hereof, but without any liability for interest thereon.

Section 11.11. Funds and Accounts. Any fund or account that is required by the Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of Section 6.05 and for the protection of the security of the Bonds and the rights of every Owner thereof.

Section 11.12. Waiver of Personal Liability. No member, officer, agent, employee, consultant or attorney of the Authority or the City shall be individually or personally liable for the payment of the principal of or premium or interest on the Bonds or subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent, employee, consultant or attorney from the performance of any official duty provided by law or by the Indenture.

Section 11.13. Execution in Several Counterparts. The Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 11.14. CUSIP Numbers. Neither the Trustee nor the Authority shall be liable for any defect or inaccuracy in the CUSIP number that appears on any Bond or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Bondholders and that neither the Authority nor the Trustee shall be liable for any inaccuracies in such numbers.

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

Section 11.16. Notice to Rating Agencies. The Trustee shall provide any rating agency rating the Bonds with written notice of each amendment to the Indenture and a copy thereof at least 15 days in advance of its execution.

*[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]*

IN WITNESS WHEREOF, the Authority has caused the Indenture to be signed in its name by its Chair and attested by its Secretary, and the Trustee, in token of its acceptance of the trusts created hereunder, has caused the Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

GARDEN GROVE PUBLIC FINANCING  
AUTHORITY

By: \_\_\_\_\_  
Chair

ATTEST:

\_\_\_\_\_  
Secretary

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT A**

**FORM OF BOND**

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

No. \_\_\_\_\_

\$ \_\_\_\_\_

UNITED STATES OF AMERICA  
STATE OF CALIFORNIA

GARDEN GROVE PUBLIC FINANCING AUTHORITY  
WATER REVENUE BOND, SERIES 2020A

INTEREST RATE	MATURITY DATE	ORIGINAL ISSUE DATE	CUSIP
_____%	December 15, 20____	_____, 2020	_____

REGISTERED OWNER      CEDE & CO.

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

The GARDEN GROVE PUBLIC FINANCING AUTHORITY, a joint exercise of powers agency that is duly organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the interest payment date next preceding the date of authentication of this Bond (unless: (i) this Bond is authenticated after the fifteenth day of the calendar month preceding an interest payment date, whether or not such day is a business day, and on or before the following interest payment date, in which event it shall bear interest from such interest payment date; or (ii) this Bond is authenticated on or before June 1, 2021, in which event it shall bear interest from the Original Issue Date identified above; provided, however, that if as of the date of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the interest payment date to which interest has previously been paid or made available for payment on this Bond), at the Interest Rate per annum specified above, payable semiannually on June 15 and December 15 of each year, commencing June 15, 2021, calculated on the basis of a 360

day year composed of twelve 30 day months. Principal hereof and premium, if any, upon early redemption hereof are payable by wire or check of the Trustee upon presentation and surrender hereof at the Office (as defined in the hereinafter described Indenture) of U.S. Bank National Association, as trustee (the "Trustee"). Interest hereon is payable by check of the Trustee sent by first class mail on the applicable interest payment date to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each interest payment date (except that in the case of a registered owner of one million dollars (\$1,000,000) or more in principal amount, such payment may, at such registered owner's option, be made by wire transfer of immediately available funds to an account in the United States in accordance with written instructions provided to the Trustee by such registered owner prior to the fifteenth (15th) day of the month preceding such interest payment date).

Capitalized terms that are used herein and not defined shall have the meanings that are given to such terms in the Indenture.

This Bond is not a debt of the members of the Authority, the State of California, or any of its political subdivisions (other than the Authority), and neither the members of the Authority or said State, nor any of its political subdivisions (other than the Authority), is liable hereon, nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Authority Revenues (as such term is defined in the Indenture of Trust, dated as of November 1, 2020 (the "Indenture"), by and between the Authority and the Trustee) and other moneys pledged therefor under the Indenture. The obligation of the City of Garden Grove (the "City") to make payments in accordance with the Installment Purchase Agreement (as such term is defined in the Indenture) is a limited obligation of the City as set forth in the Installment Purchase Agreement and the City shall have no liability or obligation in connection herewith except with respect to such Series 2020 Installment Payments to be made pursuant to the Installment Purchase Agreement. The Bonds do not constitute an indebtedness of the Authority in contravention of any constitutional or statutory debt limitation or restriction.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the "Garden Grove Public Financing Authority Water Revenue Bonds, Series 2020A" (the "Bonds"), of an aggregate principal amount of \_\_\_\_\_ Million \_\_\_\_\_ Hundred \_\_\_\_\_ Thousand Dollars (\$\_\_\_\_\_), all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers or interest rates) and all issued pursuant to the provisions of 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, as amended from time to time (the "JPA Agreement") and the laws of the State of California and pursuant to the Indenture and the resolution authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Authority Revenues, and the rights thereunder of the Owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority hereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees. The Bonds have been issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof.

The Bonds have been issued by the Authority to finance and refinance certain public capital improvements and related costs, as more fully described in the Indenture.

This Bond and the interest, premium, if any, hereon and all other Bonds and the interest and premium, if any, thereon (to the extent set forth in the Indenture) are special obligations of the Authority, and are payable from, and are secured by a pledge and lien on the Authority Revenues, including all Series 2020 Installment Payments received from the City by the Authority or the Trustee, and any other amounts on deposit in certain funds and accounts created under the Indenture. As and to the extent set forth in the Indenture, all of the Authority Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest and premium (if any) on the Bonds.

The Indenture and the rights and obligations of the Authority and the Owners of the Bonds and the Trustee may be modified or amended from time to time and at any time with the written consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, exclusive of Bonds disqualified as set forth in the Indenture, in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment may: (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or premium (if any) thereon, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each Bond so affected; or (ii) reduce the aforesaid percentage of 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 Authority Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture except as permitted in the Indenture, or deprive the Owners of the Bonds of the lien created by the Indenture on such Authority Revenues and other assets, except as expressly provided in the Indenture, without the consent of the Owners of all of the Bonds then Outstanding.

The Indenture and the rights and obligations of the Authority, the Trustee and the Owners of the Bonds may also be modified or amended for certain purposes described more fully in the Indenture at any time in the manner, to the extent and upon the terms provided in the Indenture by a supplemental indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, if the Trustee shall receive an opinion of Bond Counsel to the effect that the provisions of such supplemental indenture will not materially adversely affect the interests of the Owners of the Outstanding Bonds.

The Bonds with stated maturities on or after December 15, 20\_\_, are subject to redemption prior to their respective stated maturities, as a whole or in part as directed by the Authority in a Request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) and by lot within each maturity in integral multiples of \$5,000, on \_\_\_\_ \_\_, 20\_\_ or any date thereafter at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium.

The Bonds with stated maturities on December 15, 20\_\_ are subject to mandatory sinking fund redemption in part (by lot) on December 15, 20\_\_ and each December 15 thereafter, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date</i> <i>(December 15)</i>	<i>Principal</i> <i>Amount</i>
20__	\$
20__	
20__	
20__	
20__*	

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\* Final Maturity.

The Bonds are subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the Authority in a Request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, the Installment Purchase Agreement, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

As provided in the Indenture, notice of redemption shall be mailed by the Trustee by first class mail not less than twenty (20) days nor more than sixty (60) days prior to the redemption date to the respective Owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither the failure to receive such notice nor any defect in the notice or the mailing thereof shall affect the validity of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

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

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

Bonds may be exchanged at said office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same series and same maturity, but only in the manner, subject to the limitations and upon payment of the taxes and charges provided in the Indenture.

The Trustee shall not be required to register the transfer or exchange of any Bond during the period in which the Trustee is selecting Bonds for redemption or any Bond that has been selected for redemption.

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

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

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

IN WITNESS WHEREOF, the Authority has caused this Bond to be executed in its name and on its behalf with the manual or facsimile signature of its Chair and attested to by the manual or facsimile signature of its Secretary, all as of the Original Issue Date specified above.

GARDEN GROVE PUBLIC FINANCING  
AUTHORITY

By: \_\_\_\_\_  
Chair of the Board of Directors

Attest:

\_\_\_\_\_  
Secretary of the Board of Directors



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

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

Dated: \_\_\_\_\_, 2020

U.S. BANK NATIONAL ASSOCIATION, as Trustee

By: \_\_\_\_\_  
Authorized Signatory

[FORM OF LEGAL OPINION]

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds. A signed copy is on file in my office.

\_\_\_\_\_  
Secretary of the Garden Grove Public Financing  
Authority

[FORM OF ASSIGNMENT]

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

\_\_\_\_\_  
\_\_\_\_\_

(Name, Address and Tax Identification or  
Social Security Number of Assignee)

the within registered Bond and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_  
\_\_\_\_\_ attorney, to transfer the same on the registration books of the Trustee  
with full power of substitution in the premises.

Dated: \_\_\_\_\_

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

Signature Guaranteed:

\_\_\_\_\_  
Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

## ESCROW AGREEMENT (2010 BONDS)

THIS ESCROW AGREEMENT (2010 BONDS), dated as of November 1, 2020 (the “**Agreement**”), and entered into by and among the City of Garden Grove (the “**Agency**”), the Garden Grove Public Financing Authority (the “**Authority**”) and U.S. Bank National Association, as escrow agent (the “**Escrow Agent**”) and as Prior Trustee (as such term is defined herein), is entered into in accordance with: (i) resolutions of the Agency and the Authority adopted on October 13, 2020; and (ii) an Indenture of Trust, dated as of May 1, 2010 (the “**2010 Indenture**”), by and between the Agency and U.S. Bank National Association as trustee (the “**Prior Trustee**”), relating to the Authority’s Water Revenue Bonds, Series 2010A (Tax-Exempt) (the “**2010A Bonds**”), Series 2010B (Federally Taxable Direct Pay Build America Bonds) (“**2010B Bonds**”) and Series 2010C (Federally Taxable Recovery Zone Economic Development Bonds) (the “**2010C Bonds**”) and, together with the 2010A Bonds and the 2010B Bonds, the “**Refunded Obligations**”). This Agreement is entered into to refund all of the outstanding Refunded Obligations.

### RECITALS

A. Pursuant to the 2010 Indenture, the Authority previously issued: (i) the 2010A Bonds in the aggregate principal amount of \$9,305,000, of which \$3,310,000 is currently outstanding; (ii) the 2010B Bonds in the aggregate principal amount of \$4,125,000, all of which is currently outstanding; and (iii) the 2010C Bonds in the aggregate principal amount of \$3,195,000, all of which is currently outstanding.

B. The Authority has determined to issue its Water Revenue Bonds, Series 2020A (the “**2020A Bonds**”), a portion of the proceeds of which will be applied to pay, on December 15, 2020 (the “**Redemption Date**”) the principal of the Refunded Obligations maturing on and after the Redemption Date, plus interest thereon accrued to the Redemption Date, without premium (the “**Redemption Price**”).

C. The Authority and the Agency will irrevocably deposit moneys with the Escrow Agent, which moneys will be used to purchase the securities that are described on Schedule A (the “**Federal Securities**”) (as permitted by, in the manner prescribed by and all in accordance with the 2010 Indenture). Such Federal Securities satisfy the criteria that are set forth in Section 10.03 of the 2010 Indenture, and the principal of and interest on such Federal Securities when paid, together with other moneys contributed by the Agency and the Authority, will provide funds which will be fully sufficient to pay and discharge the Refunded Obligations.

### AGREEMENT

SECTION 1. Deposit of Moneys. The Authority will cause U.S. Bank National Association, as trustee for the 2020A Bonds, to transfer to the Escrow Agent, on the date of issuance of the 2020A Bonds: (a) a portion of the proceeds of the 2020A Bonds in the amount of \$\_\_\_\_\_ for deposit in the 2010A Bonds Escrow Account established hereunder; (b) a portion of the proceeds of the 2020A Bonds in the amount of \$\_\_\_\_\_ for deposit in the 2010B Bonds Escrow Account established hereunder; and (c) a portion of the proceeds of the 2020A Bonds in the amount of \$\_\_\_\_\_ for deposit in the 2010C Bonds Escrow Account established hereunder.

The Authority also hereby directs the Prior Trustee to transfer to the Escrow Agent, on the date of issuance of the 2020A Bonds: (i) \$ \_\_\_\_ held in the funds and accounts relating to the 2010A Bonds for deposit in the 2010A Bonds Escrow Account; \$ \_\_\_\_ held in the funds and accounts relating to the 2010B Bonds for deposit in the 2010B Bonds Escrow Account; and (iii) \$ \_\_\_\_ held in the funds and accounts relating to the 2010C Bonds for deposit in the 2010C Bonds Escrow Account.

The Escrow Agent will hold such amounts in an irrevocable escrow separate and apart from other funds of the Agency, the Authority and the Escrow Agent in separate accounts hereby created and established to be known as the “**2010A Bonds Escrow Account**,” the “**2010B Bonds Escrow Account**” and the “**2010C Bonds Escrow Account**.” The 2010A Bonds Escrow Account, the 2010B Bonds Escrow Account and the 2010C Bonds Escrow Account constitute accounts within the “**Escrow Fund**,” which is hereby created and established. Moneys in the Escrow Fund shall be applied solely as provided in this Agreement. The Agency represents that the sum of the amounts set forth above is at least equal to an amount that is sufficient to purchase the Federal Securities listed on Schedule A, and to hold \$ \_\_\_\_ uninvested as cash.

SECTION 2. Investment of Moneys. The Escrow Agent acknowledges receipt of the moneys described in Section 1 and agrees immediately to invest \$ \_\_\_\_ of such moneys in the Federal Securities listed on Schedule A and to deposit such Federal Securities in the Escrow Fund. The Escrow Agent shall be entitled to rely upon the conclusion of Causey Demgen & Moore P.C., Denver, Colorado (the “**Verification Agent**”) that the Federal Securities listed on Schedule A mature and bear interest that is payable in such amounts and at such times as, together with cash on deposit in the Escrow Fund, will be sufficient to pay, on the Redemption Date, the applicable Redemption Prices of the respective series of outstanding Refunded Obligations maturing after the Redemption Date.

SECTION 3. Investment of Any Remaining Moneys. At the written direction of the Agency, together with an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, to the effect that reinvestment is permitted under the legal documents in effect with respect to the Refunded Obligations and will not have an adverse effect on the tax status of the Refunded Obligations, the Escrow Agent shall reinvest any other amount of principal and interest, or any portion thereof, received from the Federal Securities prior to the date on which such payment is required for the purposes set forth herein, in noncallable Federal Securities maturing not later than the date on which such payment or portion thereof is required for the purposes set forth in Section 5, as verified in a report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions to the effect that the reinvestment described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay, on the Redemption Date, the applicable Redemption Prices of the outstanding respective series of Refunded Obligations maturing after the Redemption Date. Any interest income resulting from investment or reinvestment of moneys pursuant to this Section 3 which are not required for the purposes set forth in Section 5, as verified in the letter of the Verification Agent originally obtained by the Agency with respect to the refunding of the Refunded Obligations or in any other report prepared by an independent certified public accountant or firm of certified public accountants of favorable national reputation experienced in the refunding of obligations of political subdivisions, shall be paid to the Agency promptly upon the receipt of such interest income by the Escrow Agent.

SECTION 4. Substitution of Securities. Upon the written request of the Agency, and subject to the conditions and limitations that are set forth herein and applicable governmental rules and regulations, the Escrow Agent shall sell, redeem or otherwise dispose of Federal Securities purchased

in accordance with Section 3, provided that there are substituted therefor from the proceeds thereof other Federal Securities, but only after the Agency has obtained and delivered to the Escrow Agent: (i) an unqualified opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, to the effect that the substitution of securities is permitted under the legal documents in effect with respect to the Refunded Obligations and will not have an adverse effect on the tax status of the Refunded Obligations; and (ii) a report by a firm of independent certified public accountants to the effect that the reinvestment described in said report will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay, on the Redemption Date, the applicable Redemption Prices of the outstanding respective series of Refunded Obligations maturing after the Redemption Date. The Escrow Agent shall not be liable or responsible for any loss resulting from any reinvestment made pursuant to this Agreement and in full compliance with the provisions hereof.

#### SECTION 5. Payment of Refunded Obligations.

(a) Payment. From the maturing principal of the Federal Securities and the investment income and other earnings thereon and other moneys on deposit in the Escrow Fund, the Escrow Agent shall transfer to the Prior Trustee for the Prior Trustee to pay, on the Redemption Date, the applicable Redemption Prices of the respective series of Refunded Obligations maturing on and after the Redemption Date, as indicated on Schedule A.

(b) Irrevocable Instructions to Provide Notice. The notice of redemption of the Refunded Obligations that is required to be mailed pursuant to Section 4.03 of the 2010 Indenture is substantially in the form that is attached hereto as Exhibit A. The notice of defeasance of the Refunded Obligations that is required to be mailed pursuant to Article X of the 2010 Indenture is substantially in the form that is attached hereto as Exhibit B. The Agency and the Authority instruct the Prior Trustee to deliver a notice of redemption of the Refunded Obligations in accordance with Section 4.03 of the 2010 Indenture (including to The Depository Trust Company) and a notice of defeasance of the Refunded Obligations on the date of issuance of the 2020A Bonds.

(c) Unclaimed Moneys. Any moneys in the Escrow Fund which remain unclaimed after the Redemption Date shall be repaid by the Escrow Agent to the Agency.

(d) Priority of Payments. The owners of the applicable series of Refunded Obligations shall have a first and exclusive lien on all moneys and securities in the respective accounts of the Escrow Fund until such moneys and such securities are used and applied as provided in this Agreement.

(e) Termination of Obligation. Upon the deposits into the Escrow Fund as described herein: (i) the Refunded Obligations shall cease to be entitled to any benefit or security under the 2010 Indenture, and the Owners of said Refunded Obligations shall have no rights in respect thereof except to receive payment of the Redemption Price thereof; (ii) the 2010 Indenture and the pledge of Pledged Revenues and other assets made thereunder and all covenants, agreements and other obligations of the Authority thereunder shall cease, terminate, become void and be completely discharged and satisfied; (iii) all liability of the Authority in respect of such Refunded Obligations shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Prior Trustee as aforesaid for their payment, subject however, to the provisions of the 2010 Indenture; and (iv) the right, title and interest of the Authority in the Installment Purchase Agreement (as such term is defined in the 2010 Indenture) and the obligations of the City thereunder will, with respect to all or such portion of the Series 2010

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 Federal Securities applied to the payment of such Series 2010 Installment Payments).

SECTION 6. Application of Certain Terms of the 2010 Indenture. All of the terms of the 2010 Indenture relating to the making of payments of principal of and interest on the respective series of Refunded Obligations and relating to the exchange or transfer of the respective series of Refunded Obligations are incorporated in this Agreement as if set forth in full herein. The procedures set forth in Article VIII of the 2010 Indenture relating to the resignation and removal and merger of the Prior Trustee are also incorporated in this Agreement as if set forth in full herein and shall be the procedures to be followed with respect to any resignation or removal of the Escrow Agent hereunder.

SECTION 7. Performance of Duties. The Escrow Agent agrees to perform only the duties that are set forth herein and shall have no responsibility to take any action or omit to take any action that is not set forth herein.

SECTION 8. Escrow Agent's Authority to Make Investments. Except as provided in Sections 2, 3 and 4 hereof, the Escrow Agent shall have no power or duty to invest any funds that are held hereunder or to sell, transfer or otherwise dispose of the moneys or securities that are held hereunder.

SECTION 9. Indemnity. The Agency hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by or asserted against the Escrow Agent at any time (whether or not also indemnified against the same by the Agency or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the retention of the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement; provided, however, that the Agency shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Agent's respective employees. In no event shall the Agency or the Escrow Agent be liable to any person by reason of the transactions that are contemplated hereby other than to each other as set forth in this Section. The indemnities that are contained in this Section shall survive the termination of this Agreement and the resignation or removal of the Escrow Agent.

SECTION 10. Responsibilities of Escrow Agent. The Escrow Agent and its agents and servants shall not be held to any personal liability whatsoever, in tort, contract or otherwise, in connection with the execution and delivery of this Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or securities deposited therein, the sufficiency of the moneys held in the Escrow Fund to pay the Refunded Obligations or any payment, transfer or other application of moneys or obligations by the Escrow Agent in accordance with the provisions of this Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Agent that is made in good faith in the conduct of its duties. The recitals of fact that are contained herein shall be

taken as the statements of the Agency and the Authority, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the proceeds to accomplish the refunding of the Refunded Obligations or to the validity of this Agreement as to the Agency and the Authority and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence or willful misconduct, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. In no event shall the Escrow Agent be liable for any special indirect or consequential damages. The Escrow Agent may consult with counsel, who may or may not be counsel to the Agency, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter may be deemed to be conclusively established by a certificate signed by an officer of the Agency.

No provision of this Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

The Escrow Agent shall have the right to accept and act upon instructions, including funds transfer instructions (“**Instructions**”) given pursuant to this Agreement and delivered using Electronic Means (“**Electronic Means**” shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Escrow Agent, or another method or system specified by the Escrow Agent as available for use in connection with its services hereunder); provided, however, that the Agency and the Authority shall provide to the Escrow Agent an incumbency certificate listing officers with the authority to provide such Instructions (“**Authorized Officers**”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Agency or the Authority whenever a person is to be added or deleted from the listing. If the Agency or the Authority elect to give the Escrow Agent Instructions using Electronic Means and the Escrow Agent in its discretion elects to act upon such Instructions, the Escrow Agent’s understanding of such Instructions shall be deemed controlling. The Agency and the Authority understand and agree that the Escrow Agent cannot determine the identity of the actual sender of such Instructions and that the Escrow Agent shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Escrow Agent have been sent by such Authorized Officer. The Agency shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Escrow Agent and that the Agency and the Authority and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the Agency or the Authority. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Agency and the Authority agree: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that they are fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Escrow Agent and that there may be more secure methods of transmitting Instructions than the method(s) selected by the Agency or the Authority; (iii) that the security

procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Escrow Agent immediately upon learning of any compromise or unauthorized use of the security procedures.

The Escrow Agent shall furnish the Agency with periodic cash transaction statements which include detail for all investment transactions effected by the Escrow Agent or brokers selected by the Agency, provided that the Escrow Agent is not obligated to provide an accounting for any fund or account that: (a) has a balance of \$0.00; and (b) has not had any activity since the last reporting date. Upon the Agency's election, such statements will be delivered via the Escrow Agent's online service and upon electing such service, paper statements will be provided only upon request. The Agency and the Authority waive the right to receive brokerage confirmations of security transactions effected by the Escrow Agent as they occur, to the extent permitted by law. The Agency and the Authority further understand that trade confirmations for securities transactions effected by the Escrow Agent will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

If the Escrow Agent learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a subscription of Securities that is to be submitted pursuant to this Agreement, the Escrow Agent shall promptly request alternative written investment instructions from the Agency with respect to escrowed funds which were to be invested in securities. The Escrow Agent shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Agent shall hold funds uninvested and without liability for interest until receipt of further written instructions from the Agency. In the absence of investment instructions from the Agency, the Escrow Agent shall not be responsible for the investment of such funds or interest thereon. The Escrow Agent may conclusively rely upon the Agency's selection of an alternative investment as a determination of the alternative investment's legality and suitability and shall not be liable for any losses related to the alternative investments or for compliance with any yield restriction applicable thereto.

The Escrow Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

The Escrow Agent may conclusively rely, as to the trust and accuracy of the statements and correctness of the opinions and the calculations provided to it in connection with this Agreement, and shall be protected in acting, or refraining from acting, upon any written notice, instruction, request, certificate, document or opinion furnished to the Escrow Agent in accordance with this Agreement and reasonably believed by the Escrow Agent to have been signed or presented by the proper party, and it need not investigate any facts or matter stated in such notice, instruction, request, certificate or opinion.

The liability of the Escrow Agent to make any payments under the Agreement shall be limited to the funds in the Escrow Fund.

**SECTION 11. Amendments.** This Agreement is made for the benefit of the Agency, the Authority and the owners from time to time of the Refunded Obligations and it shall not be repealed, revoked, altered or amended without the written consent of all such owners, the Escrow Agent, the Agency and the Authority; provided, however, that the Agency, the Authority and the Escrow Agent may, without the consent of, or notice to, such owners, amend this Agreement or enter into such



agreements supplemental to this Agreement as shall not adversely affect the rights of such owners and as shall not be inconsistent with the terms and provisions of this Agreement or the 2010 Indenture for any one or more of the following purposes: (i) to cure any ambiguity or formal defect or omission in this Agreement; (ii) to grant to, or confer upon, the Escrow Agent for the benefit of the owners of any series of the Refunded Obligations any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such owners or the Escrow Agent; and (iii) to include under this Agreement additional funds. The Escrow Agent shall be entitled to rely conclusively upon an unqualified opinion of Stradling Yocca Carlson & Rauth, A Professional Corporation, with respect to compliance with this Section, including the extent, if any, to which any change, modification, addition or elimination affects the rights of the owners of the various Refunded Obligations or that any instrument that is executed hereunder complies with the conditions and provisions of this Section.

SECTION 12. Notice to Rating Agencies. In the event that this agreement or any provision thereof is severed, amended or revoked, the Escrow Agent shall provide written notice of such severance, amendment or revocation to the rating agencies then rating the Refunded Obligations.

SECTION 13. Term. This Agreement shall commence upon its execution and delivery and shall terminate on the later to occur of either: (i) the date upon which the Refunded Obligations have been paid in accordance with this Agreement; or (ii) the date upon which no unclaimed moneys remain on deposit with the Escrow Agent pursuant to Section 5(c) of this Agreement. Funds remaining in the Escrow Fund after payment in full of the Refunded Obligations shall be transferred to the Agency.

SECTION 14. Compensation. The Escrow Agent shall receive its reasonable fees and expenses as previously agreed to by the Escrow Agent and the Agency and any other reasonable fees and expenses of the Escrow Agent; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien or assert any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services that are rendered or expenses incurred by the Escrow Agent under this Agreement.

SECTION 15. Severability. If any one or more of the covenants or agreements provided in this Agreement on the part of the Agency, the Authority or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void, shall be deemed separate from the remaining covenants and agreements contained herein and shall in no way affect the validity of the remaining provisions of this Agreement.

SECTION 16. Counterparts. This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

SECTION 17. Governing Law. THIS AGREEMENT SHALL BE CONSTRUED UNDER THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 18. Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Agreement, shall be a legal holiday or a day on which banking institutions in the city in which is located the office of the Escrow Agent are authorized by law to remain closed, such payment may be made or act performed or right exercised on the next succeeding day which is not a legal holiday or a day on which such banking institutions are authorized by law to remain closed, with the same force and effect as if done on the nominal date

provided in this Agreement, and no interest shall accrue for the period from and after such nominal date.

SECTION 19. Assignment. This Agreement shall not be assigned by the Escrow Agent or any successor thereto without the prior written consent of the Agency.

SECTION 20. Reorganization of Escrow Agent. Notwithstanding anything to the contrary contained in this Agreement, any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which the Escrow Agent is a party, or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business, shall be the successor to the Escrow Agent without execution or filing of any paper or any paper or further act, if such company is eligible to serve as Escrow Agent.

SECTION 21. Insufficient Funds. If at any time the Escrow Agent has actual knowledge that the moneys and investments in the Escrow Fund, including the anticipated proceeds thereof and earnings thereon, will not be sufficient to make all payments required by this Agreement, the Escrow Agent shall notify the Agency in writing of the amount thereof and the reason therefor to the extent known to it. The Escrow Agent shall have no responsibility regarding any such deficiency.

SECTION 22. Notices. Any notice to or demand upon the Escrow Agent may be served or presented, and such demand may be made, at the principal corporate trust office of the Escrow Agent at 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Corporate Trust, Reference: Garden Grove, Series 2010. Any notice to or demand upon the Agency or the Authority shall be deemed to have been sufficiently given or served for all purposes by being sent by facsimile or other electronic transmission, overnight mail or courier or mailed by registered or certified mail, and deposited, postage prepaid, in a post office letter box, addressed to the Agency at 11222 Acacia Parkway, California 92840 (or such other address as may have been filed in writing by the Agency with the Escrow Agent).

*[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]*

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officers as of the date first above written.

CITY OF GARDEN GROVE

By: \_\_\_\_\_  
City Manager

GARDEN GROVE PUBLIC FINANCING  
AUTHORITY

By: \_\_\_\_\_  
Executive Director

U.S. BANK NATIONAL ASSOCIATION,  
as Escrow Agent and Prior Trustee

By: \_\_\_\_\_  
Authorized Officer

**SCHEDULE A**  
**ESCROW REQUIREMENTS**

Moneys deposited in the Escrow Fund shall be invested as follows:

<i>Security</i>	<i>Maturity</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
—	December 15, 2020	\$	%

The escrow requirements for the 2010A Bonds are as follows:

<i>Period Ending</i>	<i>Principal Paid</i>	<i>Principal Redeemed</i>	<i>Interest</i>	<i>Total</i>
December 15, 2020	\$	\$	\$	\$

The escrow requirements for the 2010B Bonds are as follows:

<i>Period Ending</i>	<i>Principal Paid</i>	<i>Principal Redeemed</i>	<i>Interest</i>	<i>Total</i>
December 15, 2020	\$	\$	\$	\$

The escrow requirements for the 2010C Bonds are as follows:

<i>Period Ending</i>	<i>Principal Paid</i>	<i>Principal Redeemed</i>	<i>Interest</i>	<i>Total</i>
December 15, 2020	\$	\$	\$	\$

**EXHIBIT A**

**NOTICE OF FULL OPTIONAL REDEMPTION**

GARDEN GROVE PUBLIC FINANCING AUTHORITY

WATER REVENUE BONDS, SERIES 2010A (TAX-EXEMPT)

WATER REVENUE BONDS, SERIES 2010B  
(FEDERALLY TAXABLE DIRECT PAY BUILD AMERICA BONDS)

WATER REVENUE BONDS, SERIES 2010C  
(FEDERALLY TAXABLE RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS)

BASE CUSIP 365273

NOTICE IS HEREBY GIVEN to the owners of the above-captioned obligations (collectively, the “2010 Bonds”) pursuant to the Indenture of Trust, dated as of May 1, 2010, by and between the Garden Grove Public Financing Authority (the “Agency”), and U.S. Bank National Association, as trustee (the “2010 Trustee”), that 2010 Bonds in the principal amount of \$9,860,000 have been called for redemption on December 15, 2020 (the “Redemption Date”). The 2010 Bonds were originally issued on May 13, 2010 and are described in the following tables.

WATER REVENUE BONDS, SERIES 2010A (TAX-EXEMPT)

<u>CUSIP</u>	<u>Maturity</u> <u>(December 15)</u>	<u>Interest Rate</u>	<u>Principal</u> <u>Amount</u>	<u>Redemption Price</u>
BF7	2021	5.000%	\$ 805,000	100%
BG5	2022	3.750	455,000	100
BH3	2022	5.000	395,000	100
BJ9	2023	4.000	115,000	100
BK6	2023	5.000	770,000	100

WATER REVENUE BONDS, SERIES 2010B  
(FEDERALLY TAXABLE DIRECT PAY BUILD AMERICA BONDS)

<u>CUSIP</u>	<u>Maturity</u> <u>(December 15)</u>	<u>Interest Rate</u>	<u>Principal</u> <u>Amount</u>	<u>Redemption Price</u>
BL4	2028	6.263%	\$ 4,125,000	100%

WATER REVENUE BONDS, SERIES 2010C  
(FEDERALLY TAXABLE RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS)

<u>CUSIP</u>	<u>Maturity</u> <u>(December 15)</u>	<u>Interest Rate</u>	<u>Principal</u> <u>Amount</u>	<u>Redemption Price</u>
BM2	2030	6.389%	\$ 3,195,000	100%

The 2010 Bonds will be payable on the Redemption Date at a redemption price of 100% of the principal amount plus accrued interest to such date (the “Redemption Price”). The Redemption Price

of the 2010 Bonds will become due and payable on the Redemption Date. Provided that moneys for redemption have been deposited with the Trustee, interest on the 2010 Bonds will cease to accrue and be payable from and after the Redemption Date, and such 2010 Bonds will be surrendered to the 2010 Trustee and cease to be entitled to any benefit under the 2010 Indenture other than to receive payment of the Redemption Price.

To receive payment on the Redemption Date, owners of the 2010 Bonds should present and surrender said 2010 Bonds on the Redemption Date at the address of the 2010 Trustee set forth below:

Delivery Instructions

U.S. Bank  
Global Corporate Trust Services  
111 Fillmore Avenue E  
St. Paul, Minnesota 55107

**REQUIREMENT INFORMATION**

For a list of redemption requirements please visit our website at [www.usbank.com/corporatetrust](http://www.usbank.com/corporatetrust) and click on the “Bondholder Information” link for Redemption instructions. You may also contact our Bondholder Communications team at 1-800-934-6802 Monday through Friday from 8 AM to 6 PM CST.

**IMPORTANT NOTICE**

Federal law requires the 2010 Trustee to withhold taxes at the applicable rate from the payment if an IRS Form W-9 or applicable IRS Form W-8 is not provided. Please visit [www.irs.gov](http://www.irs.gov) for additional information on the tax forms and instructions.

If the owner of any 2010 Bond fails to deliver such 2010 Bond to the 2010 Trustee on the Redemption Date, such 2010 Bond shall nevertheless be deemed redeemed on the Redemption Date and the owner of such 2010 Bond shall have no rights in respect thereof except to receive payment of the Redemption Price from funds held by the 2010 Trustee for such payment.

*Note: The Agency and the 2010 Trustee shall not be responsible for the selection or use of the CUSIP numbers selected, nor is any representation made as to their correctness in the notice or as printed on any 2010 Bond. They are included solely for the convenience of the holders.*

U.S. BANK NATIONAL ASSOCIATION, as 2010  
Trustee

November 15, 2020

**EXHIBIT B**

**NOTICE OF DEFEASANCE**

GARDEN GROVE PUBLIC FINANCING AUTHORITY

WATER REVENUE BONDS, SERIES 2010A (TAX-EXEMPT)

WATER REVENUE BONDS, SERIES 2010B  
(FEDERALLY TAXABLE DIRECT PAY BUILD AMERICA BONDS)

WATER REVENUE BONDS, SERIES 2010C  
(FEDERALLY TAXABLE RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS)

BASE CUSIP 365273

NOTICE IS HEREBY GIVEN to the owners of the above-captioned obligations (collectively, the “2010 Bonds”) pursuant to the Indenture of Trust, dated as of May 1, 2010 (the “Indenture”) by and between the Garden Grove Public Financing Authority (the “Agency”) and U.S. Bank National Association, as trustee (the “2010 Trustee”), that the Agency has deposited with the 2010 Trustee cash and federal securities in an amount that is sufficient to pay on December 15, 2020 the principal of all outstanding 2010 Bonds, plus accrued interest with respect thereto to such date. The 2010 Bonds were originally issued on May 13, 2010 and are described in the following tables.

WATER REVENUE BONDS, SERIES 2010A (TAX-EXEMPT)

<b><u>CUSIP</u></b>	<b><u>Maturity</u></b> <b><u>(December 15)</u></b>	<b><u>Interest Rate</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Redemption Price</u></b>
BE0	2020	5.000%	\$ 770,000	100%
BF7	2021	5.000	805,000	100
BG5	2022	3.750	455,000	100
BH3	2022	5.000	395,000	100
BJ9	2023	4.000	115,000	100
BK6	2023	5.000	770,000	100

WATER REVENUE BONDS, SERIES 2010B  
(FEDERALLY TAXABLE DIRECT PAY BUILD AMERICA BONDS)

<b><u>CUSIP</u></b>	<b><u>Maturity</u></b> <b><u>(December 15)</u></b>	<b><u>Interest Rate</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Redemption Price</u></b>
BL4	2028	6.263%	\$ 4,125,000	100%

WATER REVENUE BONDS, SERIES 2010C  
(FEDERALLY TAXABLE RECOVERY ZONE ECONOMIC DEVELOPMENT BONDS)

<b><u>CUSIP</u></b>	<b><u>Maturity</u></b> <b><u>(December 15)</u></b>	<b><u>Interest Rate</u></b>	<b><u>Principal</u></b> <b><u>Amount</u></b>	<b><u>Redemption Price</u></b>
BM2	2030	6.389%	\$ 3,195,000	100%

In accordance with the 2010 Indenture and the Installment Purchase Agreement, dated as of May 1, 2010 (the “2010 IPA”), by and between the Agency and the City of Garden Grove (the “City”): (i) the 2010 Bonds have ceased to be entitled to any benefit or security under the 2010 Indenture, and the Owners of said 2010 Bonds have no rights in respect thereof except to receive payment of the Redemption Price thereof; (ii) the 2010 Indenture and the pledge of Pledged Revenues and other assets made thereunder and all covenants, agreements and other obligations of the Agency thereunder have ceased, terminated, become void and been completely discharged and satisfied; (iii) all liability of the Agency in respect of such Refunded Obligations has ceased, terminated and been completely discharged, and the Owners thereof are thereafter entitled only to payment out of such money or securities deposited with the 2010 Trustee as aforesaid for their payment, subject however, to the provisions of the 2010 Indenture; (iv) the right, title and interest of the Agency in the 2010 IPA and the obligations of the City thereunder has, with respect to all or such portion of the Series 2010 Installment Payments as have been so provided for, thereupon ceased, terminated, become void and been completely discharged and satisfied (except for the right of the 2010 Trustee and the obligation of the City to have such moneys and such federal securities applied to the payment of such Series 2010 Installment Payments); and (ii) all obligations of the Agency under the Continuing Disclosure Agreement, dated May 13, 2010, by and between the City and the 2010 Trustee, as trustee and dissemination agent, relating to the 2010 Bonds, have been terminated as of the date hereof.

No representation is made as to the correctness of the CUSIP number either as printed on any 2010 Bond or as contained herein and any error in the CUSIP number shall not affect the validity of the proceedings for redemption of the 2010 Bonds.

U.S. BANK NATIONAL ASSOCIATION, as 2010  
Trustee

November \_\_, 2020



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

**BOND PURCHASE AGREEMENT**

\_\_\_\_\_, 2020

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

City of Garden Grove  
11222 Acacia Parkway,  
Garden Grove, California 92840

Ladies and Gentlemen:

Stifel, Nicolaus & Company, Incorporated (the “**Underwriter**”) offers to enter into this Bond Purchase Agreement (this “**Purchase Agreement**”) with the Garden Grove Public Financing Authority (the “**Authority**”) and the City of Garden Grove (the “**City**”) for the purchase by the Underwriter of the Garden Grove Public Financing Authority Water Revenue Bonds, Series 2020A (the “**Bonds**”). This offer is made subject to the Authority’s and the City’s acceptance by execution of this Purchase Agreement and delivery of the same to the Underwriter on or before 11:59 p.m. Pacific Time on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the Authority and the City at any time prior to such acceptance. Upon the Authority’s and the City’s acceptance hereof, the Purchase Agreement will be binding upon the Authority, the City and the Underwriter.

The Authority and the City acknowledge and agree that: (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm’s-length commercial transaction between the Authority, the City, and the Underwriter; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as agent or Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and has not assumed any advisory or fiduciary responsibility in favor of the Authority or the City with respect to the offering of the Bonds or the process leading thereto (whether or not the Underwriter has advised or is currently advising the Authority or the City on other matters); (iii) the only obligations the Underwriter has to the Authority and the City with respect to the transaction contemplated hereby expressly are set forth in this Purchase Agreement; (iv) the Authority and the City have consulted their own legal, financial, accounting, tax and other advisors to the extent each has deemed appropriate; (v) the Underwriter has financial interests that differ from and may be adverse to those of the City and the Authority; and (vi) the Underwriter has provided the Authority and the City with certain disclosures required under the rules of the Municipal Securities Rulemaking Board (the “**MSRB**”). The Authority and the City acknowledge and represent that they have engaged Fieldman, Rolapp & Associates, Inc. as their municipal advisor (as defined in Securities and Exchange Commission Rule 15Ba1) and will rely on the financial advice of Fieldman, Rolapp & Associates, Inc. with respect to the Bonds.

Capitalized terms used in this Purchase Agreement and not otherwise defined herein will have the respective meanings set forth for such terms in the Indenture (as hereinafter defined).

**Section 1. Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations set forth in this Purchase Agreement, the Underwriter agrees to purchase from the Authority, and the Authority agrees to sell and deliver to the Underwriter, all (but not less than all) of the Bonds at a purchase price of \$\_\_\_\_\_ (being an amount equal to the principal amount of the Bonds (\$\_\_\_\_\_)), *plus* an original issue premium of \$\_\_\_\_\_, and *less* an underwriter's discount of \$\_\_\_\_\_. The obligation of the Underwriter to purchase, accept delivery of and pay for the Bonds will be conditioned on the sale and delivery of all of the Bonds by the Authority to the Underwriter at Closing (hereinafter defined).

**Section 2. Bond Terms; Purpose; Security.**

(a) Bond Terms and Authorization. The Bonds will be dated their date of delivery and will mature and bear interest as shown on Exhibit A. The Bonds will be as described in, and will be issued and secured under, an Indenture of Trust, dated as of November 1, 2020 (the "**Indenture**"), by and between the Authority and U.S. Bank National Association, as trustee (the "**Trustee**"). The Bonds are payable and subject to redemption as shown in Exhibit A.

The Bonds will be issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, commencing with Section 6584 of the California Government Code, the Authority Resolution (as hereinafter defined) and the City Resolution (as hereinafter defined).

(b) Purpose. The Authority is issuing the Bonds to provide funds to: (i) finance the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its Water System; (ii) to refund the Garden Grove Public Financing Authority's Water Revenue Bonds, Series 2010A (Tax-Exempt), Series 2010B (Federally Taxable Direct Pay Build America Bonds) and Series 2010C (Federally Taxable Recovery Zone Economic Development Bonds) (collectively, the "**2010 Bonds**"); and (iii) and pay costs incurred in connection with the issuance of the Bonds. The 2010 Bonds were issued pursuant to an Indenture of Trust, dated as of May 1, 2010 (the "**2010 Indenture**"), by and between the Authority and U.S. Bank National Association as trustee (the "**Prior Trustee**").

Pursuant to an Escrow Agreement (2010 Bonds), dated as of November 1, 2020 (the "**Escrow Agreement**"), by and among the Authority, the City and U.S. Bank National Association, as escrow agent (the "**Escrow Agent**") and as trustee of the 2010 Bonds the Authority will cause a portion of the proceeds of the Bonds to be deposited into separate escrow accounts held by the Escrow Agent under the Escrow Agreement.

(c) Security. Under the Indenture, the Bonds will be secured by and payable from "**Authority Revenues**" and amounts on deposit in certain funds and accounts established by the Indenture. Authority Revenues includes installment payments (the "**Series 2020 Installment Payments**") received by the Authority or the Trustee pursuant to or with respect to an Installment Purchase Agreement, dated as of November 1, 2020 (the "**Installment Purchase Agreement**"), by and between the City and the Authority.

Under the Installment Purchase Agreement, the Series 2020 Installment Payments are to be secured by an irrevocable pledge of "**Revenues**" and payable from "**Net Revenues**" (each as defined therein). Net Revenues generally consist of revenues of the Water System less operation and maintenance costs of the Water System, as more particularly described in the Installment Purchase Agreement. The obligation of the City to make Series 2020 Installment Payments will be payable from Net Revenues on a parity with the City's obligation to pay debt service on the City of Garden Grove Water Revenue Refunding Bonds, Series 2015

(the “**2015 Bonds**”). The 2015 Bonds were issued pursuant to an Indenture of Trust, dated as of October 1, 2015 (the “**2015 Indenture**”), by and between the City and U.S. Bank National Association, as trustee.

**Section 3. Public Offering.** The Underwriter agrees to make an initial bona fide public offering of all of the Bonds, at not in excess of the initial public offering yields or prices set forth on Exhibit A. Following the initial public offering of the Bonds, the offering prices may be changed from time to time by the Underwriter, provided that the Underwriter shall not change any of the principal amounts or the interest rates set forth on Exhibit A. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. The Bonds are subject to redemption as set forth in Exhibit A.

**Section 4. Official Statement; Continuing Disclosure.** (a) The Authority and the City have delivered to the Underwriter the Preliminary Official Statement dated \_\_\_\_\_, 2020 (the “**Preliminary Official Statement**”) and will deliver to the Underwriter a final official statement dated the date of this Purchase Agreement (as amended and supplemented from time to time pursuant to Section 5(i) of this Purchase Agreement, the “**Official Statement**”). Subsequent to its receipt of the Authority’s and the City’s 15c2-12 Certificate, in substantially the form attached hereto as Exhibit B, deeming the Preliminary Official Statement final for purposes of Rule 15c2-12 of the Securities and Exchange Commission, as amended (“**Rule 15c2-12**”), the Underwriter has distributed copies of the Preliminary Official Statement. The Authority and the City hereby ratify the use by the Underwriter of the Preliminary Official Statement and authorize the Underwriter to use and distribute in printed and/or electronic format the Official Statement (including all information previously permitted to have been omitted by Rule 15c2-12, and any supplements and amendments thereto as have been approved by the Authority and the City as evidenced by the execution and delivery of such document by an officer of the Authority and the City), the Indenture, the Installment Purchase Agreement, the Escrow Agreement, this Purchase Agreement, the Continuing Disclosure Agreement (hereinafter defined), and all information contained therein, and all other documents, certificates and written statements furnished by the Authority and the City to the Underwriter in connection with the transactions contemplated by this Purchase Agreement, in connection with the offer and sale of the Bonds by the Underwriter.

The Underwriter hereby agrees to deliver a copy of the Official Statement to the MSRB through the Electronic Municipal Marketplace Access website of the MSRB on or before the date of the Closing and otherwise to comply with all applicable statutes and regulations in connection with the offering and sale of the Bonds, including, without limitation, MSRB Rule G-32 and Rule 15c2-12. The Authority and the City agree to deliver to the Underwriter as many copies of the Official Statement as the Underwriter will reasonably request as necessary to comply with paragraph (b)(4) of Rule 15c2-12. The Authority and the City agree to deliver the final Official Statement within seven business days after the execution hereof, or such earlier date identified by the Underwriter to be necessary to allow the Underwriter to meet its obligations under Rule 15c2-12 and Rule G-32 of the MSRB.

(b) The Underwriter agrees to: (1) provide the Authority with final pricing information on the Bonds on a timely basis prior to the Closing and (2) take any and all other actions necessary to comply with applicable Securities and Exchange Commission rules and MSRB rules governing the offering, sale and delivery of the Bonds to ultimate purchasers.

(c) In connection with issuance of the Bonds, and in order to assist the Underwriter with complying with the provisions of Rule 15c2-12, the City will execute a Continuing Disclosure Agreement (the “**Continuing Disclosure Agreement**”) by and between the City and Applied Best Practices, LLC, as Dissemination Agent, under which the City will undertake, on behalf of the Authority, to provide certain financial and operating data as required by Rule 15c2-12. The form of the Continuing Disclosure Agreement is attached as an appendix to the Preliminary Official Statement and will be attached as an appendix to the final Official Statement.

**Section 5. Representations, Warranties and Covenants of the Authority.** The Authority hereby represents, warrants and agrees with the Underwriter that:

(a) The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State of California (the “**State**”) and has all necessary power and authority to adopt the Authority Resolution (as hereinafter defined), to enter into and perform its duties under the Indenture, the Installment Purchase Agreement, the Escrow Agreement, and this Purchase Agreement (collectively, the “**Authority Agreements**”) and, when executed and delivered by the respective parties thereto, each Authority Agreement will constitute legal, valid and binding obligation of the Authority enforceable in accordance with its respective terms.

(b) The Board of Directors (the “**Board**”) of the Authority has taken official action by a resolution adopted on \_\_\_\_\_, 2020 (the “**Authority Resolution**”) adopted by a majority of the members of the Board at a regular meeting duly called, noticed and conducted, at which a quorum was present and acting throughout, authorizing the execution, delivery and due performance of the Authority Agreements and the Official Statement and the taking of any and all such action as may be required on the part of the Authority to carry out, give effect to and consummate the transactions contemplated hereby.

(c) By all necessary official action, the Authority has duly authorized the preparation and delivery of the Preliminary Official Statement and the preparation, execution and delivery of the Official Statement, has duly authorized and approved the execution and delivery of, and the performance of its obligations under, the Bonds and the Authority Agreements, and the consummation by it of all other transactions contemplated by the Authority Resolution, the Authority Agreements, the Preliminary Official Statement and the Official Statement. When executed and delivered by the respective parties thereto, the Authority Agreements (assuming due authorization, execution and delivery by and enforceability against the other parties thereto) will be in full force and effect and each will constitute legal, valid and binding agreements or obligations of the Authority, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State.

(d) The statements and information contained in the Official Statement relating to the Authority and the Bonds (other than information relating to DTC and its book-entry only system) are correct and complete in all material respects, and the information contained in the Official Statement (other than information relating to DTC and its book-entry only system) does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make such statements therein, in the light of the circumstances under which they were made, not misleading.

(e) As of the date hereof, there is no action, suit, proceeding or investigation before or by any court, public board or body pending against the Authority or, to the best knowledge of the Authority, threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the Authority, or the titles of its members or officers; (ii) in any way question or affect the validity or enforceability of Authority Agreements or the Bonds; or (iii) in any way question or affect the Authority Agreements or the transactions contemplated by the Authority Agreements, the Official Statement, or any other agreement or instrument to which the Authority is a party relating to the Bonds.

(f) There is no consent, approval, authorization or other order of, or filing or registration with, or certification by, any regulatory authority having jurisdiction over the Authority required for the execution and delivery of this Purchase Agreement or the consummation by the Authority of the other transactions contemplated by the Official Statement or the Authority Agreements.

(g) Any certificate signed by any official of the Authority authorized to do so will be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.

(h) Except as previously disclosed to the Underwriter, the Authority is not in default, and at no time has the Authority defaulted in any material respect, on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is or was outstanding.

(i)

(1) If between the date of this Purchase Agreement and the date which is 25 days following the End of the Underwriting Period (as defined below), any event will occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority will immediately notify the Underwriter, and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Underwriter. **“End of the Underwriting Period”** will mean the later of: (i) the date of the Closing, and (ii) the date the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public, provided that unless the Underwriter notifies the Authority on or prior to the date of the Closing that it retains, directly or as a member of an underwriting syndicate, an unsold balance of the Bonds for sale to the public, the End of the Underwriting Period will be deemed to have occurred on the date of the Closing.

(2) After the Closing, the Authority will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter reasonably objects in writing or which is disapproved by Underwriter’s Counsel (hereinafter defined). If any event relating to or affecting the Authority occurs as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, the Authority will use its best efforts to assist the Underwriter in preparing (at the expense of the Authority for 90 days after the date of the Closing, and thereafter at the expense of the Underwriter) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. For the purposes of this subsection, the Authority will furnish such information with respect to itself as the Underwriter may from time to time reasonably request.

(j) Except as disclosed in the Official Statement, the Authority has not previously failed to comply in all material respects with any undertakings under Rule 15c2-12 during the past five years.

(k) The Authority will comply with the defeasance and redemption provisions of the 2010 Indenture in connection with the refunding of all of the outstanding 2010 Bonds.

(l) The Authority covenants with the Underwriter that the Authority will cooperate with the Underwriter (at the cost and written directions of the Underwriter), in qualifying the Bonds for offer and sale under the securities or Blue Sky laws of such jurisdiction of the United States as the Underwriter may reasonably request; provided, however, that the Authority shall not be required to consent to suit or to service

of process, or to qualify to do business, in any jurisdiction. The Authority consents to the use by the Underwriter of the Authority Agreements, the Preliminary Official Statement and the Official Statement in the course of its compliance with the securities or Blue Sky laws of the various jurisdictions related to the offering and sale of the Bonds.

**Section 6. Representations, Warranties and Covenants of the City.** The City hereby represents, warrants and agrees with the Underwriter that:

(a) The City is a municipal corporation and general law city that is duly organized and existing under the Constitution of the State (the “**State**”) and has all necessary power and authority to adopt its resolution adopted on \_\_\_\_\_, 2020 (the “**City Resolution**”), to enter into and perform its duties under the Installment Purchase Agreement, the Escrow Agreement, the Continuing Disclosure Agreement and this Purchase Agreement (collectively, the “**City Agreements**”) and, when executed and delivered by the respective parties thereto, the City Agreements will constitute legal, valid and binding obligations of the City enforceable in accordance with their respective terms.

(b) The city council (the “**City Council**”) of the City has taken official action by adopting the City Resolution by a majority of the members of the City Council at a meeting duly called, noticed and conducted, at which a quorum was present and acting throughout, authorizing the execution, delivery and due performance of the City Agreements and the Official Statement and the taking of any and all such action as may be required on the part of the City to carry out, give effect to and consummate the transactions contemplated hereby.

(c) By all necessary official action, the City has duly adopted the City Resolution, has duly authorized the preparation and delivery of the Preliminary Official Statement and the preparation, execution and delivery of the Official Statement, has duly authorized and approved the execution and delivery of, and the performance of its obligations under, the City Agreements, and the consummation by it of all other transactions contemplated by the City Resolution, the City Agreements, the Preliminary Official Statement and the Official Statement. When executed and delivered by the respective parties thereto, the City Agreements (assuming due authorization, execution and delivery by and enforceability against the other parties thereto) will be in full force and effect and each will constitute legal, valid and binding agreements or obligations of the City, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State.

(d) At the time of the City’s acceptance hereof and at all times subsequent thereto up to and including the time of the Closing, the information and statements in the Official Statement (other than any information concerning the Authority, the Depository Trust Company and the book-entry system for the Bonds or provided by the Underwriter) do not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(e) As of the date hereof, there is no action, suit, proceeding or investigation before or by any court, public board or body pending against the City or, to the best knowledge of the City, threatened, wherein an unfavorable decision, ruling or finding would: (i) affect the creation, organization, existence or powers of the City, or the titles of its members or officers; (ii) in any way question or affect the validity or enforceability of City Agreements or the Bonds, or (iii) in any way question or affect the Purchase Agreement or the transactions contemplated by the Purchase Agreement, the Official Statement, or any other agreement or instrument to which the City is a party relating to the Bonds.

(f) There is no consent, approval, authorization or other order of, or filing or registration with, or certification by, any regulatory authority having jurisdiction over the City required for the execution and delivery of this Purchase Agreement or the consummation by the City of the other transactions contemplated by the Official Statement or the City Agreements.

(g) Any certificate signed by any official of the City authorized to do so will be deemed a representation and warranty by the City to the Underwriter as to the statements made therein.

(h) Except as previously disclosed to the Underwriter, the City is not in default, and at no time has the City defaulted in any material respect, on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is or was outstanding.

(i)

(1) Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the City since June 30, 2019, and there has been no occurrence or circumstance or combination thereof that is reasonably expected to result in any such materially adverse change.

(2) If between the date of this Purchase Agreement and the date which is 25 days following the End of the Underwriting Period, any event will occur which might or would cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the City will immediately notify the Underwriter, and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will at its expense supplement or amend the Official Statement in a form and in a manner approved by the Underwriter.

(3) After the Closing, the City will not participate in the issuance of any amendment or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter reasonably objects in writing or which is disapproved by Underwriter's Counsel. If any event relating to or affecting the City occurs as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to a purchaser, the City will use its best efforts to assist the Underwriter in preparing (at the expense of the City for 90 days after the date of the Closing, and thereafter at the expense of the Underwriter) a reasonable number of copies of an amendment or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to a purchaser, not misleading. For the purposes of this subsection, the City will furnish such information with respect to itself as the Underwriter may from time to time reasonably request.

(j) Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, the City has not previously failed to comply in all material respects with any undertakings under Rule 15c2-12 in the past five years. The report of Lumesis, Inc. dated \_\_\_\_\_, 2020 (the "**Continuing Disclosure Due Diligence Report**") identifies all of the issues for which the Authority and the City were obligated to provide continuing disclosure under Rule 15c2-12 during the past five years.

(k) The City does not need the consent of its auditor to include its comprehensive annual financial report for the fiscal year ended June 30, 2019 as an appendix to the Official Statement.

(l) The City will comply with the defeasance and redemption provisions of the 2010 Indenture in connection with the refunding of all of the outstanding 2010 Bonds.

(m) The City covenants with the Underwriter that the City will cooperate with the Underwriter (at the cost and written directions of the Underwriter), in qualifying the Bonds for offer and sale under the securities or Blue Sky laws of such jurisdiction of the United States as the Underwriter may reasonably request; provided, however, that the City shall not be required to consent to suit or to service of process, or to qualify to do business, in any jurisdiction. The City consents to the use by the Underwriter of the City Agreements, the Preliminary Official Statement and the Official Statement in the course of its compliance with the securities or Blue Sky laws of the various jurisdictions related to the offering and sale of the Bonds.

**Section 7. The Closing.** (a) At 8:30 A.M., Pacific Time, on \_\_\_\_\_, 2020, or on such earlier or later time or date as may be agreed upon by the Underwriter, the Authority and the City (the “**Closing**”), the Authority will deliver the Bonds to the Underwriter, through the book-entry system of The Depository Trust Company (“**DTC**”). Prior to the Closing, the Authority and the City will deliver, at the offices of Stradling Yocca Carlson & Rauth, a Professional Corporation (“**Bond Counsel**”) in Newport Beach, California, or such other place as is mutually agreed upon by the Underwriter and the Authority, the other documents described in this Purchase Agreement. On the date of the Closing, the Underwriter will pay the purchase price of the Bonds as set forth in Section 1 of this Purchase Agreement in immediately available funds to the order of the Trustee.

(b) The Bonds will be issued in fully registered form and will be prepared and delivered as one Bond for each maturity registered in the name of a nominee of DTC. It is anticipated that CUSIP identification numbers will be inserted on the Bonds, but neither the failure to provide such numbers nor any error with respect thereto will constitute a cause for failure or refusal by the Underwriter to accept delivery of the Bonds in accordance with the terms of this Purchase Agreement.

**Section 8. Conditions to Underwriter’s Obligations.** The Underwriter has entered into this Purchase Agreement in reliance upon the representations and warranties of the Authority and the City contained herein and to be contained in the documents and instruments to be delivered on the date of the Closing, and upon the performance by the Authority and the City of their respective obligations to be performed hereunder and under such documents and instruments to be delivered at or prior to the date of the Closing. The Underwriter’s obligations under this Purchase Agreement are and will also be subject to the sale, issuance and delivery of the Bonds as well as the following conditions:

(a) The representations and warranties of the Authority and the City contained in this Agreement will be true and correct in all material respects on the date of this Purchase Agreement and on and as of the date of the Closing as if made on the date of the Closing;

(b) As of the date of the Closing, the Official Statement may not have been amended, modified or supplemented, except in any case as may have been agreed to by the Underwriter;

(c) (i) As of the date of the Closing, the Authority Resolution, the City Resolution, the Authority Agreements and the City Agreements will be in full force and effect, and will not have been amended, modified or supplemented, except as may have been agreed to by the Underwriter, (ii) the Authority will perform or have performed all of its obligations required under or specified in the Authority Resolution, the Authority Agreements and this Purchase Agreement to be performed at or prior to the date of the Closing; and (iii) the City will perform or have performed all of its obligations required under or specified in the City



Resolution, the City Agreements and this Purchase Agreement to be performed at or prior to the date of the Closing;

(d) As of the date of the Closing, all necessary official action of the Authority relating to the Authority Agreements, the Authority Resolution and the Official Statement, and all necessary official action of the City relating to the City Agreements, the City Resolution, and the Official Statement, will have been taken and will be in full force and effect and will not have been amended, modified or supplemented in any material respect, except as may have been agreed to by the City and Underwriter; and

(e) As of or prior to the date of the Closing, the Underwriter will have received each of the following documents:

(1) Certified copies of the Authority Resolution and the City Resolution.

(2) Duly executed copies of the Indenture, the Installment Purchase Agreement, the Escrow Agreement, the Continuing Disclosure Agreement, and this Purchase Agreement.

(3) The Preliminary Official Statement and the Official Statement, with the Official Statement duly executed on behalf of the Authority and the City.

(4) An approving opinion of Bond Counsel, dated as of the Closing, as to the validity of the Bonds, the exclusion of interest on the Bonds from federal gross income, and the exclusion of interest on the Bonds from State income taxation addressed to the Authority and the City substantially in the form attached as an appendix to the Official Statement, and a reliance letter with respect thereto addressed to the Underwriter and the Trustee.

(5) A supplemental opinion of Bond Counsel, addressed to the Underwriter, to the effect that:

(i) The Purchase Agreement, the Installment Purchase Agreement, and the Escrow Agreement have been duly executed and delivered by the Authority, and are valid and binding upon the Authority, subject to laws relating to bankruptcy, insolvency, reorganization or creditors' rights generally and to the application of equitable principles;

(ii) The Purchase Agreement, the Installment Purchase Agreement, the Escrow Agreement and the Continuing Disclosure Agreement have been duly executed by the City, and are valid and binding upon the City, subject to laws relating to bankruptcy, insolvency, reorganization or creditors' rights generally and to the application of equitable principles;

(iii) The Bonds are exempt from registration pursuant to the Securities Act of 1933, as amended (the "**Securities Act**"), and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended; and

(iv) The statements contained in the Official Statement on the cover and under the headings "INTRODUCTION," "FINANCING PLAN," "THE BONDS," "SECURITY FOR THE BONDS," "TAX EXEMPTION," in "APPENDIX B – DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INSTALLMENT PURCHASE AGREEMENT AND THE INDENTURE," and "APPENDIX C – FORM OF BOND COUNSEL OPINION," insofar as such statements purport to describe certain provisions of the Bonds, the Indenture, the Installment Purchase Agreement and the Escrow Agreement,

and the opinion of Bond Counsel regarding the tax-exempt nature of the Bonds, present a fair and accurate summary of the provisions thereof.

(6) An opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, as disclosure counsel to the Authority, addressed to the Underwriter, to the effect that: We are not passing upon and do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Preliminary Official Statement or the Official Statement and make no representation that we have independently verified the accuracy, completeness or fairness of any such statements. However, in our capacity as disclosure counsel to the Authority and the City, we have reviewed certain documents as described above and have participated in conferences during which the contents of the Preliminary Official Statement and the Official Statement and related matters were discussed. Based on our review of documents and our participation in the above-mentioned conferences, and with the assumptions described in the second preceding paragraph, we advise you that, during the course of our assistance in the preparation of the Preliminary Official Statement and the Official Statement, no facts have come to the attention of the attorneys in our firm rendering legal services in connection with such representation that caused us to believe that the Preliminary Official Statement and the Official Statement, as of their date and as of the date of this letter contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading (except that we express no opinion or belief with respect to: (i) the expressions of opinion, the assumptions, the projections, the financial statements or other financial, numerical, economic, demographic or statistical data contained in the Preliminary Official Statement and the Official Statement, (ii) any CUSIP numbers or information relating thereto contained in the Preliminary Official Statement and the Official Statement, (iii) any information contained in the appendices to the Preliminary Official Statement and the Official Statement, (iv) any information with respect to the Depository Trust Company and its book entry system for the Bonds contained or incorporated in the Preliminary Official Statement and the Official Statement, (v) any information incorporated by reference into the Preliminary Official Statement and the Official Statement, (vi) information with respect to the rating on the Bonds and the rating agency referenced in the Preliminary Official Statement and the Official Statement, and (vii) compliance by the City with its obligations to provide notices of the events described in Part (b)(5)(i)(C) of Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the "Rule") or to file annual reports described in Part (b)(5)(i)(A) of the Rule, which compliance we have not reviewed pursuant to your direction).

(7) An opinion or opinions of Woodruff Spradlin & Smart, Costa Mesa, California, as General Counsel and City Attorney, dated as of the Closing addressed to the Authority, the City, the Trustee and the Underwriter, in form and substance acceptable to the Underwriter, to the effect that:

(i) The City is a municipal corporation and general law city duly organized and existing under the Constitution of the State. The City Council is the governing body of the City.

(ii) The City has all necessary power and authority to adopt the City Resolution, and to enter into and perform its duties under the City Agreements, and, when executed and delivered by the respective parties thereto, the City Agreements will each constitute a legal, valid and binding obligation of the City enforceable in accordance with its respective terms, except as such enforcement may be limited by bankruptcy, moratorium and the exercise of equitable principles where equitable remedies are sought.

(iii) The City Resolution was duly adopted at a meeting of the City Council, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and the City Resolution is in full force and effect and has not been modified, amended or rescinded since the date of its adoption.

(iv) The execution and delivery by the City of the City Agreements, the Official Statement and the other instruments contemplated by any of such documents to which the City is a party, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State, the United States or any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City is a party or is otherwise subject or bound in a manner which could materially adversely affect the City's performance under the City Agreements.

(v) All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which could materially adversely affect, the performance by the City of its obligations under the City Agreements have been obtained and are in full force and effect.

(vi) To the best of the City Attorney's knowledge, after due inquiry, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, is pending or threatened in any way against the City (A) affecting the existence of the City or the titles of its City Council members or its officers to their respective offices, (B) seeking to restrain or to enjoin the issuance or sale of the Bonds, (C) in any way contesting or affecting the validity or enforceability of the City Resolution or the City Agreements, (D) in any way contesting the powers of the City to issue or sell the Bonds or its authority with respect to the City Resolution or the City Agreements, (E) in any way contesting or affecting any of the rights, powers, duties or obligations of the City with respect to the money or property pledged or to be pledged under the Installment Purchase Agreement, or (F) in any way questioning the accuracy of the statements in the Preliminary Official Statement or the Official Statement.

(vii) The Authority is a joint exercise of powers authority organized and validly existing under the laws of the State. The Board of Directors of the Authority is the governing body of the Authority.

(viii) The Authority has all necessary power and authority to adopt the Authority Resolution, and to enter into and perform its duties under the Authority Agreements and, when executed and delivered by the respective parties thereto, the Authority Agreements will each constitute legal, valid and binding obligation of the Authority enforceable in accordance with its respective terms, except as such enforcement may be limited by bankruptcy, moratorium and the exercise of equitable principles where equitable remedies are sought.

(ix) The Authority Resolution was duly adopted at a regular meeting of the Authority's Board of Directors, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and the Authority Resolution is in full force and effect and has not been modified, amended or rescinded since the date of its adoption.

(x) To the best of the City Attorney's knowledge, after due inquiry, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, is pending or threatened in any way against the Authority (A) affecting the existence of the Authority or the titles of its Board members or its officers to their respective offices, (B) seeking to restrain or to enjoin the issuance or sale of the Bonds, (C) in any way contesting or affecting the validity or enforceability of the Authority Resolution or the Authority Agreements, (D) in any way contesting the powers of the Authority to issue or sell the Bonds or its authority with respect to the Authority Resolution or the Authority Agreements, (E) in any way contesting or affecting any of the rights, powers, duties or obligations of the Authority with respect to the money or property pledged or to be pledged under the Indenture or (F) in any way questioning the accuracy of the statements in the Preliminary Official Statement or the Official Statement.

(xi) The execution and delivery by the Authority of the Authority Agreements, the Official Statement and the other instruments contemplated by any of such documents to which the Authority is a party, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State, the United States or any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Authority is a party or is otherwise subject or bound in a manner which would materially adversely affect the Authority's performance under the Authority Agreements.

(xii) All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Authority of its obligations under the Authority Agreements have been obtained and are in full force and effect.

(8) A letter of Jones Hall, A Professional Law Corporation ("**Underwriter's Counsel**"), addressed to the Underwriter, in form and substance acceptable to the Underwriter.

(9) An executed certificate or certificates of the Authority and the City, dated as of the date of the Preliminary Official Statement, substantially in the form attached as Exhibit B.

(10) An executed closing certificate of the Authority, dated as of the Closing, in the form attached as Exhibit C.

(11) An executed closing certificate of the City, dated as of the Closing, in the form attached as Exhibit D.

(12) The opinion of counsel to U.S. Bank National Association ("**U.S. Bank**"), as Trustee and Escrow Agent, dated as of the Closing, addressed to the Authority, the City and the Underwriter to the effect that:

(i) U.S. Bank is a national banking association duly organized and validly existing under the laws of the jurisdiction of its organization, and has the corporate power to execute and deliver, and to perform its obligations under, the Indenture and the Escrow Agreement.

(ii) The Indenture and the Escrow Agreement have been duly authorized, executed and delivered by U.S. Bank, and, assuming due authorization, execution and delivery by the other parties thereto, the Indenture and the Escrow Agreement constitute the valid and legally binding agreement of U.S. Bank enforceable in accordance with their respective terms, subject to laws relating in bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought.

(iii) U.S. Bank has duly authenticated the Bonds.

(iv) To the best knowledge of U.S. Bank, after due inquiry, there is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending, or threatened against U.S. Bank which in the reasonable judgment of U.S. Bank would affect the existence of U.S. Bank or in any way contesting or affecting the validity or enforceability of the Indenture or the Escrow Agreement or contesting the powers of U.S. Bank or its authority to enter into and perform its obligations thereunder.

(13) A certificate of U.S. Bank, as Trustee and Escrow Agent, dated as of the Closing, in the form attached as Exhibit E.

(14) A tax certificate duly signed on behalf of the Authority and the City in form and substance acceptable to Bond Counsel and the Underwriter.

(15) Evidence of required filings with the California Debt and Investment Advisory Commission.

(16) A copy of the executed Blanket Issuer Letter of Representations by and between the Authority and DTC relating to the book-entry system.

(17) Evidence that the Bonds have received the ratings described in the Official Statement.

(18) A defeasance opinion of Bond Counsel, in form and substance acceptable to the Underwriter, relating to the 2010 Bonds.

(19) A copy of the Continuing Disclosure Due Diligence Report.

(20) A certificate of Fieldman, Rolapp & Associates, Inc., Irvine, California, as municipal advisor, in substantially the form attached hereto as Exhibit F.

(21) A certificate of the City, dated the date of the Closing, confirming that the conditions for the issuance of the Bonds on a parity with the 2015 Bonds set forth in Section 6.14 of the 2015 Indenture have been satisfied in connection with the issuance of the Bonds as of such date.

(22) A verification report of Causey Demgen & Moore P.C. confirming the sufficiency of the deposits in the escrow account established under the Escrow Agreement to defease and redeem the outstanding 2010 Bonds as provided in the Escrow Agreement.

(23) Such additional legal opinions, certificates, proceedings, instruments and other documents as the Underwriter or Bond Counsel may reasonably request to evidence compliance by

the Authority and the City with legal requirements, the truth and accuracy, as of the date of the Closing, of the representations of the Authority and the City herein contained and of the Official Statement and the due performance or satisfaction by the Authority and the City at or prior to such time of all agreements then to be performed and all conditions then to be satisfied by the Authority and the City.

All of the opinions, letters, certificates, instruments and other documents mentioned in this Purchase Agreement will be deemed to be in compliance with the provisions of this Purchase Agreement if, but only if, they are in form and substance satisfactory to the Underwriter. If the Authority and the City are unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Purchase Agreement or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds will be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement will terminate and neither the Underwriter, the Authority nor the City will be under further obligations hereunder, except that the respective obligations of the Authority, the City and the Underwriter set forth in Section 12 of this Purchase Agreement will continue in full force and effect.

**Section 9. Conditions to Authority's and City's Obligations.** The performance by the Authority and the City of their respective obligations under this Purchase Agreement are conditioned upon: (i) the performance by the Underwriter of its obligations hereunder and (ii) receipt by the Authority and the City of opinions addressed to the Authority and the City, and receipt by the Underwriter of opinions addressed to the Underwriter, and the delivery of certificates being delivered on the date of the Closing by persons and entities other than the Authority and the City.

#### **Section 10. Establishment of Issue Price.**

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

(b) Except as otherwise set forth in Exhibit A attached hereto, the Authority will treat the first price at which 10% of each maturity of the Bonds (the "**10% test**") is sold to the public as the issue price of that maturity. At or promptly after the execution of this Bond Purchase Agreement, the Underwriter shall report to the Authority the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the Authority the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing has occurred, until either (i) the Underwriter has sold all Bonds of that maturity or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that the Underwriter's reporting obligation after the date of the Closing may be at reasonable periodic intervals or otherwise upon request of the Authority or Bond Counsel. For purposes of this Section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

(c) The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Bond Purchase Agreement at the offering price or prices (the "**initial offering price**"), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Exhibit A also sets forth, as of the date of this Bond Purchase Agreement, the maturities, if any, of the Bonds for which the 10% test has not been satisfied and for which the Authority and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Authority to treat the initial offering

price to the public of each such maturity as of the sale date as the issue price of that maturity (the “**hold-the-offering-price rule**”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

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

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

(d) The Underwriter confirms that:

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

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

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

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

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

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

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

- (i) “public” means any person other than an underwriter or a related party,
- (ii) “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public),
- (iii) a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other), and
- (iv) “sale date” means the date of execution of this Bond Purchase Agreement by all parties.

**Section 11. Termination Events.** The Underwriter will have the right to terminate the Underwriter’s obligations under this Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds by notifying the Authority and the City of its election to do so if, after the execution hereof and prior to the Closing, any of the following events occurs:



(a) the marketability of the Bonds or the market price thereof, in the opinion of the Underwriter, has been materially and adversely affected by any decision issued by a court of the United States (including the United States Tax Court) or of the State, by any ruling or regulation (final, temporary or proposed) issued by or on behalf of the Department of the Treasury of the United States, the Internal Revenue Service, or other governmental agency of the United States, or any governmental agency of the State, or by a tentative decision or announcement by any member of the House Ways and Means Committee, the Senate Finance Committee, or the Conference Committee with respect to contemplated legislation or by legislation enacted by, pending in, or favorably reported to either the House of Representatives or either House of the Legislature of the State, or formally proposed to the Congress of the United States by the President of the United States or to the Legislature of the State by the Governor of the State in an executive communication, affecting the tax status of the Authority or the City, its property or income, its bonds (including the Bonds) or the interest thereon or any tax exemption granted or authorized by the Internal Revenue Code of 1986, as amended;

(b) the United States becomes engaged in hostilities that result in a declaration of war or a national emergency, or any other outbreak of hostilities occurs, or a local, national or international calamity or crisis occurs, financial or otherwise, the effect of such outbreak, calamity or crisis being such as, in the reasonable opinion of the Underwriter, would affect materially and adversely the ability of the Underwriter to market the Bonds;

(c) there occurs a general suspension of trading on the New York Stock Exchange or other major exchange shall be in force, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on any such exchange, whether by virtue of determination by that exchange or by order of the SEC or any other governmental authority having jurisdiction;

(d) a stop order, ruling, regulation or official statement by, or on behalf of, the Securities and Exchange Commission is issued or made to the effect that the issuance, offering or sale of the Bonds is or would be in violation of any provision of the Securities Act of 1933, as then in effect, or of the Securities Exchange Act of 1934, as then in effect, or of the Trust Indenture Act of 1939, as then in effect;

(e) legislation is enacted by the House of Representatives or the Senate of the Congress of the United States of America, or a decision by a court of the United States of America is rendered, or a ruling or regulation by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter is made or proposed to the effect that the obligations of the general character of the Bonds, including the Bonds, are not exempt from registration, qualification or other similar requirements of the Securities Act of 1933, as then in effect, or of the Trust Indenture Act of 1939, as then in effect;

(f) in the reasonable judgment of the Underwriter, the market price of the Bonds, or the market price generally of obligations of the general character of the Bonds, might be materially and adversely affected because additional material restrictions not in force as of the date hereof is imposed upon trading in securities generally by any governmental authority or by any national securities exchange;

(g) the Comptroller of the Currency, The New York Stock Exchange, or other national securities exchange, or any governmental authority, imposes, as to the Bonds or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those

now in force, with respect to the extension of credit by, or the charge to the net capital requirements of, or financial responsibility requirements of the Underwriter;

(h) a general banking moratorium is established by federal, New York or State authorities;

(i) any legislation, ordinance, rule or regulation is introduced in or enacted by any governmental body, department or agency in the State or a decision of a court of competent jurisdiction within the State is rendered, which, in the opinion of the Underwriter, after consultation with the Authority and the City, materially adversely affects the market price of the Bonds;

(j) any federal or California court, authority or regulatory body takes action materially and adversely affecting the payment or receipt of the principal and interest on the Bonds;

(k) any withdrawal, downgrading or placement on credit watch negative of any underlying rating of any securities of the Authority or the City by a national municipal bond rating agency that, in the opinion of the Underwriter, adversely affects the market price of the Bonds;

(l) an event occurs which in the reasonable opinion of the Underwriter requires a supplement or amendment to the Official Statement and: (i) the City or the Authority refuses to prepare and furnish such supplement or amendment; or (ii) in the reasonable judgment of the Underwriter, the occurrence of such event materially and adversely affects the marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds;

(m) additional material restrictions that are not in force as of the date hereof shall have been imposed upon trading in securities generally by any domestic governmental authority or by any domestic national securities exchange, which are material to the marketability of the Bonds; or

(n) the commencement of any action, suit or proceeding that is described in Section 5(e) and 6(e).

**Section 12. Payment of Expenses.** (a) The Underwriter will be under no obligation to pay, and the Authority and/or the City will pay the following expenses incident to the performance of the Authority's and the City's obligations hereunder:

(i) the fees and disbursements of the Authority's municipal advisor and of Bond Counsel and Disclosure Counsel;

(ii) the cost of printing and delivering the Bonds, the Preliminary Official Statement and the Official Statement (and any amendment or supplement prepared pursuant to Sections 5 and 6 of this Purchase Agreement);

(iii) the fees and disbursements of accountants, advisers and of any other experts or consultants retained by the Authority or the City; and

(iv) any other expenses and costs of the Authority and the City incident to the performance of their respective obligations in connection with the authorization, issuance and sale of the Bonds, including out-of-pocket expenses and regulatory expenses, and any other expenses agreed to by the parties.

(b) The City and the Authority will be under no obligation to pay, and the Underwriter will pay, any fees of the California Debt and Investment Advisory Commission, the cost of obtaining CUSIP numbers, the cost of preparation of any “blue sky” or legal investment memoranda and this Purchase Agreement; and all other expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds (except those specifically enumerated in paragraph (a) of this section), including the fees and disbursements of Underwriter’s Counsel, meals, transportation and lodging (but not entertainment expenses), and any advertising expenses in connection with the public offering of the Bonds.

**Section 13. Notices.** Any notice or other communication to be given to the Authority or the City under this Purchase Agreement may be given by delivering the same in writing to the Authority and the City at the addresses set forth on the first page of this Purchase Agreement, and any notice or other communication to be given to the Underwriter under this Purchase Agreement may be given by delivering the same in writing to Stifel, Nicolaus & Company, Incorporated, One Montgomery Street, 35th Floor, San Francisco, California 94104, Attention: Sara Brown.

**Section 14. Survival of Representations, Warranties, Agreements.** All of the Authority’s and the City’s representations, warranties and agreements contained in this Purchase Agreement will remain operative and in full force and effect regardless of: (a) any investigations made by or on behalf of the Underwriter; or (b) delivery of and payment for the Bonds pursuant to this Purchase Agreement. The agreements contained in this Section and in Section 12 will survive any termination of this Purchase Agreement.

**Section 15. Benefit; No Assignment.** This Purchase Agreement is made solely for the benefit of the Authority, the City and the Underwriter (including its successors and assigns), and no other person will acquire or have any right hereunder or by virtue hereof. The rights and obligations created by this Purchase Agreement are not subject to assignment by the Underwriter, the Authority or the City without the prior written consent of the other parties hereto.

**Section 16. Severability.** In the event that any provision of this Purchase Agreement is held invalid or unenforceable by any court of competent jurisdiction, such holding will not invalidate or render unenforceable any other provision of this Purchase Agreement.

**Section 17. Counterparts.** This Purchase Agreement may be executed in any number of counterparts, all of which taken together will constitute one agreement, and any of the parties hereto may execute the Purchase Agreement by signing any such counterpart.

**Section 18. Governing Law.** This Purchase Agreement will be governed by the laws of the State.

**Section 19. Effectiveness.** This Purchase Agreement will become effective upon the execution of the acceptance hereof by an authorized officer of the Authority and the City, and will be valid and enforceable as of the time of such acceptance.

Very truly yours,

**STIFEL, NICOLAUS & COMPANY,  
INCORPORATED**, as Underwriter

By: \_\_\_\_\_  
Authorized Officer

Accepted:

**GARDEN GROVE PUBLIC FINANCING  
AUTHORITY**

By: \_\_\_\_\_  
Authorized Representative

Time of Execution: \_\_\_\_\_ California Time

**CITY OF GARDEN GROVE**

By: \_\_\_\_\_  
Authorized Representative

Time of Execution: \_\_\_\_\_ California Time

**EXHIBIT A**

**MATURITY SCHEDULE**

Maturity (December 15)	Principal Amount	Interest Rate	Yield	Price	10% Test Satisfied*	10% Test Not Satisfied	Subject to Hold-The- Offering- Price Rule
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T: Term Bond.

C: Priced to optional redemption date of December 15, 20\_\_, at par.

\* At the time of execution of this Purchase Agreement and assuming orders are confirmed immediately after the execution of this Purchase Agreement.

**REDEMPTION**

**Optional Redemption.** The Bonds with stated maturities on or after December 15, 20\_\_, are subject to redemption prior to their respective stated maturities, as a whole or in part as directed by the Authority in a Request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) and by lot within each maturity in integral multiples of \$5,000, on \_\_\_\_\_, 20\_\_ or any date thereafter at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

**Mandatory Sinking Fund Redemption.** The Bonds with stated maturities on December 15, 20\_\_ are subject to mandatory sinking fund redemption in part (by lot) on December 15, 20\_\_ and each December 15 thereafter, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date (December 15)</i>	<i>Principal Amount</i>
20__	\$
20__	
20__	
20__	
20__*	

\* Maturity.

If some but not all of the Bonds maturing on December 15, 20\_\_ are redeemed as described under the subcaptions “—Optional Redemption” or “—Extraordinary Redemption from Net Proceeds of Insurance or Condemnation,” the principal amount of the applicable Bonds to be redeemed pursuant to the Indenture on any subsequent December 15 will be reduced, by \$5,000 or an integral multiple thereof, as designated by the Authority in a Certificate of the Authority filed with the Trustee; provided, however, that the aggregate amount of such reductions may not exceed the aggregate amount of the applicable Bonds redeemed.

***Extraordinary Redemption from Net Proceeds of Insurance or Condemnation.*** The Bonds will be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the Authority in a Request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, the Installment Purchase Agreement, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

**EXHIBIT B**

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

**15c2-12 CERTIFICATE**

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of the City of Garden Grove (the “City”) and the Garden Grove Public Financing Authority (the “Authority”), and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the City and the Authority as follows:

(1) This Certificate is delivered in connection with the offering and sale of the bonds captioned above (the “Bonds”) in order to enable the underwriter of the Bonds to comply with Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (the “Rule”).

(2) In connection with the offering and sale of the Bonds, there has been prepared a Preliminary Official Statement, setting forth information concerning the Bonds, the Authority and the City (the “Preliminary Official Statement”).

(3) As used herein, “Permitted Omissions” means the offering price(s), interest rate(s), selling compensation, aggregate principal amount, principal amount per maturity, delivery dates, ratings and other terms of the Bonds depending on such matters, all with respect to the Bonds.

(4) The Preliminary Official Statement is, except for the Permitted Omissions, deemed final within the meaning of Rule 15c2-12, and the information therein is accurate and complete except for the Permitted Omissions.

Dated:

**CITY OF GARDEN GROVE**

By: \_\_\_\_\_  
Authorized Officer

**GARDEN GROVE PUBLIC  
FINANCING AUTHORITY**

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT C**

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

**CLOSING CERTIFICATE OF THE AUTHORITY**

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of the Garden Grove Public Financing Authority (the "Authority"), and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the Authority as follows:

(i) The representations, warranties and covenants of the Authority contained in the Bond Purchase Agreement dated \_\_\_\_\_, 2020, among the Authority, the City of Garden Grove and Stifel, Nicolaus & Company, Incorporated, as underwriter (the "Purchase Agreement"), are true and correct and in all material respects on and as of the date of the Closing with the same effect as if made on the date of the Closing.

(ii) The Authority Resolution is in full force and effect at the date of the Closing and has not been amended, modified or supplemented.

(iii) The Authority has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied on or prior to the date of the Closing.

(iv) Subsequent to the date of the Official Statement and on or prior to the date of such certificate, there has been no material adverse change in the condition (financial or otherwise) of the Authority, whether or not arising in the ordinary course of the operations of the Authority, as described in the Official Statement.

(v) The Preliminary Official Statement as of its date and the date of the Purchase Agreement and the Official Statement as of its date and the date of the Closing (other than any information it contains concerning The Depository Trust Company and the book-entry system for the Bonds or provided by the Underwriter) do not contain any untrue or misleading statement of a material fact and do not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

Capitalized terms used but not defined herein have the meanings given in the Bond Purchase Agreement.

Dated:

**GARDEN GROVE PUBLIC  
FINANCING AUTHORITY**

By: \_\_\_\_\_  
Authorized Officer



**EXHIBIT D**

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

**CLOSING CERTIFICATE OF THE CITY**

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of the City of Garden Grove (the “City”), and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of the City as follows:

(i) The representations, warranties and covenants of the City contained in the Bond Purchase Agreement dated \_\_\_\_\_, 2020, among the City, the Garden Grove Public Financing Authority and Stifel, Nicolaus & Company, Incorporated, as underwriter (the “Purchase Agreement”), are true and correct and in all material respects on and as of the date of the Closing with the same effect as if made on the date of the Closing.

(ii) The City Resolution is in full force and effect at the date of the Closing and has not been amended, modified or supplemented.

(iii) The City has complied with all the agreements and satisfied all the conditions on its part to be performed or satisfied on or prior to the date of the Closing.

(iv) Subsequent to the date of the Official Statement and on or prior to the date of such certificate, there has been no material adverse change in the condition (financial or otherwise) of the City, whether or not arising in the ordinary course of operations, as described in the Official Statement.

(v) The Preliminary Official Statement as of its date and the date of the Purchase Agreement and the Official Statement as of its date and the date of the Closing (other than any information it contains concerning The Depository Trust Company and the book-entry system for the Bonds or provided by the Underwriter) do not contain any untrue or misleading statement of a material fact and do not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

Capitalized terms used but not defined herein have the meanings given in the Purchase Agreement.

Dated:

**CITY OF GARDEN GROVE**

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT E**

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

**CLOSING CERTIFICATE OF  
U.S. BANK NATIONAL ASSOCIATION**

The undersigned hereby certifies and represents that he or she is the duly appointed and acting representative of U.S. Bank National Association (“U.S. Bank”), and is duly authorized to execute and deliver this Certificate and further hereby certifies and reconfirms on behalf of U.S. Bank as follows:

(i) U.S. Bank has all necessary power to enter into the following documents (collectively, the “Documents”): (i) Indenture of Trust, dated as of November 1, 2020 (the “Indenture”), by and between the Garden Grove Public Financing Authority (the “Authority”) and U.S. Bank; and (ii) Escrow Agreement (2010 Bonds), dated as of November 1, 2020, by and among the Authority, the City of Garden Grove (the “City”) and U.S. Bank, as escrow agent and trustee, relating to the 2010 Bonds;

(ii) The Documents have been duly authorized, executed and delivered by U.S. Bank, and the Documents each constitute the legal, valid and binding obligation of U.S. Bank enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors’ rights generally and by the application of equitable principles, if equitable remedies are sought;

(iii) No consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over U.S. Bank that has not been obtained is or will be required for the execution and delivery of the Documents or the performance by U.S. Bank of its duties and obligations under the Documents;

(iv) The execution and delivery by U.S. Bank of the Documents and compliance with the terms of the Documents will not conflict with, or result in a violation or breach of, or constitute a default under, any material agreement or material instrument to which U.S. Bank is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over U.S. Bank or any of its activities or properties (except that no representation, warranty or agreement need be made by such counsel with respect to any federal or State securities or blue sky laws or regulations);

(v) To the best knowledge of U.S. Bank, after due inquiry, there is no action, suit, proceeding or investigation, at law or in equity, before or by any court or governmental agency, public board or body pending, or threatened against U.S. Bank which in the reasonable judgment of U.S. Bank would affect the existence of U.S. Bank or in any way contesting or affecting the validity or enforceability of the Documents or contesting the powers of U.S. Bank or its authority to enter into and perform its obligations thereunder; and

(vi) U.S. Bank has duly authenticated the Bonds.

Capitalized terms used but not defined herein have the meanings given in the Bond Purchase Agreement dated \_\_\_\_\_, 2020, among the City, the Authority and Stifel, Nicolaus & Company, Incorporated, as underwriter.

Dated:

U.S. BANK NATIONAL ASSOCIATION,  
as Trustee and Escrow Agent

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT F**

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

**CERTIFICATE OF MUNICIPAL ADVISOR**

The undersigned hereby states and certifies that:

(i) the undersigned is an authorized officer of Fieldman, Rolapp & Associates, Inc. (the “Municipal Advisor”), which has acted as municipal advisor to the Garden Grove Public Financing Authority and the City of Garden Grove in connection with the issuance of the above-referenced bonds (the “Bonds”), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

(ii) the Municipal Advisor has reviewed the Preliminary Official Statement dated \_\_\_\_\_, 2020 and the final Official Statement dated \_\_\_\_\_, 2020 (the “Official Statement”) relating to the Bonds; and

(iii) nothing has come to the attention of the Municipal Advisor which would lead it to believe that the Preliminary Official Statement as of its date or the date of the pricing of the Bonds or the Official Statement as of its date or the date hereof contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

Dated:

**FIELDMAN, ROLAPP & ASSOCIATES, INC.,  
*as Municipal Advisor***

By: \_\_\_\_\_  
Authorized Officer

**EXHIBIT G**

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

**FORM OF ISSUE PRICE CERTIFICATE**

The undersigned, Stifel, Nicolaus & Company, Incorporated (“Stifel”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. **Bond Purchase Agreement.** On \_\_\_\_\_, 2020 (the “Sale Date”), Stifel and the Issuer executed a Bond Purchase Agreement (the “Purchase Agreement”) in connection with the sale of the Bonds. Stifel has not modified the Purchase Agreement since its execution on the Sale Date.
2. **Price.**
  - (a) As of the date of this Certificate, for each [Maturity] [[of the General Rule Maturities] of the Bonds, the first price at which at least 10% of each such Maturity of the Bonds was sold to the Public (the “10% Test”) was the respective price for such Maturity listed in **Schedule A** attached hereto.
  - (b) [Stifel offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in **Schedule A** (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this certificate as **Schedule B**.
  - (c) As set forth in the Bond Purchase Agreement, Stifel has agreed in writing that, (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”), and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any retail distribution agreement shall contain the agreement of each broker-dealer who is a party to the retail distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter (as defined below) has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Holding Period.]
  - (d) [\*\* With respect to each of the General Rule Maturities of the Bonds:
    - (1) As of the date of this Certificate, Stifel has not sold at least 10% of the Bonds of these Maturities at any single price.
    - (2) As of the date of this Certificate, Stifel reasonably expects that the first sale to the Public of Bonds of these Maturities will be at or below the respective price or prices listed on the attached **Schedule A** as the “Reasonably Expected Sale Prices for Undersold Maturities.”

- (3) Stifel will provide actual sales information (substantially similar to the information contained on **Schedule B**) as to the price at which the first 10% of each such Maturity (i.e., the Undersold Maturity or Maturities) is sold to the Public.
- (4) On the date the 10% Test is satisfied with respect to all Maturities of the Bonds, Stifel will execute a supplemental certificate substantially in the form attached hereto as **Schedule C** with respect to any remaining Maturities for which the 10% Test has not been satisfied as of the Closing Date.\*\*]

3. **Defined Terms.**

- (a) “*General Rule Maturities*” means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”
  - (b) “*Hold-the-Offering-Price Maturities*” means those Maturities of the Bonds listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”
  - (c) “ *Holding Period*” means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (\_\_\_\_\_, 2020), or (ii) the date on which Stifel has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.
  - (d) “*Issuer*” means the Garden Grove Public Financing Authority.
  - (e) “*Maturity*” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
  - (f) “*Public*” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
  - (g) “*Underwriter*” means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).
4. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Stifel’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate of the Issuer dated \_\_\_\_\_, 2020 and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

**STIFEL, NICOLAUS & COMPANY, INCORPORATED**

By: \_\_\_\_\_  
Managing Director

By: \_\_\_\_\_  
Director

Dated: \_\_\_\_\_, 2020

SCHEDULE A  
TO  
ISSUE PRICE CERTIFICATE

[Schedules to be updated at pricing in the event there are Hold-the-Offering-Price-Maturities]

Actual Sales Information as of Closing Date

<u>Maturity/CUSIP</u>	<u>Coupon</u>	<u>Date Sold</u>	<u>Time Sold</u>	<u>Par Amount</u>	<u>Sale Price</u>
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[\*\*Reasonably Expected Sales Prices for Undersold Maturities as of Closing Date

<u>Maturity/CUSIP</u>	<u>Coupon</u>	<u>Par Amount</u>	<u>Offering Prices</u>
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\*\*]



[\*\*SCHEDULE B  
TO  
ISSUE PRICE CERTIFICATE

Actual Sales for Undersold Maturities as of the Closing Date

<u>Maturity/CUSIP</u>	<u>Date Sold</u>	<u>Time Sold</u>	<u>Par Amount</u>	<u>Sale Price</u>
-----------------------	------------------	------------------	-------------------	-------------------

\*\*]

[\*\*SCHEDULE C  
TO  
ISSUE PRICE CERTIFICATE

**SUPPLEMENTAL ISSUE PRICE CERTIFICATE OF UNDERWRITER**

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

The undersigned, Stifel, Nicolaus & Company, Incorporated (“Stifel”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. ***Issue Price.***

- (a) Stifel sold at least 10% of the \_\_\_\_\_ Maturities of the Bonds to the Public at the price or prices shown on the Issue Price Certificate dated as of the Closing Date (the “10% Test”). With respect to each of the \_\_\_\_\_ Maturities of the Bonds, Stifel had not satisfied the 10% Test as of the Closing Date (the “Undersold Maturities”).
- (b) As of the date of this Supplemental Certificate, Stifel has satisfied the 10% Test with respect to the Undersold Maturities. The first price or prices at which at least 10% of each such Undersold Maturity was sold to the Public are the respective prices listed on **Exhibit A** attached hereto.

2. ***Defined Terms.***

- (a) “*Issuer*” means the Garden Grove Public Financing Authority.
- (b) “*Maturity*” means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.
- (c) “*Public*” means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.
- (d) “*Underwriter*” means (1) any person that agrees pursuant to a written contract with the Issuer (or with the lead Underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (2) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (1) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

3. The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Stifel’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate of the Issuer dated \_\_\_\_\_, 2020 and with respect to compliance with the federal income tax rules affecting the Bonds, and by Bond Counsel, in connection with rendering its opinion that the interest on the Bonds is excluded

from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

**STIFEL, NICOLAUS & COMPANY, INCORPORATED**

By: \_\_\_\_\_  
[Title]

By: \_\_\_\_\_  
[Title]

Dated: \_\_\_\_\_, 2020

EXHIBIT A  
TO  
SUPPLEMENTAL ISSUE PRICE CERTIFICATE\*\*]

**PRELIMINARY OFFICIAL STATEMENT DATED OCTOBER \_\_, 2020**

*In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described in this Official Statement, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax. See the caption "TAX EXEMPTION."*

**NEW ISSUE – BOOK-ENTRY ONLY**

**Rating: See the caption "RATING"**

\$ \_\_\_\_\_\*

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

**Dated: Date of Delivery**

**Due: December 15, as shown on inside front cover page**

The Bonds are being issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York. Individual purchases will be made in denominations of \$5,000 and integral multiples thereof and will be in book-entry form only. Purchasers of the Bonds will not receive certificates representing their beneficial ownership in the Bonds but will receive credit balances on the books of their respective nominees. Interest on the Bonds is payable on June 15 and December 15 of each year, commencing June 15, 2021. Payment of the principal of and interest on the Bonds is to be made to Cede & Co., which is to disburse said payments to the Beneficial Owners of the Bonds through their nominees.

**The Bonds are subject to optional, mandatory sinking fund and extraordinary redemption prior to maturity, all as more fully described herein.**

The Bonds are being issued to provide funds: (i) to finance the acquisition and construction of certain improvements to the City's Water System; (ii) to refund the Garden Grove Public Financing Authority's Water Revenue Bonds, Series 2010A (Tax-Exempt), Series 2010B (Federally Taxable Direct Pay Build America Bonds) and Series 2010C (Federally Taxable Recovery Zone Economic Development Bonds); and (iii) to pay costs incurred in connection with the issuance of the Bonds.

The Bonds are being issued pursuant to the Indenture of Trust, dated as of November 1, 2020, by and between the Garden Grove Public Financing Authority and U.S. Bank National Association, as trustee. THE BONDS ARE A SPECIAL LIMITED OBLIGATION OF THE AUTHORITY PAYABLE SOLELY FROM AUTHORITY REVENUES, WHICH CONSIST OF SERIES 2020 INSTALLMENT PAYMENTS TO BE MADE BY THE CITY TO THE AUTHORITY PURSUANT TO THE INSTALLMENT PURCHASE AGREEMENT, DATED AS OF NOVEMBER 1, 2020, BY AND BETWEEN THE CITY AND THE AUTHORITY, AND FROM CERTAIN OTHER FUNDS AND ACCOUNTS HELD BY THE TRUSTEE PURSUANT TO THE INDENTURE. NEITHER THE FULL FAITH AND CREDIT NOR ANY OTHER REVENUES OR FUNDS OF THE AUTHORITY ARE PLEDGED TO OR AVAILABLE FOR THE PAYMENT OF DEBT SERVICE ON THE BONDS. THE OBLIGATION OF THE AUTHORITY TO MAKE PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE AUTHORITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AUTHORITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

The obligation of the City to make the Series 2020 Installment Payments is a special limited obligation of the City payable solely from Net Revenues of the City's Water System on a parity with obligations which are outstanding in the aggregate principal amount of \$3,805,000. The City may incur additional obligations payable from Net Revenues on a parity with the obligation to pay Series 2020 Installment Payments, subject to the terms and conditions of the Installment Purchase Agreement, as more fully described herein.

**THE OBLIGATION OF THE CITY TO MAKE SERIES 2020 INSTALLMENT PAYMENTS PURSUANT TO THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE CITY TO MAKE THE SERIES 2020 INSTALLMENT PAYMENTS IS A SPECIAL LIMITED OBLIGATION OF THE CITY PAYABLE SOLELY FROM NET REVENUES OF THE CITY'S WATER SYSTEM 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.**

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

**MATURITY SCHEDULE**

(See inside front cover page)

*The Bonds are offered when, as and if delivered to and received by the Underwriter, subject to the approval as to their legality by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel. The Underwriter is being represented by its counsel, Jones Hall, A Professional Law Corporation, San Francisco, California. Certain legal matters will be passed upon for the Authority and the City by Woodruff Spradlin & Smart, Costa Mesa, California, as General Counsel and City Attorney, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC in New York, New York, on or about November 3, 2020.*

**STIFEL**

Dated: October \_\_, 2020

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

\$ \_\_\_\_\_\*

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

**MATURITY SCHEDULE**

**BASE CUSIP† \_\_\_\_\_**

\$\_\_\_\_\_ Serial Bonds

<i><b>Maturity (December 15)</b></i>	<i><b>Principal Amount</b></i>	<i><b>Interest Rate</b></i>	<i><b>Yield</b></i>	<i><b>Price</b></i>	<i><b>CUSIP†</b></i>
	\$	%	%		

\$ \_\_\_\_\_ % Term Bonds Due December 15, 2050, Yield: \_\_\_\_\_%, Price: \_\_\_\_\_, CUSIP† \_\_\_\_\_

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\* Preliminary, subject to change.

† CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by S&P Capital IQ. Copyright© 2020 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. None of the Authority, the City or the Underwriter takes any responsibility for the accuracy of such numbers.

**GARDEN GROVE PUBLIC FINANCING AUTHORITY**  
Orange County, California

**Board of Directors**

Steven R. Jones, Chair  
John R. O'Neill, Vice Chair  
George S. Brietigam III, Board Member  
Diedre Thu-Ha Nguyen, Board Member  
Patrick Phat Bui, Board Member  
Stephanie Klopfenstein, Board Member  
Kim B. Nguyen, Board Member

**CITY OF GARDEN GROVE**  
Orange County, California

**City Council**

Steven R. Jones, Mayor  
John R. O'Neill, Mayor Pro Tem, Council Member, District 2  
George S. Brietigam III, Council Member, District 1  
Diedre Thu-Ha Nguyen, Council Member, District 3  
Patrick Phat Bui, Council Member, District 4  
Stephanie Klopfenstein, Council Member, District 5  
Kim B. Nguyen, Council Member, District 6

**City Staff**

Scott C. Stiles, City Manager  
Patricia Song, Director of Finance  
Bill Murray, Public Works Director  
Teresa Pomeroy, CMC, City Clerk

**Special Services**

**Authority General Counsel/City Attorney**  
Woodruff Spradlin & Smart  
Costa Mesa, California

**Bond Counsel and Disclosure Counsel**  
Stradling Yocca Carlson & Rauth,  
a Professional Corporation  
Newport Beach, California

**Municipal Advisor**  
Fieldman, Rolapp & Associates, Inc.  
Irvine, California

**Trustee/Escrow Agent**  
U.S. Bank National Association  
Los Angeles, California

**Verification Agent**  
Causey Demgen & Moore P.C.  
Denver, Colorado

No dealer, broker, salesperson or other person has been authorized by the City or the Authority to give any information or to make any representations in connection with the offer or sale of the Bonds other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Authority. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers or Owners of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement and the information that is contained herein are subject to completion or amendment without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Authority or any other parties that are described herein since the date hereof. These securities may not be sold, nor may an offer to buy them be accepted, prior to the time that the Official Statement is delivered in final form. This Official Statement is being submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by the City. All summaries of documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

Certain statements which are included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used, such as “plan,” “expect,” “estimate,” “project,” “budget,” “intend” or similar words. Such forward-looking statements include, but are not limited to, certain statements contained under the captions “THE CITY,” “THE WATER SYSTEM” and “WATER SYSTEM FINANCIAL INFORMATION.”

**THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE CITY DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT. IN EVALUATING SUCH STATEMENTS, POTENTIAL INVESTORS SHOULD SPECIFICALLY CONSIDER THE VARIOUS FACTORS WHICH COULD CAUSE ACTUAL EVENTS OR RESULTS TO DIFFER MATERIALLY FROM THOSE INDICATED BY SUCH FORWARD-LOOKING STATEMENTS.**

**IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE BONDS TO CERTAIN DEALERS, DEALER BANKS, BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICE STATED ON THE COVER PAGE HEREOF, AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.**

**THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT, AND HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.**

*The City maintains a website; however, information presented there is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.*



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## SUMMARY STATEMENT

*This Summary Statement is subject in all respects to the more complete information contained in this Official Statement, and the offering of the Bonds to potential investors is made only by means of the entire Official Statement. Capitalized terms that are used and not otherwise defined in this Summary Statement have the meanings ascribed to them in this Official Statement.*

**Purpose.** The Bonds are being issued to provide funds: (i) to finance the acquisition and construction of certain improvements to the City’s Water System, as described under the caption “FINANCING PLAN—The 2020 Project;” (ii) to refund the Garden Grove Public Financing Authority’s Water Revenue Bonds, Series 2010A (Tax-Exempt), Series 2010B (Federally Taxable Direct Pay Build America Bonds) and Series 2010C (Federally Taxable Recovery Zone Economic Development Bonds), as described under the caption “FINANCING PLAN—Refunding Plan;” and (iii) to pay costs incurred in connection with the issuance of the Bonds. See the caption “FINANCING PLAN—Estimated Sources and Uses of Funds.”

**Security for the Bonds.** The Bonds are a special limited obligation of the Authority payable solely from Authority Revenues, which consist of Series 2020 Installment Payments to be made by the City to the Authority pursuant to the Installment Purchase Agreement and amounts on deposit in certain funds and accounts established by the Indenture. Neither the full faith and credit nor any other revenues or funds of the Authority are pledged to or available for the payment of debt service on the Bonds. THE OBLIGATION OF THE AUTHORITY TO MAKE PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE AUTHORITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AUTHORITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

The obligation of the City to make Series 2020 Installment Payments is a special limited obligation of the City payable solely from Net Revenues of the City’s Water System, which consist of Revenues of the City’s Water System remaining after payment of Operation and Maintenance Costs. See the caption “SECURITY FOR THE BONDS.”

The obligation of the City to make Series 2020 Installment Payments is payable from Net Revenues on a parity with the City’s Water Revenue Refunding Bonds, Series 2015, which are currently outstanding in the aggregate principal amount of \$3,805,000. See the caption “THE CITY—Outstanding Parity Bonds and Contracts.”

The obligation of the City to make the Series 2020 Installment Payments under the Installment Purchase Agreement is absolute and unconditional, and until such time as all payments that are required thereunder have been paid in full (or provision for the payment thereof has been made as provided for in the Installment Purchase Agreement), the City will not discontinue or suspend any Series 2020 Installment Payments required to be made by it under the Installment Purchase Agreement 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 will not be subject to reduction whether by offset or otherwise and will not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

THE OBLIGATION OF THE CITY TO MAKE SERIES 2020 INSTALLMENT PAYMENTS PURSUANT TO THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE CITY TO MAKE THE SERIES 2020 INSTALLMENT PAYMENTS IS A SPECIAL LIMITED OBLIGATION OF THE CITY PAYABLE SOLELY FROM 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.

**No Reserve Fund.** No reserve fund or account has been established under the Indenture or the Installment Purchase Agreement in connection with the issuance of the Bonds.

**Rate Covenant.** 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 will, 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 125% of the Debt Service for such Fiscal Year. When calculated for the foregoing purposes, Net Revenues do not include amounts which are transferred from the Rate Stabilization Fund, if established, that are in excess of 25% of Debt Service for such Fiscal Year.

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 100% of Debt Service for such Fiscal Year. When calculated for the foregoing purposes, Net Revenues do not include any amounts which are transferred from the Rate Stabilization Fund, if established.

See the caption “SECURITY FOR THE BONDS—Rate Covenant.”

**Additional Indebtedness.** The Installment Purchase Agreement does not permit the City to make any additional pledge of, or to place any additional lien on, the Revenues, or any portion thereof, which is senior to the pledge and lien securing the payment of the Series 2020 Installment Payments. The Installment Purchase Agreement does permit the City to incur Parity Bonds and Contracts which are payable on a parity with the Series 2020 Installment Payments provided that certain conditions are satisfied as described herein. Nothing in the Installment Purchase Agreement precludes the City from entering into obligations which are Operation and Maintenance Costs and, therefore, payable from Revenues prior to the Series 2020 Installment Payments, or from issuing any bonds or executing any contracts the payments under which are payable from Net Revenues on a subordinate basis to the Series 2020 Installment Payments, Parity Bonds and Contracts of the City. See the caption “SECURITY FOR THE BONDS—Additional Parity Bonds and Contracts.”

**Redemption.** The Bonds are subject to optional, mandatory sinking fund and extraordinary redemption prior to maturity. See the caption “THE BONDS—Redemption.”

**The City and the Water System.** The City was incorporated in 1956 under the general laws of the State of California. The City occupies a land area of approximately 17.9 square miles and serves a residential population of approximately 175,000. The City is located in northern Orange County, approximately 35 miles south of the City of Los Angeles. Land use in the City is primarily residential, with areas of commercial and industrial development.

The City supplies potable water to approximately 31,315 residential, 1,653 commercial and 1,491 industrial and other connections within the boundaries of the City and a small portion of the unincorporated area of the County adjacent to the City.

The City has two water sources: (i) groundwater that is extracted from 11 City-owned wells in the Orange County Groundwater Basin; and (ii) treated water that is imported from the Colorado River and northern and central California by The Metropolitan Water District of Southern California and purchased by the City from the Municipal Water District of Orange County, an MWD member agency. The City has recently voluntarily

stopped groundwater extractions from two of its wells as a result of State regulations relating to substances known as PFAS, as described under the caption “THE WATER SYSTEM—Water Quality—PFAS.” The City expects to purchase additional imported water supplies from MWDOC to serve customer demand while such wells are out of service.

See the captions “THE CITY,” “THE WATER SYSTEM” and “WATER SYSTEM FINANCIAL INFORMATION,” as well as Appendix A, for further information about the City and the Water System.

\$ \_\_\_\_\_\*

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

**INTRODUCTION**

This Official Statement, including the front cover page, the inside front cover page and the appendices, provides certain information concerning the sale and delivery of the Garden Grove Public Financing Authority Water Revenue Bonds, Series 2020A (the “**Bonds**”). Descriptions and summaries of various documents that are set forth in this Official Statement do not purport to be comprehensive or definitive, and reference is made to each such document for complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each such document. Capitalized terms that are used and not otherwise defined in this Official Statement have the meanings ascribed thereto in Appendix B.

The Bonds are being issued to provide funds: (i) to finance the acquisition and construction of certain improvements (the “**2020 Project**”) to the Water System of the City of Garden Grove (the “**City**”), as described under the caption “FINANCING PLAN—The 2020 Project;” (ii) to refund the Garden Grove Public Financing Authority’s Water Revenue Bonds, Series 2010A (Tax-Exempt), Series 2010B (Federally Taxable Direct Pay Build America Bonds) and Series 2010C (Federally Taxable Recovery Zone Economic Development Bonds) (collectively, the “**2010 Bonds**”), as described under the caption “FINANCING PLAN—Refunding Plan;” and (iii) to pay costs incurred in connection with the issuance of the Bonds. See the caption “FINANCING PLAN—Estimated Sources and Uses of Funds.”

The Bonds are being issued pursuant to an Indenture of Trust, dated as of November 1, 2020 (the “**Indenture**”), by and between the Garden Grove Public Financing Authority (the “**Authority**”) and U.S. Bank National Association, as trustee (the “**Trustee**”). The Bonds are limited obligations of the Authority payable solely from Authority Revenues, which consist of payments (the “**Series 2020 Installment Payments**”) to be made by the City (the “**City**”) to the Authority pursuant to an Installment Purchase Agreement (the “**Installment Purchase Agreement**”), dated as of November 1, 2020, by and between the City and the Authority, and amounts on deposit in certain funds and accounts established by the Indenture.

The obligation of the City to make Series 2020 Installment Payments is a special limited obligation of the City payable solely from Net Revenues of the City’s Water System, which consist of Revenues of the Water System remaining after payment of Operation and Maintenance Costs. See the caption “SECURITY FOR THE BONDS.”

The obligation of the City to make Series 2020 Installment Payments from Net Revenues is on a parity with the obligation of the City to pay the City of Garden Grove Water Revenue Refunding Bonds, Series 2015 (the “**2015 Bonds**”), which are currently outstanding in the aggregate principal amount of \$3,805,000. The City may incur additional obligations payable from Net Revenues on a parity with the obligation to pay Series 2020 Installment Payments, as described under the caption “SECURITY FOR THE BONDS—Additional Parity Bonds and Contracts.”

The City regularly prepares a variety of reports, including audits, budgets and related documents. Any Bond Owner may obtain a copy of such report, as available, from the City. The City has also undertaken to provide annual reports to the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System (“**EMMA**”), which is accessible on the Internet at <http://emma.msrb.org>, pursuant to a continuing disclosure agreement. See the caption “CONTINUING DISCLOSURE” and Appendix E.

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\* Preliminary, subject to change.

## FINANCING PLAN

### The 2020 Project

The 2020 Project consists of: (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.

The City expects to comply with all governmental approval, environmental review, public bidding and other permitting requirements for each component of the 2020 Project as required by law, and to complete all components of the 2020 Project by late 2023.

Pursuant to the Installment Purchase Agreement, the City may substitute or add additional projects to the 2020 Project. See Appendix B under the caption "INSTALLMENT PURCHASE AGREEMENT—ACQUISITION AND CONSTRUCTION OF PROJECTS—Changes to the 2020 Project."

### Refunding Plan

**General.** The Authority previously issued the 2010 Bonds, which are currently outstanding in the aggregate principal amount of \$15,390,000, pursuant to an Indenture of Trust, dated as of May 1, 2010 (the "**2010 Indenture**"), by and between the Authority and U.S. Bank National Association, as trustee (the "**2010 Trustee**"). The 2010 Bonds are payable from installment payments made under the Installment Purchase Agreement, dated as of May 1, 2010 (the "**2010 IPA**"), by and between the City and the Authority. The Authority plans to apply a portion of the proceeds of the Bonds to refund the 2010 Bonds in full.

Under an Escrow Agreement (2010 Bonds), dated as of November 1, 2020 (the "**2010 Escrow Agreement**"), by and among the City, the Authority and the 2010 Trustee, the Authority will cause a portion of the proceeds of the Bonds to be delivered to the 2010 Trustee for deposit in the escrow fund established under the 2010 Escrow Agreement (the "**2010 Escrow Fund**"). In addition, the Authority will cause the 2010 Trustee to deposit into the 2010 Escrow Fund certain moneys held by the 2010 Trustee in funds and accounts established in connection with the 2010 Bonds.

The 2010 Trustee will invest a portion of the amounts deposited in the 2010 Escrow Fund in federal securities as set forth in the 2010 Escrow Agreement. From the moneys on deposit in the 2010 Escrow Fund and the investment earnings thereon, the 2010 Trustee will pay on December 15, 2020 the principal of the 2010 Bonds maturing on and after such date, together with accrued interest thereon, without premium.

Sufficiency of the deposits in the 2010 Escrow Fund for such purposes will be verified by Causey Demgen & Moore P.C., Denver, Colorado (the "**Verification Agent**"). Assuming the accuracy of such computations, as a result of the deposit and application of funds as provided in the 2010 Escrow Agreement, the 2010 Bonds will be defeased pursuant to the provisions of the 2010 IPA and the 2010 Indenture as of the date of issuance of the Bonds.

**Verification.** Upon the issuance of the Bonds, the Verification Agent will deliver a report on the mathematical accuracy of certain computations based upon certain information and assertions provided to it by the Underwriter relating to the adequacy of the moneys deposited in the 2010 Escrow Fund to pay on December 15, 2020 the principal of the 2010 Bonds maturing on after such date, together with accrued interest thereon, without premium.

The amounts held by the 2010 Trustee in the 2010 Escrow Fund are pledged solely to the payment of the 2010 Bonds. Neither the funds deposited in the 2010 Escrow Fund nor any interest thereon will be available for the payments of principal of or interest on the Bonds.

**Estimated Source and Uses of Funds**

The following table sets forth the estimated sources and uses of funds in connection with the issuance of the Bonds:

<b>Sources<sup>(1)</sup></b>	
Principal Amount of Bonds	\$
Plus/Less Net Original Issue Premium/Discount	
City Contribution <sup>(2)</sup>	
<b>Total Sources</b>	\$
<b>Uses<sup>(1)</sup></b>	
Deposit to Acquisition Fund	\$
Transfer to 2010 Trustee to Refund 2010 Bonds	
Costs of Issuance <sup>(2)</sup>	
<b>Total Uses</b>	\$

- (1) Amounts rounded to the nearest dollar. Totals may not add due to rounding.
- (2) Reflects moneys held in funds and accounts established in connection with the 2010 Bonds.
- (3) Includes certain legal, municipal advisory, financing, rating agency, Verification Agent and Trustee fees, Underwriter’s discount and printing costs.

**THE BONDS**

**General Provisions**

The Bonds will be issued in the aggregate principal amount of \$\_\_\_\_. \* The Bonds will bear interest from and be dated the date of initial issuance, and will be payable upon maturity on the dates set forth on the inside front cover page hereof. Interest on the Bonds will be payable on June 15 and December 15 of each year, commencing June 15, 2021.

Interest will be calculated at the rates set forth on the inside front cover page hereof on the basis of a year of 360 days comprised of twelve 30 day months.

The Bonds will be delivered only in fully registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only in denominations of \$5,000 or any integral multiple thereof. See the caption “—Book-Entry Only System” and Appendix D.

In the event that the book-entry only system that is described below is discontinued, the principal of and interest on any Bond will be payable by check or draft of the Trustee upon presentation and surrender thereof at maturity or upon prior redemption at the Office of the Trustee in Los Angeles, California. Such principal and interest will be payable in lawful money of the United States of America.

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\* Preliminary, subject to change.



## **Book-Entry Only System**

One fully-registered Bond will be issued for each maturity of the Bonds in the principal amount of the Bonds of such maturity. Each such Bond will be registered in the name of Cede & Co. and will be deposited with DTC. As long as the ownership of the Bonds is registered in the name of Cede & Co., the term “**Owner**” as used in this Official Statement will refer to Cede & Co. and not to the actual purchasers of the Bonds (the “**Beneficial Owners**”).

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, the Bonds will be printed and delivered and will be governed by the provisions of the Indenture with respect to payment of principal and interest and rights of exchange and transfer.

The Authority cannot and does not give any assurances that DTC participants or others will distribute payments with respect to the Bonds received by DTC or its nominee as the registered Owner, or any redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will service and act in the manner described in this Official Statement. See Appendix D for additional information concerning DTC.

## **Transfers and Exchanges Upon Termination of Book-Entry Only System**

In the event that the book-entry system that is described above is discontinued, the Bonds will be printed and delivered as provided in the Indenture. Thereafter, any Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his or her duly authorized attorney, upon surrender of such Bond at the Office of the Trustee for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Trustee. The Trustee is not required to register the transfer of any Bond during the period in which the Trustee is selecting Bonds for redemption and any Bond that has been selected for redemption.

Whenever any Bond is surrendered for transfer, the Authority will execute and the Trustee will authenticate and deliver a new Bond or Bonds of authorized denomination or denominations for a like series and aggregate principal amount of the same maturity. The Trustee will require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. Following any transfer of Bonds, the Trustee will cancel and destroy the Bonds that it has received.

Prior to any transfer of the Bonds outside the book entry system (including, but not limited to, the initial transfer outside the book entry system) the transferor will provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Code Section 6045, as amended. The Trustee will conclusively rely on the information provided to it and has no responsibility to verify or ensure the accuracy of such information.

Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of other authorized denominations of the same series and maturity. The Trustee is not required to exchange any Bond during the period in which the Trustee is selecting Bonds for redemption or any Bond that has been selected for redemption. The Trustee will require the Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of Bonds, the Trustee will cancel and destroy the Bonds that it has received.

## **Redemption**

**Optional Redemption.** The Bonds with stated maturities on or after December 15, 20\_\_, are subject to redemption prior to their respective stated maturities, as a whole or in part as directed by the Authority in a

Request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) and by lot within each maturity in integral multiples of \$5,000, on \_\_\_\_\_, 20\_\_ or any date thereafter at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium.

**Mandatory Sinking Fund Redemption.** The Bonds with stated maturities on December 15, 20\_\_ are subject to mandatory sinking fund redemption in part (by lot) on December 15, 20\_\_ and each December 15 thereafter, in integral multiples of \$5,000 at a Redemption Price of the principal amount thereof plus accrued interest to the date fixed for redemption, without premium, in accordance with the following schedule:

<i>Redemption Date (December 15)</i>	<i>Principal Amount</i>
20__	\$
20__	
20__	
20__	
20__*	

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\* Maturity.

If some but not all of the Bonds maturing on December 15, 20\_\_ are redeemed as described under the subcaptions “—Optional Redemption” or “—Extraordinary Redemption from Net Proceeds of Insurance or Condemnation,” the principal amount of the applicable Bonds to be redeemed pursuant to the Indenture on any subsequent December 15 will be reduced, by \$5,000 or an integral multiple thereof, as designated by the Authority in a Certificate of the Authority filed with the Trustee; provided, however, that the aggregate amount of such reductions may not exceed the aggregate amount of the applicable Bonds redeemed.

**Extraordinary Redemption from Net Proceeds of Insurance or Condemnation.** The Bonds will be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date in the order of maturity and within maturities as directed by the Authority in a Request provided to the Trustee at least 35 days (or such lesser number of days acceptable to the Trustee in the sole discretion of the Trustee, such notice for the convenience of the Trustee) prior to such date in integral multiples of \$5,000 from Net Proceeds, upon the terms and conditions of, and as provided for in, the Installment Purchase Agreement, at a Redemption Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium. See Appendix B under the captions “INSTALLMENT PURCHASE AGREEMENT—COVENANTS OF THE CITY—Insurance” and “INSTALLMENT PURCHASE AGREEMENT—COVENANTS OF THE CITY—Eminent Domain Proceeds.”

**Partial Redemption of Bonds.** Upon surrender of any Bond redeemed in part only, the Authority will execute and the Trustee will authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered and of the same series, interest rate and maturity.

### **Selection of Bonds for Redemption**

Whenever provision is made in the Indenture for the redemption of less than all of the Bonds, the Trustee will select the Bonds for redemption as a whole or in part on any date as directed by the Authority and by lot within each maturity in integral multiples of \$5,000 in accordance with the Indenture. The Trustee will promptly notify the Authority in writing of the numbers of the Bonds or portions thereof so selected for redemption.

## **Notice of Redemption**

Notice of redemption will be mailed by first class mail not less than 20 days nor more than 60 days before any Redemption Date, to the respective Owners of any Bonds that are designated for redemption at their addresses appearing on the Registration Books, to the Securities Depositories and the Information Services. Each notice of redemption will state the date of notice, the redemption date, the place or places of redemption and the Redemption Price, and will designate the maturities, CUSIP numbers, if any, and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice will also state that on the redemption date there will become due and payable on each of said Bonds or parts thereof that are designated for redemption the Redemption Price thereof or of said specified portion of the principal thereof in the case of a Bond to be redeemed in part only, together with, interest accrued thereon to the redemption date, and that (provided that moneys for redemption have been deposited with the Trustee) from and after such redemption date interest thereon will cease to accrue, and will require that such Bonds be then surrendered to the Trustee. Neither the failure to receive such notice nor any defect in the notice or the mailing thereof will affect the validity of the redemption of any Bond. Notice of redemption of Bonds will be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

With respect to any notice of optional redemption of Bonds, such notice may state that such redemption will be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of, premium, if any, and interest on such Bonds to be redeemed and that, if such moneys have not been so received, said notice will be of no force and effect and the Trustee will not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

## **Effect of Redemption**

Notice of redemption having been duly given as described above under the caption “—Notice of Redemption,” and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption will become due and payable, interest on the Bonds so called for redemption will cease to accrue, said Bonds (or portions thereof) will cease to be entitled to any benefit or security under the Indenture, and the Owners of said Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof. The Trustee will, upon surrender for payment of any of the Bonds to be redeemed on their Redemption Dates, pay such Bonds at the Redemption Price. All Bonds redeemed pursuant to the provisions of the Indenture will be canceled upon surrender thereof.

## DEBT SERVICE SCHEDULE

Set forth below is a schedule of debt service on Parity Bonds and Contracts of the City which are payable on a parity with the Series 2020 Installment Payments as well as debt service on the Bonds, which equals the Series 2020 Installment Payments for each annual period ending on December 15 in the years indicated.

<i>Period Ending December 15</i>	<i>Parity Bonds and Contracts<sup>(1)</sup></i>	<i>Bonds</i>			<i>Total Debt Service</i>
		<i>Principal</i>	<i>Interest</i>	<i>Total</i>	
2020	\$	\$	\$	\$	\$
2021					
2022					
2023					
2024					
2025					
2026					
2027					
2028					
2029					
2030					
2031					
2032					
2033					
2034					
2035					
2036					
2037					
2038					
2039					
2040					
2041					
2042					
2043					
2044					
2045					
2046					
2047					
2048					
2049					
2050					
2051					
<b>TOTAL</b>	\$	\$	\$	\$	\$

<sup>(1)</sup> Reflects scheduled debt service on the 2015 Bonds. See the caption "THE CITY—Outstanding Parity Bonds and Contracts." Excludes debt service on the 2010 Bonds, which are expected to be refunded from proceeds of the Bonds. See the caption "FINANCING PLAN—Refunding Plan."

Source: Fieldman, Rolapp & Associates, Inc.

## SECURITY FOR THE BONDS

### General

Each Bond is a special limited obligation of the Authority payable solely from Authority Revenues, which consist of Series 2020 Installment Payments to be made by the City under the Installment Purchase Agreement and certain other funds and accounts established pursuant to the Indenture. NEITHER THE FULL FAITH AND CREDIT NOR ANY OTHER REVENUES OR FUNDS OF THE AUTHORITY ARE PLEDGED TO OR AVAILABLE FOR THE PAYMENT OF DEBT SERVICE ON THE BONDS. THE OBLIGATION OF THE AUTHORITY TO MAKE PAYMENTS OF PRINCIPAL AND INTEREST ON THE BONDS DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE AUTHORITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE AUTHORITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE AUTHORITY HAS NO TAXING POWER.

All of the Authority Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account that is established pursuant to the Indenture (except the Rebate Fund) have been irrevocably pledged to secure the payment of the principal of and interest, and the premium, if any, on the Bonds in accordance with their terms and the provisions of the Indenture. Said pledge constitutes a lien on and security interest in such amounts and will attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act and will be valid and binding against all parties having claims of any kind in tort, contract or otherwise against the Authority, irrespective of whether such parties have notice hereof.

The Authority, for good and valuable consideration in hand received, has irrevocably assigned and transferred to the Trustee without recourse, for the benefit of the Owners of the Bonds as set forth in the Indenture, all of its rights, title, and interest in all Series 2020 Installment Payments payable by the City pursuant to the Installment Purchase Agreement, including all rights of the Authority thereunder as may be necessary to enforce compliance with said provisions (including enforcement of payment obligations and rate covenants, if any, contained in the Installment Purchase Agreement, or otherwise to protect the interest of the Owners of the Bonds). Such assignment is subject to and limited by the terms of the Indenture.

There is established under the Indenture with the Trustee the 2020A Bond Payment Fund, which the Trustee has covenanted to maintain and hold in trust separate and apart from other funds held by it so long as any Series 2020 Installment Payments remain unpaid. Except as directed in the Indenture, all Authority Revenues will be promptly deposited by the Trustee upon receipt thereof into the 2020A Bond Payment Fund; except that all moneys received by the Trustee and required under the Indenture to be deposited in the Redemption Fund will be promptly deposited therein. All Authority Revenues deposited with the Trustee will be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee will also create and maintain an Interest Account and a Principal Account within the 2020A Bond Payment Fund.

The Trustee will transfer from the 2020A Bond Payment Fund and deposit into the following respective accounts the following amounts in the following order of priority and at the following times, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Authority Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) Not later than the day preceding each date on which the interest on the Bonds become due and payable under the Indenture, the Trustee will deposit in the Interest Account that sum, if any, required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all Bonds then Outstanding. All amounts in the Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it becomes due and payable (including accrued interest on any Bonds purchased or accelerated prior to maturity pursuant to the Indenture).

(b) Not later than the day preceding each date on which the principal of the Bonds become due and payable under the Indenture, the Trustee will deposit in the Principal Account that sum, if any, required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such date or subject to mandatory sinking fund redemption on such date. All amounts in the Principal Account will be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at maturity, mandatory sinking fund redemption, purchase or acceleration; provided, however, that at any time prior to selection for redemption of any such Bonds, upon written direction of the Authority, the Trustee will apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as directed pursuant to a Request of the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds.

### **Series 2020 Installment Payments Payable From Net Revenues**

The obligation of the City to make the Series 2020 Installment Payments is payable solely from Net Revenues of the City's Water System, which consist of Revenues of the City's Water System remaining after the payment of Operation and Maintenance Costs of the City's Water System. All Revenues (as such term is defined below) of the City's Water System and all amounts on deposit in the Revenue Fund have been irrevocably pledged to the payment of the Series 2020 Installment Payments as provided in the Installment Purchase Agreement. The Revenues will 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 in the Installment Purchase Agreement, including but not limited to the payment of Operation and Maintenance Costs of the Water System.

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" will 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 the Installment Purchase Agreement; and (ii) "Revenues" will 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 the Installment Purchase Agreement. See the caption "—Rate Stabilization Fund."

The above-described pledge, together with the pledge created by all other Bonds and Contracts (as such terms are defined in Appendix B under the caption "INSTALLMENT PURCHASE AGREEMENT—Definitions" and referred to in the forepart of this Official Statement as "**Parity Bonds and Contracts**" or "**Parity Bonds or Contracts**," as applicable), constitutes a first lien on Revenues and, subject to application of Revenues and all amounts on deposit in the Revenue Fund as permitted in the Installment Purchase Agreement, the Revenue Fund and other funds and accounts created thereunder for the payment of the Series 2020

Installment Payments and all other Parity Bonds and Contracts in accordance with the terms thereof and of the Indenture.

Notwithstanding anything contained in the Installment Purchase Agreement, the City is not required to advance any moneys derived from any source of income other than the Revenues and the Revenue Fund for the payment of amounts due under the Installment Purchase Agreement or for the performance of any agreements or covenants that are required to be performed by it contained therein. 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 SERIES 2020 INSTALLMENT PAYMENTS PURSUANT TO THE INSTALLMENT PURCHASE AGREEMENT DOES NOT CONSTITUTE AN OBLIGATION FOR WHICH THE CITY IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE CITY HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. THE OBLIGATION OF THE CITY TO MAKE THE SERIES 2020 INSTALLMENT PAYMENTS IS A SPECIAL LIMITED OBLIGATION OF THE CITY PAYABLE SOLELY FROM NET REVENUES OF THE CITY'S WATER SYSTEM AND DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OR OF ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION.

#### **Allocation of Revenues**

In order to carry out and effectuate the pledge and lien on Revenues contained in the Installment Purchase Agreement, the City has agreed and covenanted that all Revenues will be received by the City in trust and deposited when and as received in a special fund designated as the "**Revenue Fund**," which fund has been established and which fund the City has agreed and covenanted 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 will be used and applied by the City as provided in the Installment Purchase Agreement.

The City will, 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 will 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 will be held in trust and applied, used and withdrawn only for the purposes authorized in the Installment Purchase Agreement:

(a) 2020A Bond Payment Fund. On or before each Series 2020 Installment Payment Date, the City will, 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 will 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) will 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 will, 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.

### **Rate Covenant**

Pursuant to the Installment Purchase Agreement, the City has covenanted to set rates and charges for the Water System as follows:

(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 will, 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 125% of the Debt Service for such Fiscal Year. When calculated for the foregoing purposes, Net Revenues do not include amounts which are transferred from the Rate Stabilization Fund, if established, to the Revenue Fund that are in excess of 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 100% of Debt Service for such Fiscal Year. When calculated for the foregoing purposes, Net Revenues do not include any amounts which are transferred from the Rate Stabilization Fund, if established.

(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 may 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 foregoing requirements. 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 will also comply with the covenant with respect to rates and charges in connection with such Bonds or Contracts.

### **No Reserve Fund**

No reserve fund or account has been established under the Indenture or the Installment Purchase Agreement in connection with the issuance of the Bonds.

### **Additional Parity Bonds and Contracts**

The City is currently obligated to make payments under outstanding Parity Bonds and Contracts which are described under the caption "THE CITY—Outstanding Parity Bonds and Contracts." The City may at any time execute or issue additional Parity Bonds or Contracts, as the case may be, in accordance with the Installment Purchase Agreement; provided that:

(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, produce a sum equal to at least 125% of the Debt Service for such twelve month period. When calculated for the foregoing purposes, Net Revenues do not include amounts transferred from the Rate Stabilization Fund, if established, to the Revenue Fund pursuant to the Indenture that are in excess of 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 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 the foregoing purposes, Net Revenues do not include amounts transferred from the Rate Stabilization Fund, if established, to the Revenue Fund pursuant the Indenture that are in excess of 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, will produce a sum equal to at least 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.

### **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 has agreed and covenanted to maintain and to hold such fund, if established, separate and apart from other funds so long as any Parity Bonds or Contracts remain unpaid. Money transferred by the City from the Revenue Fund to the Rate Stabilization Fund, if established, in accordance with the Installment Purchase Agreement 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 the Installment Purchase Agreement or, in the event that all or a portion of the Series 2020 Installment Payments are discharged in accordance with the Installment Purchase Agreement, transfer all or any portion of such amounts for application in accordance with the Installment Purchase Agreement. Any such amounts transferred from the Rate Stabilization Fund, if established, to the Revenue Fund in accordance with the Installment Purchase Agreement constitute pledged Revenues.

## THE CITY

### General

The City was incorporated in 1956 under the general laws of the State of California (the “**State**”). The City occupies a land area of approximately 17.9 square miles and serves a residential population of approximately 175,000. The City is located in northern Orange County (the “**County**”), approximately 35 miles south of the City of Los Angeles. Land use in the City is primarily residential, with areas of commercial and industrial development. See the caption “—Land Use and Service Area.”

The City provides a full range of municipal services, including public safety (police), street construction and maintenance, engineering and development services, sanitation, water and sewer utilities, culture and recreation, public improvements and general administrative and support services. As of August 16, 2019, the Orange County Fire Authority has assumed responsibility for fire protection services within the City.

The City supplies potable water to approximately 31,315 residential, 1,653 commercial and 1,491 industrial and other connections within the boundaries of the City and a small portion of the unincorporated area of the County adjacent to the City.

The City has two water sources: (i) groundwater that is extracted from 11 City-owned wells in the Orange County Groundwater Basin (the “**Basin**”); and (ii) treated water that is imported from the Colorado River and northern and central California by The Metropolitan Water District of Southern California (“**MWD**”) and purchased by the City from the Municipal Water District of Orange County (“**MWDOC**”), an MWD member agency. The City has recently voluntarily stopped groundwater extractions from two of its wells as a result of State regulations relating to substances known as PFAS, as described under the caption “THE WATER SYSTEM—Water Quality—PFAS.” The City expects to purchase additional imported water supplies from MWDOC to serve customer demand while such wells are out of service.

The Water System includes approximately 436 miles of water mains, 8 storage tanks with a total storage capacity of approximately 53 million gallons (which would be sufficient to serve the Water System’s customers for approximately 2 days, assuming water use based on historical averages) and 5 booster stations. See the caption “THE WATER SYSTEM—General.”

### Land Use and Service Area

The City provides potable water to a service area of 18 square miles, including the territory within City limits and a small portion of the unincorporated area of the County adjacent to the City. The Water System’s service area is largely built out, with only infill development expected in the future. The service area encompasses single family and multi-family residences as well as areas of commercial, industrial and public agency land uses.

All of the land within the Water System’s service area is served by the City alone. New residents and businesses in the service area are required to connect to the Water System.

### Seismic Considerations

The City is located in a seismically active region. Significant faults are located near the City, including the Newport-Inglewood Fault. There is potential for destructive ground shaking during the occurrence of a major seismic event. In addition, land along fault lines may be subject to liquefaction during the occurrence of such an event. In the event of a severe earthquake, there may be significant damage to both property and infrastructure within the City, including the Water System. The City has an emergency operations plan that would be implemented under such circumstances.

Certain Water System facilities have been rehabilitated and upgraded to minimize potential damage from an earthquake. The City has also undertaken a vulnerability assessment of critical Water System facilities. The vulnerability assessment ranks City infrastructure by importance, builds redundancy into existing operations and includes contingency plans in the event of damage to City assets and succession plans for critical staff. The impact of lesser magnitude events is expected by the City to be temporary, localized and repairable. The Water System has never sustained major damage to its facilities or experienced extended incidences of service interruptions as a result of seismic disturbances. All facilities have been designed and constructed in compliance with regulations set forth in the California Water Code, standards of the American Water Works Association and the City’s construction standards.

The City does not maintain earthquake insurance on Water System facilities other than the Public Works Municipal Service Center, where administrative functions of the Water System are carried out. See the captions “—City Insurance” and “CERTAIN RISKS TO BONDHOLDERS—Natural Disasters.”

**Governance and Management**

*General.* The City operates under a council-manager form of government. The City Council consists of six members elected by district for overlapping four-year terms and a mayor elected Citywide for a two-year term. The City Council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees and appointing a City Manager and a City Attorney.

**City of Garden Grove  
Mayor and City Council**

<i>Name</i>	<i>Term Expires</i>
Steven R. Jones, Mayor	2020
John R. O’Neill, Mayor Pro Tem, Council Member, District 2	2020
George S. Brietigam III, Council Member, District 1	2022
Diedre Thu-Ha Nguyen, Council Member, District 3	2022
Patrick Phat Bui, Council Member, District 4	2022
Stephanie Klopfenstein, Council Member, District 5	2020
Kim B. Nguyen, Council Member, District 6	2020

The City has nine departments. The Water System is primarily operated by the Water Services Division of the City’s Public Works Department, with support provided by the Finance Department and other departments. Department heads are overseen by the City Manager’s office. A summary of certain City executive staff are described below.

The City Manager’s office provides oversight of all City departments and directs the implementation of policies and programs adopted by the City Council. The current City Manager is Scott C. Stiles. Mr. Stiles has been with the City since 2015. Prior to coming to the City, Mr. Stiles served in a variety of roles for the City of Cincinnati, Ohio, including as Interim City Manager. He has over 30 years of experience in public administration. Mr. Stiles has a Bachelor of Science degree from South Dakota State University and Master of Community Planning degree from the University of Cincinnati.

The City’s Finance Department is led by Patricia Song, Director of Finance. Ms. Song has been with the City since 2019. Prior to coming to the City, Ms. Song served as Manager of Fiscal Services for the City of Irvine, California, Finance Manager for the City of Corona, California and Accounting Manager for the City of Ontario, California. She has over 16 years of experience in municipal finance. Ms. Song has Masters of Business Administration degrees in accounting and management information systems from California State University, San Bernardino. She is a certified public accountant.

The City's Public Works Department, including the Water System, is led by Bill Murray, Public Works Director. Mr. Murray has been with the City since 1998 and has served as Public Works Director since 2011. He has a Bachelor of Science degree from California State Polytechnic University, Pomona and is a registered professional engineer.

**Management Policies.** The City has adopted several policies which are designed to ensure the prudent and effective management of City operations, including a reserve policy, a debt management policy, a pension funding policy and an investment policy. Further information about such policies is set forth below.

**Reserve Policy.** The City's reserve policy was adopted in 2019. Under the policy, the City is committed to maintaining a General Fund reserve equal to 16.7% (or two months) of adopted General Fund operating revenues, with a goal of increasing the reserve to 30% of adopted General Fund operating revenues over time. The 30% target reserve level will be allocated as follows: (i) 16.7% will be comprised of funds in a Stability Reserve; and (ii) 13.3% will be comprised of funds in a Catastrophic Reserve.

The Stability Reserve is maintained to mitigate financial risks associated with unexpected revenue shortfalls due to changes in the economic environment. In times of economic downturn, if revenues are insufficient to meet the normal operating requirements of essential services, funds in the Stability Reserve may be used if authorized by a two-thirds vote of the City Council.

The Catastrophic Reserve is maintained to mitigate costs associated with a public emergency such as a natural disaster or other unforeseen event. The reserve will not be used to meet operational shortfalls or to fund new programs or personnel. Moneys in the Catastrophic Reserve will be expended only as necessary to ensure the safety of the City's residents and their property.

Should actual General Fund revenues exceed expenditures and encumbrances/carryovers, a year-end operating surplus will be reported. The year-end surplus may be used to fund the above-described target reserve levels as recommended by the City Manager and approved through the adoption of the biennial budget. See the caption "—Budget Process."

**Debt Management Policy.** The City's debt management policy was adopted in 2017 in compliance with California Government Code § 8855. The debt management policy establishes: (a) the purposes for which debt may be issued; (b) the types of debt that may be issued; (c) the relationship of the City's debt to its capital improvement program and budget; (d) policy goals related to the City's planning goals and objectives; and (e) internal control procedures governing City debt.

**Pension Funding Policy.** The City's pension funding policy was adopted in 2019. Under the policy, the City resolved to establish a plan to pay down its pension liabilities and/or stabilize future contribution rates. In accordance with the policy, the City Council adopted a resolution in November 2019 to establish an Internal Revenue Code § 115 trust (the "**Section 115 Trust**"), an irrevocable pension trust that is intended to pre-fund the City's pension liabilities. As of August 31, 2020, the City held \$1,426,909 in the Section 115 Trust. In addition, under the policy, pension fund contributions (based on actuarially determined contributions which are calculated in a manner that fully funds long-term costs while keeping contributions stable and equitably allocating costs over employees' period of service) have the same budget priority as other personnel costs such as salaries and benefits. The pension funding policy also requires the City to contribute no less than the full actuarially determined contribution each year, and pension benefit increases that require a contract amendment may not be approved until the City's pension plan reaches 100% funded status. See the caption "WATER SYSTEM FINANCIAL INFORMATION—Pension Obligations" for a description of the City's Miscellaneous pension plan and the Section 115 Trust.

**Investment Policy.** The City invests its funds in accordance with its investment policy, which is updated annually and complies with California Government Code § 53600 *et seq.* The policy sets forth the policies and procedures which are applicable to the investment of City funds and designates eligible investments.

The investment policy sets forth a stated objective, among others, of ensuring the safety of invested funds by limiting credit and market risks, with the 6-month Treasury bill serving as the City’s yield benchmark. Funds are invested in the following order of priority:

- Safety of Principal;
- Liquidity; and
- Return on Investment.

Eligible investments include the Local Agency Investment Fund which is operated by the California State Treasurer (“**LAIF**”), United States Government agency, Federal Home Loan Bank, Federal National Mortgage Association and Federal Farm Credit Bank securities with a maximum maturity of 5 years, certificates of deposit (limited to 30% of the portfolio) and banker’s acceptances (limited to 180-day maturities and 30% of the portfolio), among other investments.

The Finance Department is required to provide a monthly report to the City Council showing the type of investment, date of maturity, amount invested, current market value, rate of interest and other such information as may be required by the City Council. As of June 30, 2020 the City had an investment portfolio of approximately \$279 million (excluding amounts held in the Section 115 Trust that is described under the caption “WATER SYSTEM FINANCIAL INFORMATION—Pension Obligations” and bond-related reserves). As of such date, the City had invested approximately 27% of its investment portfolio in LAIF, 48% in federal agency securities and 25% in Treasuries. Approximately \$20 million of the City’s \$279 million investment portfolio was attributable to the Water System as of June 30, 2020. For additional information with respect to the City’s cash and investments, see Note C.1 to the City’s audited financial statements set forth in Appendix A.

## **Employees**

As of June 30, 2020, the City had approximately 560 full-time equivalent employees. Certain employees of the City are represented by employee associations. In accordance with the provisions of California Government Code § 3500, the City participates in labor negotiations with its employee associations. The result of the negotiations processes are memorialized in memoranda of understanding (“**MOUs**”) between the City and the employee associations. Employees that operate and support the Water System are represented by the Orange County Employees’ Association, Garden Grove Chapter, under an MOU that expires on June 30, 2022 and the Orange County Employees’ Association, Garden Grove Employees League, under an MOU that expires on June 30, 2022. Salaries and benefits for non-represented management employees of the Water System are established by resolution. The City has not experienced a strike, slowdown or work stoppage.

## **Budget Process**

A key element of the City’s financial management process is the development and approval of a biennial budget. The City’s Municipal Code requires the City Manager to prepare and submit the proposed budget and salary plan to the City Council for approval every two years. The City Council conducts several public budget review sessions to obtain taxpayer input prior to adopting the budget at a public meeting. The legal level of budgetary control is at the department level. The City Council may amend the budget to increase or decrease appropriations or move appropriations between funds. The City Manager is authorized to transfer appropriations within a fund between the various programs and/or departments.

The budget for Fiscal Years 2020 and 2021 was adopted on June 25, 2019. Subsequently, during mid-cycle review, the amended budget for Fiscal Year 2021 (reflecting anticipated effects of the COVID-19 pandemic and associated economic recession) was adopted by City Council on June 23, 2020.

## **City Insurance**

The City is self-insured for the first \$1 million of workers' compensation, per occurrence. Excess coverage is in place with a joint powers authority and commercial insurers up to the statutory limits. The City is also self-insured for the first \$2 million of general liability, per occurrence. Excess coverage is in place with a joint powers authority and commercial insurers up to an additional \$33 million, per occurrence.

The City maintains property coverage through the Public Entity Insurance Program which provides up to \$275 million per occurrence, "All Risks" coverage, and \$100 million per occurrence for Boiler and Machinery Coverage. The City also maintains earthquake coverage for scheduled buildings up to \$23.5 million per occurrence. The City's earthquake coverage does not include Water System facilities other than the Public Works Municipal Service Center, where administrative functions of the Water System are carried out.

Certain portions of the Water System, including pipelines, are not covered by the City's property insurance. See the caption "CERTAIN RISKS TO BONDHOLDERS—Natural Disasters."

The City has not settled any claims that exceeded its insurance coverage in the past three years.

The City can provide no assurance that it will maintain the above insurance coverage amounts while the Bonds are outstanding. See Appendix B under the caption "INSTALLMENT PURCHASE AGREEMENT—Covenants of the City—Insurance" for a description of insurance coverages that are required to be maintained while the Bonds are outstanding.

## **Outstanding Parity Obligations**

In 2015, the City issued the 2015 Bonds to refinance the acquisition and construction of certain Water System capital improvements. The 2015 Bonds, which bear interest at the rate of 2.00% per annum, are currently outstanding in the aggregate principal amount of \$3,805,000 and are payable by the City from Net Revenues of the City's Water System in semiannual installments, with a final payment due in 2023. The 2015 Bonds are payable from Net Revenues on a parity with the Series 2020 Installment Payments, which secure the Bonds.

The City is permitted to incur additional obligations that are payable from Net Revenues on a parity with the Series 2020 Installment Payments in the future upon satisfaction of the conditions that are described under the caption "SECURITY FOR THE BONDS—Additional Parity Bonds and Contracts."

## **Financial Statements**

A copy of the most recent audited basic financial statements of the City prepared by Davis Farr LLP, Irvine, California (the "Auditor") is set forth in Appendix A. The Auditor's letter dated December 4, 2019 is located at the beginning of the Financial Section therein.

The summary operating results that are contained under the caption "WATER SYSTEM FINANCIAL INFORMATION—Historical Operating Results and Debt Service Coverage" are derived from these financial statements and audited financial statements for prior Fiscal Years (excluding certain non-cash items and after certain other adjustments), and are qualified in their entirety by reference to such statements, including the notes thereto. In addition, the City has provided estimated actual results for Fiscal Year 2020 herein.

The City accounts for moneys received and expenses paid in accordance with generally accepted accounting principles applicable to public entities ("GAAP"). Generally, the City recognizes revenues and expenses on the modified accrual basis of accounting, meaning that revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For such purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period and

expenditures generally are recorded when a liability is incurred, as under accrual accounting. Accordingly, in certain cases, GAAP requires or permits moneys that are collected in one Fiscal Year to be recognized as revenue in a subsequent Fiscal Year and requires or permits expenses that are paid or incurred in one Fiscal Year to be recognized as expenses in a subsequent Fiscal Year. Debt service expenditures are recorded only when payment is due. See Note A.3 to the financial statements that are set forth in Appendix A. Except as otherwise expressly noted herein, all financial information that has been derived from the City's audited financial statements reflects the application of GAAP.

The Water System Fund of the City is accounted for as a proprietary fund type (enterprise fund) using the economic resources measurement focus. In governmental accounting, enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges, or where periodic determination of revenues earned, expenses incurred and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing goods and services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise and internal service funds are charges for sales and services. Operating expenses for enterprise and internal service funds include salaries and employee benefits, maintenance and operation of systems and facilities, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

### **COVID-19 Outbreak**

The spread of the novel strain of coronavirus called SARS-CoV-2, which causes the disease known as COVID-19 (“**COVID-19**”), and local, State and federal actions in response to COVID-19, are having a significant impact on the City's operations and finances. In response to the increasing number of cases of COVID-19 infections and fatalities, health officials and experts have recommended, and some governments have mandated, a variety of responses ranging from travel bans and social distancing practices to complete shutdowns of certain services and facilities. The World Health Organization has declared the COVID-19 outbreak to be a pandemic and on March 4, 2020, as part of the State's response to address the outbreak, the Governor declared a state of emergency. On March 13, 2020, the President declared a national emergency, freeing up funding for federal assistance to state and local governments. Many school districts across the State have temporarily closed some or all school campuses (including schools within the City) in response to local and State directives or guidance. On March 19, 2020, the Governor issued Executive Order N-33-20, a mandatory Statewide shelter-in-place order applicable to all non-essential services. Certain aspects of the shelter-in-place directives have been extended indefinitely until indicators for modifying the stay-at-home order have been met. The County and the City have also declared a state of emergency in response to the COVID-19 outbreak.

On March 27, 2020, the President signed the \$2.2 trillion Coronavirus Aid, Relief, and Economic Stabilization Act (the “**CARES Act**”) which provides, among other measures, \$150 billion in financial assistance to states, tribal governments and local governments to provide emergency assistance to those most significantly impacted by COVID-19. Under the CARES Act, local governments are eligible for reimbursement of certain costs which are expended to address the impacts of the pandemic, although the City cannot predict what State and/or federal funding or other relief it will ultimately receive. Any funds received by the City under the CARES Act are not available for payment of the Series 2020 Installment Payments and cannot be used to backfill any City revenue losses related to COVID-19.

The effects of the COVID-19 outbreak and governmental actions responsive to it are altering the behavior of businesses and people in a manner that is having significant negative impacts on global and local economies. In addition, financial markets in the United States and globally have seen significant declines and

experienced significant volatility attributed to COVID-19 concerns. Volatility in the financial markets has impacted the California Public Employees Retirement System's ("CalPERS") earnings, which could result in a significant increase in the City's unfunded pension liability and future pension costs, commencing in Fiscal Year 2024. See the caption "WATER SYSTEM FINANCIAL INFORMATION—Pension Obligations." The outbreak has resulted in increased pressure on State finances, as budgetary resources are directed towards containing the pandemic and tax revenues sharply decline. Identified cases of COVID-19 and deaths attributable to the COVID-19 outbreak are continuing to increase throughout the United States, including the County.

Potential impacts to the City associated with the COVID-19 outbreak include, but are not limited to, increasing costs and challenges to the public health system in and around the City, cancellations of public events and disruption of the regional and local economy with corresponding decreases in the City's revenues, including as a result of reduced water use (particularly among commercial and hotel establishments), and potential declines in property values.

In response to the COVID-19 outbreak, the City has declared the Water System to be an essential service and has staggered employee shifts, enabled certain employees to telecommute and moved employees to multiple locations in order to prevent large gatherings of Water System personnel at any one time and to better maintain employees' health and the operations of the Water System. In addition, on-site personnel are wearing masks and practicing social distancing while working. Access to City Hall has been restricted and City Council meetings are occurring via teleconference. The City does not foresee an impact on Water System operations at this time as a result of the COVID-19 outbreak.

In addition, the State Governor has suspended utility service shutoffs (including for the Water System) for the duration of the public health emergency declared by the State, and the City will not seek to collect late fees or penalties. Although no service charges are being forgiven, the City expects its accounts receivable amount to increase as a result of the foregoing policy. See the caption "THE WATER SYSTEM—Water System Collection Procedures."

The COVID-19 outbreak is ongoing, and the duration and severity of the outbreak and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the operations and finances of the City and the Water System is unknown. Based on unaudited actual results, the City does not expect Fiscal Year 2020 Water System revenues or expenses to be below budgeted amounts or below audited Fiscal Year 2019 results as a result of the COVID-19 outbreak.

Similarly, the City's amended Fiscal Year 2021 budget, which includes consideration of the effect of the COVID-19 outbreak and an anticipated recession, does not reflect an expected financial impact on the Water System. The City continues to actively monitor customer usage, revenues and delinquencies so that any further impacts can be anticipated. See the caption "WATER SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage."

CalPERS has reported a preliminary 4.7% investment return in Fiscal Year 2020, which was below its investment target. The City also expects that CalPERS' earnings could be reduced in Fiscal Year 2021 as a result of stock market declines in the wake of the COVID-19 outbreak, which could increase future contribution rates for plan participants, including the City. The City is unable to estimate the magnitude of any such increases at this time. See the caption "WATER SYSTEM FINANCIAL INFORMATION—Pension Obligations."

As shown under the caption "THE WATER SYSTEM—Largest Water System Customers," many of the City's top water customers are commercial and industrial businesses, hotels, multi-unit residential complexes and schools. Hotel occupancy within the City, and consequently water use by such customers, was reduced in Fiscal Year 2020, and the City expects such reductions to continue in Fiscal Year 2021 as a result of the COVID-19 outbreak. However, as noted under the caption "THE WATER SYSTEM—Water System Rates and Charges—Adopted Rates and Charges," the City's water rates include fixed monthly rates that are payable



without regard to the amount of water used, which mitigates a portion of the impact of reduced water use by hotels and other commercial customers.

## THE WATER SYSTEM

### General

The Water System commenced operations in 1958, at which time various private water companies also served customers within the City's boundaries. In the intervening years, the City assumed responsibility for the provision of water service to such companies' customers and the City is currently the sole water service provider to customers within City limits.

The City supplies potable water to approximately 31,315 residential, 1,653 commercial and 1,491 industrial and other connections within the boundaries of the City and a small portion of the unincorporated area of the County adjacent to the City.

The City has two water sources: (i) groundwater that is extracted from 11 City-owned wells in the Basin; and (ii) treated water that is imported from the Colorado River and northern and central California by MWD and purchased by the City from MWDOC, an MWD member agency. The City has recently voluntarily stopped groundwater extractions from two of its wells as a result of State regulations relating to substances known as PFAS, as described under the caption "—Water Quality—PFAS." The City expects to purchase additional imported water supplies from MWDOC to serve customer demand while such wells are out of service.

The Water System includes approximately 436 miles of water mains, 8 storage tanks with a total storage capacity of approximately 53 million gallons (which would be sufficient to serve the Water System's customers for approximately 2 days, assuming water use based on historical averages) and 5 booster stations. The City also maintains several emergency interconnections with neighboring agencies.

The City does not currently supply non-potable or recycled water to customers.

### Water Quality

**General.** The City's water sources consist of groundwater that is extracted from the Basin and potable imported water that is supplied by MWD through MWDOC. Groundwater supplies are subject to comprehensive testing by Water System staff in order to ensure that they meet all State and Federal regulatory requirements prior to delivery to customers. On occasion, groundwater from certain City wells is blended with imported water to ensure compliance with applicable standards. MWD water is treated by MWD to potable water standards as described under the caption "—Water Supply—Imported Water" before being delivered to customers.

**PFAS.** In 2019, the State of California Water Resources Control Board's Division of Drinking Water (the "Division") lowered the Notification Levels for Perfluorooctanoic acid ("PFOA") and Perfluorooctanesulfonic acid ("PFOS") to 5.1 and 6.5 parts per trillion ("PPT"), respectively. Notification Levels are non-regulatory, precautionary health-based measures for concentrations of chemicals in drinking water that warrant notification and further monitoring and assessment. In 2020, the Division lowered the Response Level (the "RL") for PFOA and PFOS from 70 PPT, combined, to 10 to 40 PPT, each. RLs are non-regulatory, precautionary health-based measures that are set at higher levels than Notification Levels and represent thresholds at which the Division recommends that water utilities remove a water source from use or treat it.

PFOA and PFOS are fluorinated organic chemicals which are part of a family of synthetic compounds that are known as per- and polyfluoroalkyl substances ("PFAS"). PFAS are water and lipid resistant substances that are useful for a variety of manufacturing processes and industrial applications. They are often present in water supplies which are in close proximity to wastewater treatment plant effluent or active or former military

installations. The City understands that recent technological advances have enabled water suppliers to detect PFAS compounds at very low concentrations.

In 2019, the City conducted testing of its groundwater sources for PFOA and PFOS. Such testing revealed the presence of PFOA and PFOS at levels above the lowered RL in two of the City's groundwater wells. As a result, the City voluntarily elected to stop groundwater production from such wells. The City expects to purchase additional imported water supplies from MWDOC to serve customer demand while such wells are out of service.

In order to assist water producers and facilitate the removal of PFAS from groundwater sources in the Basin, the Orange County Water District ("OCWD"), which manages the Basin, has proposed to pay for the design and construction of treatment facilities consisting of a filtering system to remove PFAS from the Basin. The City has entered into an agreement with OCWD pursuant to which OCWD will design and construct PFAS treatment facilities at OCWD's expense at the two City wells that have been shut down. The City expects such facilities to be operational within two years, at which time the City can resume production from the wells, subject to the same payments to OCWD that apply to groundwater production from other City wells which have not been impacted by PFAS. However, the appropriate design for the facilities is still being studied and there can be no assurance as to the ultimate type of facilities to be constructed or the timing of completion thereof. Although the City will be obligated to operate and maintain the PFAS treatment facilities for a period of up to 30 years, the City's agreement with OCWD enables the City to seek reimbursement from OCWD for up to half of the operation and maintenance costs of the facilities at the rate of \$75 per acre foot of groundwater produced.

The City does not anticipate that implementation of the lowered PFAS Response Level by the Division will have a material adverse effect on the operation of the Water System or the City's ability to make the Series 2020 Installment Payments. The projected operating results which are set forth under the caption "WATER SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage" assume higher water supply costs for two years as a result of the purchase of relatively more expensive imported water to replace the supplies from the two wells which have been taken out of service, and additional Operation and Maintenance Costs to operate and maintain the new treatment facilities that are being constructed by OCWD after the two year construction period. Notwithstanding the foregoing, there can be no assurance that additional State regulations related to PFOA or PFOS, or new regulations related to PFAS other than PFOA or PFOS, will not result in the imposition of additional costs on the Water System.

## **Water Supply**

The City has two water sources: (i) groundwater that is extracted from City-owned wells in the Basin, which comprised approximately 50% of the City's water supply in Fiscal Year 2020; and (ii) treated water that is imported from the Colorado River and northern and central California by MWD and purchased by the City from MWDOC, an MWD member agency, which comprised approximately 50% of the City's water supply in Fiscal Year 2020. The City's water sources fluctuate from year depending upon the price and availability of imported water supplies, the purchase of which allows the City to maintain its groundwater supplies in the Basin for use during years when imported water is relatively more expensive.

### ***Groundwater.***

*City Wells.* The City produces groundwater from 11 currently active City-owned groundwater wells (not including the two wells described in the following paragraph from which the City is not currently extracting groundwater) which are located throughout the City. The City's wells draw groundwater from the Basin, which is managed by OCWD as described below under the subcaption "—OCWD." The Basin is estimated to have a total water storage capacity of approximately 66,000,000 acre feet. The City's wells have been drilled to an average depth of 1,014 feet and produce high quality water that meets all State and Federal drinking water standards. See the caption "—Water Quality—General." Total average production from the City's wells in Fiscal Year 2020 (including production from the two wells described in the following paragraph

from which the City is not currently extracting groundwater) was approximately 10 MGD, and total maximum daily production capacity from the City's wells (including the two wells that are described in the following paragraph) is approximately 55.5 MGD.

The City has recently voluntarily stopped groundwater extractions from two of its wells as a result of State regulations relating to substances known as PFAS, as described under the caption “—Water Quality—PFAS.” The City expects to purchase additional imported water supplies from MWDOC to serve customer demand while such wells are out of service. See the subcaption “—Imported Water” below. Accordingly, the City expects that it will purchase more imported water and produce less groundwater in Fiscal Years 2021 and 2022 compared to Fiscal Year 2020. See the captions “—Historical Water System Supply” and “—Projected Water System Supply” for historical and projected information with respect to the City's sources of water supply.

*Orange County Groundwater Basin.* Water used within the present boundaries of the City historically originated exclusively in the Santa Ana River watershed, an area embracing approximately 2,000 square miles in Orange, Riverside and San Bernardino Counties. The Santa Ana River originates in the San Bernardino Mountains northeast of the City of San Bernardino and flows to the southwest through San Bernardino County to Riverside County. Near the northern Riverside County border, the Santa Ana River flows through a geologic formation known as the Riverside Narrows, which acts to confine the river and the groundwater flow beneath to a narrow flow. The Santa Ana River then flows from the Riverside Narrows through Riverside County in a southwestern direction, passing into the County from the Corona area, flowing through the Santa Ana Canyon and then onto the coastal plain that constitutes most of the northwestern portion of the County. Except during periods of storm flows, the Santa Ana River flows underground for most of its length.

Early settlers along the Santa Ana River constructed facilities in the Santa Ana Canyon and Anaheim areas to divert the surface and flood flows of the Santa Ana River, primarily for irrigation purposes. As agricultural and domestic water use along the Santa Ana River increased, farmers, ranchers and municipal and private corporations began pumping water from the Basin which was recharged by the sub-surface flow of the Santa Ana River.

In 1941, the United States Army Corps of Engineers (the “**Corps**”) constructed a flood control dam on the Santa Ana River just north of the river's entrance into the Santa Ana Canyon area (“**Prado Dam**”). Since Prado Dam was completed, the Corps has operated it primarily as a flood control facility, with certain incidental water conservation activities.

Prior to 1969, Santa Ana River water users above Prado Dam in Riverside and San Bernardino Counties (the “**Upper Basin**”) and in the Basin came increasingly into conflict over water flows in the Santa Ana River. These conflicts led to a series of lawsuits which culminated in a stipulated judgment entered by the Superior Court for the County of Orange in 1969 (the “**1969 Stipulation**”) affirming a negotiated settlement of Santa Ana River water rights disputes between the Upper Basin and the Basin. Under the 1969 Stipulation, San Bernardino Valley Municipal Water District is obligated to deliver an average annual supply of 15,250 acre feet of Santa Ana River base flow to the Riverside Narrows (subject to certain adjustments which could reduce such amount but in no event below 12,420 acre feet annually). In addition, Chino Basin Municipal Water District and Western Municipal Water District are obligated to deliver an average annual supply of 42,000 acre feet of Santa Ana River base flow to Prado Dam (subject to certain adjustments which could reduce such amount to 34,000 acre feet annually), and OCWD is entitled to all storm flows reaching Prado Dam. The above-described obligations can increase under certain circumstances, if necessary to maintain water quality at Riverside Narrows or Prado Dam, as applicable. The 1969 Stipulation also includes provisions relating to inter-basin exports of water and water rights acquisitions and reserves the continuing jurisdiction of the Superior Court, but it does not adjudicate the water rights of individual water users within the Basin or the Upper Basin.

The 1969 Stipulation created a watermaster for the Santa Ana River (the “**Watermaster**”), which is a committee of five court-appointed members, including two members nominated by OCWD. The Watermaster

is charged with administration and reporting with respect to the 1969 Stipulation. If the Watermaster, which can act only upon the unanimous vote of its five members, fails or is unable to make necessary findings or determinations, the Superior Court is empowered to do so.

Sections of the Prado Dam spillway were recently determined by federal regulators to need repair. The operator of the Prado Dam (the Corps) downgraded the overall safety rating of Prado Dam from “moderate urgency” to “high urgency” as a result. Based on information provided by OCWD, the City does not believe that any proposed modifications to the operation of Prado Dam would have a material adverse impact on the capture and storage of Santa Ana River storm flows behind Prado Dam. In the event that Prado Dam undergoes repair, the Water System would not be responsible for any portion of the costs thereof.

*OCWD.* OCWD was formed in 1933 and has a service area that encompasses approximately 381 square miles in the County, including substantially all of the northern half of the County and all of the land within City limits. OCWD’s primary role is to manage and replenish the Basin, and the City’s groundwater production is governed by rules and regulations established by OCWD.

OCWD establishes and collects replenishment assessments as a means of purchasing water and funding projects to replenish the Basin. The replenishment assessment is established annually by OCWD and applies to every acre foot of groundwater produced from the Basin.

In addition, and per statute, OCWD sets a basin production percentage (the “**BPP**”) for water to be extracted from the Basin. The BPP is the amount of groundwater, as a percentage of the total water demands of a groundwater pumping agency such as the City, that can be pumped from the Basin during the year by the groundwater pumping agency without incurring the additional assessment that is described in the following paragraph. It is set both annually and uniformly for all producers. Multiplying the BPP against a producer’s total water demand yields a groundwater production limit (the “**BPP formula**”), and OCWD imposes an additional assessment on the producer for all groundwater pumped in excess of that limit.

The additional assessment incurred by an agency that pumps groundwater above the limit established by the BPP formula is called the basin equity assessment (the “**BEA**”). The BEA is established annually by OCWD and is intended to discourage pumping of amounts above the BPP formula by raising the cost of producing groundwater so that it is comparable to the cost of importing water, thereby encouraging groundwater pumping agencies to supplement their groundwater production with imported water for the portion of their water use that exceeds the BPP. The BEA is a surcharge to discourage, yet still allow for, the production of groundwater in excess of the BPP formula. One of the Water System’s operating objectives is to minimize the production of groundwater in excess of the BPP formula in order to minimize the BEA payment. In Fiscal Year 2020, the City did not pay a BEA to OCWD.

OCWD has sought to enable groundwater producers to derive a larger percentage of their water supplies from local sources in times of Statewide drought so that such producers can reduce purchases of imported water at increased rates. For these reasons, in the last five years, the BPP has ranged from 62% to 77%, and it is currently set at 77%. See the caption “—Recent Drought.” The City currently pays OCWD a replenishment assessment of \$487 per acre foot for all groundwater pumped. In the event that the City were to produce groundwater in excess of the BPP formula, the BEA is currently equal to an additional \$547 per acre foot. The City also incurs energy costs to pump groundwater from the Basin.

Because OCWD already manages the Basin, the Basin is not subject to the provisions of the Sustainable Groundwater Management Act, a legislative effort to regulate groundwater on a Statewide basis.

OCWD faces various challenges in managing the Basin. A description of these challenges as well as a variety of other operating information with respect to OCWD is included in certain disclosure documents prepared by OCWD. OCWD periodically prepares official statements and other disclosure documents in connection with its bonds and other obligations. OCWD has also entered into certain continuing disclosure

agreements pursuant to which OCWD is contractually obligated for the benefit of owners of certain of its outstanding obligations to file annual reports, including audited financial statements and notice of specified events, pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“**Rule 15c2-12**”). Such official statements, other disclosure documents, annual reports and notices (collectively, the “**OCWD Information**”) are filed with the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access system (“**EMMA**”), which is accessible on the Internet at <http://emma.msrb.org>. The OCWD Information is not incorporated herein by reference thereto, and the City makes no representation as to the accuracy or completeness of such information. OCWD HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE CITY, THE AUTHORITY, THE TRUSTEE OR THE OWNERS OF THE BONDS TO PROVIDE OCWD INFORMATION TO THE CITY OR THE OWNERS OF THE BONDS.

**OCWD HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS NOT MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION THAT IS CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO OCWD. OCWD IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE CITY OR THE OWNERS OF THE BONDS UNDER RULE 15c2-12.**

*Imported Water.* The City purchases treated water that is imported from the Colorado River and northern and central California by MWD. The City’s purchases are made through MWDOC, an MWD member agency.

MWD was created in 1928 by vote of the electorates of certain Southern California cities to provide a supplemental supply of water for domestic and municipal uses at wholesale to its member agencies. The MWD service area comprises approximately 5,200 square miles and includes portions of the six counties of Los Angeles, Orange, Riverside, San Bernardino, San Diego and Ventura. MWD has 26 member agencies, consisting of 14 cities, 11 municipal water districts and one county water authority. MWD is governed by a Board of Directors (the “**MWD Board**”), which currently has 38 members. Each member agency has at least one representative on the MWD Board. Representation and voting rights are based upon each member agency’s assessed valuation. The total population of the MWD service area is approximately 19 million.

MWD member agencies (including MWDOC) request water from MWD at various delivery points within MWD’s service area and pay for such water at uniform rates that are established by the MWD Board for each class of service. For planning purposes, each MWD member agency advises MWD annually in December of its anticipated delivery requirements for each of the five following fiscal years. Charges for water delivered are billed monthly and payable by the end of the second month following delivery.

MWD’s principal sources of water are Colorado River supplies which are imported through the Colorado River Aqueduct and supplies from northern and central California which are imported through the State Water Project. The same water rate is charged for water provided from each source. Colorado River water is transported from Lake Havasu through the Colorado River Aqueduct to a terminus at Lake Mathews, which is located northeast of the City in the County of Riverside. State Water Project water is delivered to southern California by MWD through the 444-mile California Aqueduct. The eastern branch of the California Aqueduct terminates at Lake Perris, which is located northeast of the City in the County of Riverside, and the western branch of the California Aqueduct terminates at Castaic Lake north of the City. Water from all sources is treated to potable water standards by MWD at the Diemer Filtration Plant, a 520 million gallon per day (“**MGD**”) capacity water treatment plant which is located northeast of the City in the City of Yorba Linda. The City maintains four connections to MWD feeder lines.

MWD supplies water through its member agencies, including the member agency in which the City is situated, MWDOC. The City currently pays a fixed charge to MWDOC in the form of readiness to serve, capacity reservation and service connection charges. The readiness to serve and capacity reservation charges

are paid monthly and, as of June 30, 2020, totaled \$396,888 per year, while the service connection charge was \$12.40 per permanent potable water meter for Fiscal Year 2020 and is \$12.20 per permanent potable water meter for Fiscal Year 2021.

The following table sets forth MWD’s current rates for treated water. The City does not purchase untreated water from MWD.

**The Metropolitan Water District of Southern California  
Summary of Water Rates in Dollars per Acre Foot**

<i>Rates Effective Beginning<sup>(1)</sup></i>	<i>Full Service Domestic Treated Water Rate</i>	<i>Supply Rate</i>	<i>System Access Rate</i>	<i>Water Stewardship Rate<sup>(2)</sup></i>	<i>System Power Rate</i>	<i>Treatment Surcharge</i>
January 1, 2020 Tier 1	\$1,078	\$208	\$346	\$65	\$136	\$323
January 1, 2020 Tier 2	1,165	295	346	65	136	323
January 1, 2021 Tier 1	1,104	243	373	0	161	327
January 1, 2021 Tier 2	1,146	285	373	0	161	327

(1) The Tier 1 rate is calculated as the amount of MWD’s total supply revenue requirement that is not covered by the Tier 2 rate divided by the estimated amount of Tier 1 water sales. The Tier 2 rate is a volumetric rate that reflects MWD’s cost of purchasing water transfers from northern California. The higher cost of purchasing water at the Tier 2 rate is intended to encourage MWD customers and retail users to maintain existing local supplies and develop cost-effective local supply resources and conservation. The City has not historically purchased water at the Tier 2 rate and does not expect to do so in the future.

(2) The Water Stewardship Rate will not be imposed in calendar years 2021 or 2022. The Water Stewardship Rate for calendar year 2023 and thereafter has not yet been determined by the MWD Board.

Source: City.

MWD faces various challenges in the continued supply of imported water to MWDOC. A description of these challenges as well as a variety of other operating information with respect to MWD is included in certain disclosure documents prepared by MWD. MWD periodically prepares official statements and other disclosure documents in connection with its bonds and other obligations. MWD has also entered into certain continuing disclosure agreements pursuant to which MWD is contractually obligated for the benefit of owners of certain of its outstanding obligations to file annual reports, including audited financial statements and notice of specified events, pursuant to Rule 15c2-12. Such official statements, other disclosure documents, annual reports and notices (collectively, the “**MWD Information**”) are filed with EMMA. The MWD Information is not incorporated herein by reference thereto, and the City makes no representation as to the accuracy or completeness of such information. MWD HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH THE CITY, THE AUTHORITY, THE TRUSTEE OR THE OWNERS OF THE BONDS TO PROVIDE MWD INFORMATION TO THE CITY OR THE OWNERS OF THE BONDS.

**MWD HAS NOT REVIEWED THIS OFFICIAL STATEMENT AND HAS NOT MADE REPRESENTATIONS OR WARRANTIES WITH RESPECT TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION THAT IS CONTAINED OR INCORPORATED HEREIN, INCLUDING INFORMATION WITH REGARD TO MWD. MWD IS NOT CONTRACTUALLY OBLIGATED, AND HAS NOT UNDERTAKEN, TO UPDATE SUCH INFORMATION FOR THE BENEFIT OF THE CITY OR THE OWNERS OF THE BONDS UNDER RULE 15c2-12.**

**Recent Drought**

*State Orders.* On January 17, 2014, after several years of below-average precipitation in the State, the State Governor declared a drought state of emergency (the “**Declaration**”) with immediate effect. The Declaration encouraged local urban water suppliers, including the City, to implement their local water shortage

contingency plans; the City’s plan is discussed under the caption “—Water Shortage Contingency Plan.” The Declaration also required the State of California Department of Water Resources (“**DWR**”) and the State Water Resources Control Board (the “**SWRCB**”) to craft and enforce numerous emergency regulations that were designed to reduce water usage and increase water supplies.

For instance, a May 2015 SWRCB regulation required the City to effect a 20% reduction from its 2013 potable water usage. On May 18, 2016, the SWRCB adopted a revised regulation that gave water agencies the ability to establish their own conservation standards based on a “stress test” of supply reliability. By June 22, 2016, water agencies were required to submit self-certifications to the SWRCB demonstrating that they had sufficient supplies to withstand three additional years of severe drought. Any identified percentage gap between supplies and demands became the water agency’s updated mandatory conservation target.

The City’s self-certification demonstrated that it had sufficient supplies to meet its projected demands, even if the State were to have endured three more years of drought. Consequently, the City’s mandatory conservation target was eliminated retroactive to June 1, 2016.

On April 7, 2017, after significant improvement in water supply conditions across the State, the Governor issued Executive Order B-40-17, which rescinded mandatory conservation measures for most California counties (including the County).

The City is currently operating under Stage 1 of its water shortage contingency plan, as described under the caption “—Water Shortage Contingency Plan.”

In 2018, the California Governor signed Senate Bill 606 and Assembly Bill 1668 into law. These bills relate to water conservation and drought planning and empower DWR and the SWRCB to adopt long-term standards on water use. The City is unable to predict the substance, timing of adoption or effect on the Water System of the implementation of Senate Bill 606 and Assembly Bill 1668 or any future legislation with respect to water conservation.

***Water Shortage Contingency Plan.*** Under the City’s water shortage contingency plan, which is codified in Title 14, Chapter 40 of the City’s Municipal Code, the City responds to a water shortage by City Council action in stages as follows:

- Stage 1 (Voluntary Conservation – Water Watch) applies during times when the City desires to foster water conservation and water consumption reduction. In Stage 1, the following voluntary measures are encouraged: (i) lawn watering and landscape irrigation should be limited to once every other day and prohibited between the hours of 10:00 a.m. and 5:00 p.m.; (ii) washing of vehicles should be limited to once every other day unless undertaken at a commercial car wash and only with a water shut-off device or a low-volume, high-pressure cleaning machine equipped to recycle any water used; and (iii) the use of a pool/spa cover is encouraged to prevent evaporation water loss.

- Stage 2 (Mandatory Conservation – Water Alert) applies during periods when the City Council determines that due to drought or other water supply conditions, a water supply shortage or threatened shortage exists and a consumer demand reduction is necessary. In Stage 2, the following water conservation measures are mandated: (i) lawn watering and landscape irrigation is permitted only on Tuesdays and Saturdays and prohibited between the hours of 10:00 a.m. and 5:00 p.m.; and (ii) washing of vehicles (other than at a commercial car wash) must be undertaken only with a water shut-off device or a low-volume, high-pressure cleaning machine equipped to recycle any water used.

- Stage 3 (Mandatory Conservation – Water Watch) applies during periods when there is a critical differential between supply and demand and it is determined that demand cannot be reduced sufficiently through Stage 1 and 2 measures to remain within the available supply. In Stage 3, the following water conservation measures are mandated: (i) lawn watering and landscape irrigation is permitted only on Tuesdays

and Saturdays and prohibited between the hours of 10:00 a.m. and 6:00 p.m.; (ii) washing of vehicles is prohibited except at commercial car washes or for vehicles such as refuse trucks and those transporting food and perishables, and commercial car washes must reduce water use by 20%; (iii) the use of water softening devices is prohibited; (iv) water leaks must be repaired immediately; and (v) new construction meters will not be issued.

- Stage 4 (Mandatory Conservation – Water Emergency) applies during periods of severe drought and/or when a major failure of any supply or distribution facility, whether temporary or permanent, occurs in the water distribution system of the State Water Project, MWD, MWDOC or City. In Stage 4, the following water conservation measures are mandated: (i) irrigation of landscaped areas, agricultural and commercial nursery water use, the washing of vehicles (except refuse trucks and those transporting food and perishables) and the filling of swimming pools and ornamental water features is prohibited; (ii) new construction meters will not be issued; (iii) the use of water for commercial, manufacturing or processing purposes will be reduced in volume by 50%; (iv) no water may be used for air conditioning purposes; and (v) water leaks must be repaired immediately.

Violation of the water shortage contingency plan constitutes a misdemeanor and may be punishable by prosecution or the imposition of civil penalties.

The projected Water System operating results that are set forth under the caption “WATER SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage” reflect the continued implementation of Stage 1 of the City’s water shortage contingency plan. The City does not currently expect that the implementation of other stages of its water shortage contingency plan in the future will have a material adverse effect on its ability to pay the Series 2020 Installment Payments from Net Revenues. As discussed under the caption “—Water System Rates and Charges,” the City’s rate structure consists of variable and fixed rate components. Decreased water consumption is partially offset by a decrease in related variable costs, while fixed water charges largely cover the City’s fixed operating and maintenance costs. In addition, the City will covenant and agree to set Water System rates and charges in amounts that it expects to be sufficient to pay the Series 2020 Installment Payments from Net Revenues. See the caption “SECURITY FOR THE BONDS—Rate Covenant.”

If a water shortage should arise again in the future, legal issues exist as to whether different California Water Code provisions or State regulations will be invoked to manage the allocation of water. Any curtailment pursuant to State orders could necessitate an increase in Water System rates and charges. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218” for a discussion of certain restrictions on the City’s ability to raise water rates.



## Historical Water System Supply

The following table shows sources of supply for the Water System for the last five Fiscal Years.

### City of Garden Grove Historical Water Sources in Acre Feet

<i>Fiscal Year Ended June 30</i>	<i>Groundwater</i>	<i>MWD Purchases</i>	<i>Total</i>	<i>Percentage Increase/(Decrease)</i>
2016	18,216.4	3,301.4	21,517.8	N/A%
2017	19,881.1	2,294.3	22,175.4	3.06
2018	14,270.2	8,565.8	22,836.0	2.98
2019	19,500.3	3,454.2	22,954.5	0.52
2020 <sup>(1)</sup>	11,026.8	10,951.7	21,978.5	(4.25) <sup>(2)</sup>

<sup>(1)</sup> In early 2020, the City voluntarily stopped production from two of its groundwater wells while certain treatment facilities are being constructed. See the caption “—Water Quality—PFAS.” The City expects to import additional MWD water while the two wells are out of service.

<sup>(2)</sup> Decrease reflects conservation efforts by Water System customers.

Source: City.

## Historical Water System Deliveries

The following table shows historical deliveries for the Water System for the last five Fiscal Years.

### City of Garden Grove Historical Water Deliveries in Acre Feet<sup>(1)</sup>

<i>Fiscal Year Ended June 30</i>	<i>Water Deliveries</i>	<i>Percentage Increase/(Decrease)</i>
2016	19,928.9	N/A%
2017	20,535.9	3.05
2018	22,459.3	9.37
2019 <sup>(2)</sup>	20,497.3	(8.74)
2020 <sup>(2)</sup>	20,207.6	(1.41)

<sup>(1)</sup> Differences between Water System deliveries and total Water System supplies described under the caption “—Historical Water System Supply” reflect water held for storage purposes, fire hydrant use in emergencies, water losses from water main breaks and leaks and inaccuracies in water meter readings.

<sup>(2)</sup> Decrease reflects water conservation efforts by District customers.

Source: City.

Historical water deliveries reflect connections to the Water System as well as water demand, which can be affected by weather conditions, State mandates and other factors.

## Historical Water System Connections

The following table shows the number of connections to the Water System for the last five Fiscal Years.

### City of Garden Grove Historical Water System Connections

<i>Fiscal Year Ended June 30</i>	<i>Residential</i>	<i>Commercial</i>	<i>Industrial/Other</i>	<i>Total</i>	<i>Percentage Increase/(Decrease)</i>
2016	31,211	1,648	1,454	34,313	N/A%
2017	31,235	1,641	1,468	34,344	0.09
2018	31,242	1,647	1,466	34,355	0.03
2019	31,264	1,641	1,475	34,380	0.07
2020	31,315	1,653	1,491	34,459	0.23

Source: City.

## Historical Water System Sales Revenues

The following table shows the water sales revenues of the Water System, excluding investment income and other revenues, for the last five Fiscal Years.

### City of Garden Grove Historical Water System Sales Revenues

<i>Fiscal Year Ended June 30</i>	<i>Residential</i>	<i>Commercial</i>	<i>Industrial/Other</i>	<i>Total</i>	<i>Percentage Increase/(Decrease)</i>
2016	\$20,935,650	\$ 3,560,467	\$4,636,239	\$29,132,356	N/A%
2017	23,085,203	3,740,847	5,256,724	32,082,775	10.13
2018	25,457,164	4,061,644	5,994,909	35,513,716	10.69
2019	26,676,460	4,305,373	5,978,238	36,960,070	4.07
2020 <sup>(1)</sup>	28,196,089	4,458,642	5,935,005	38,589,735	4.41

<sup>(1)</sup> Reflects unaudited estimated actual amounts based on available information to date. Subject to change.  
Source: City.

Water System sales revenues reflect water deliveries as well as adopted rates and charges. See the captions “—Historical Water System Deliveries” and “—Water System Rates and Charges.”

## Largest Water System Customers

The following table shows the largest customers of the Water System for the Fiscal Year ended June 30, 2020, as determined by water sales revenues.

### City of Garden Grove Ten Largest Water System Customers

<i>Customer Name</i>	<i>Customer Type</i>	<i>Revenues</i>	<i>Percentage of Total Water System Sales Revenues</i>
House of Foods	Commercial	\$ 531,590	1.38%
Great Wolf Lodge	Hotel/Entertainment	170,337	0.44
Pai	Industrial	144,654	0.37
Hyatt	Hotel	117,975	0.31
House of Foods	Commercial	116,185	0.30
Chapman Commons	Multi-Unit Residential	114,515	0.30
Willowick Royal	Multi-Unit Residential	109,638	0.28
Santiago High School	School	107,030	0.28
Embassy Suites	Hotel	103,366	0.27
Rancho Alamitos High School	School	<u>93,844</u>	<u>0.24</u>
	Total	\$1,609,134	4.17%

Source: City.

These customers accounted for approximately 4.17% of total Water System sales Revenues of \$38,589,735 (reflecting unaudited estimated actual results based on available information to date) in Fiscal Year 2020.

## Water System Rates and Charges

**General.** The Water System’s rates and charges are set by the City Council and are not subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body. The City is, however, required to comply with the notice, hearing and majority protest provisions of Article XIII D of the State Constitution, which is popularly known as Proposition 218, as to its water rates and charges. See the caption “CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218” for further information with respect to Proposition 218.

The City reviews forecasted revenues and expenditures at least once every two years as part of its biennial budget process with full consideration given to expected operations, maintenance and capital costs and capital repayment obligations of the Water System. See the caption “THE CITY—Budget Process.” Water rate studies are conducted to determine rate adjustments when necessary. The City Council currently sets water rates and charges at a level that it determines is sufficient to pay all Operation and Maintenance Costs of the Water System, to make debt service payments and to maintain appropriate reserves for the Water System.

On March 27, 2018, after a public hearing as required under Proposition 218, the City Council adopted a comprehensive rate plan for Water System customers (the “**Water Rate Plan**”), including Water System rate increases effective in Fiscal Years 2018 through 2022. With respect the City’s commodity rates, the Water Rate Plan authorizes the City to make further adjustments to pass through to customers any increases in water supply costs imposed upon the City by MWD, MWDOC or OCWD. See the caption “—Water Supply.” The Water Rate Plan remains in place as of the date hereof. There can be no assurance that the City Council will not repeal or modify such rate increases in the future or that the City’s ratepayers will not approve an initiative to repeal or modify any increase in water rates and charges approved by the City Council. The City expects to retain a consultant to undertake its next rate study in 2022.

The projected operating results which are set forth under the caption “WATER SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage” do not assume Water System rate increases above Fiscal Year 2022 levels which have not yet been adopted by the City Council.

**Adopted Rates and Charges.** The Water System’s rates and charges include the following: (1) a fixed bi-monthly water service charge; (2) a fixed bi-monthly fire protection service charge; (3) a fixed bi-monthly capital improvements charge; and (4) a commodity rate.

(1) Fixed Bi-Monthly Water Service Charge. The City imposes the following fixed bi-monthly water service charge based on water meter size:

**City of Garden Grove  
Fixed Bi-Monthly Water Service Charge**

<i>Meter Size</i>	<i>Current Rates</i>	<i>January 1, 2021</i>
5/8” and 3/4”	\$ 29.63	\$ 31.95
1”	47.18	49.00
1½”	75.72	77.09
2”	109.12	110.40
3”	193.24	197.04
4”	285.80	293.57
6”	566.55	572.34
8”	891.66	901.56
10”	1,305.45	1,331.67

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Source: City.

(2) Fixed Bi-Monthly Fire Protection Service Charge. The City imposes the following fixed bi-monthly fire protection service charge based on water meter size on customers with 1½” or larger meters:

**City of Garden Grove  
Fixed Bi-Monthly Fire Protection Service Charge**

<i>Meter Size</i>	<i>Current Rates</i>	<i>January 1, 2021</i>
1½”	\$ 2.79	\$ 2.89
2”	5.95	6.16
3”	17.31	17.92
4”	36.88	38.17
6”	107.13	110.88
8”	228.29	236.28
10”	410.55	424.92

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Source: City.

(3) Fixed Bi-Monthly Capital Improvements Charge. The City imposes the following fixed bi-monthly capital improvements charge based on water meter size:

**City of Garden Grove  
Fixed Bi-Monthly Capital Improvements Charge**

<i>Meter Size</i>	<i>Current Rates</i>	<i>January 1, 2021</i>
5/8" and 3/4"	\$ 5.00	\$ 6.00
1"	12.50	15.00
1½"	25.00	30.00
2"	40.00	48.00
3"	80.00	96.00
4"	125.00	150.00
6"	250.00	300.50
8"	400.00	480.00
10"	600.00	720.00

Source: City.

(4) Commodity Rates. The City imposes commodity rates based on water allowances for customers. A “water allowance” refers to the allocation of a reasonable amount of water for a customer’s bi-monthly water usage based on such customer’s meter size. Customers are billed on a 2-tier basis per hundred cubic feet of water (“CCF”) used in each billing cycle. The current Tier 1 thresholds are as follows:

**City of Garden Grove  
Tier 1 Thresholds by Meter Size**

<i>Meter Size</i>	<i>Maximum Tier 1 Water Use (in CCF)</i>
5/8" and 3/4"	33
1"	83
1½"	165
2"	264
3"	528
4"	825
6"	1,650
8"	2,640
10"	3,960

Source: City.

Current commodity rates are set forth below.

**City of Garden Grove  
Water Commodity Rates per CCF**

<i>Water Rate Tier</i>	<i>Current Rates</i>	<i>January 1, 2021<sup>(1)</sup></i>
Tier 1	\$3.09	\$3.09
Tier 2	4.32	4.32

<sup>(1)</sup> Reflects minimum amounts established under Water Rate Plan. May be subject to automatic pass-through adjustments based on water supply costs, as described above under the subcaption “—General.”

Source: City.

**Comparison to Nearby Service Providers.** The table below sets forth a comparison of the City’s typical monthly water bill for a single family residential user to those of certain nearby water purveyors. Information

for agencies other than the City is as of calendar year 2019, while information for the City is as of the date of this Official Statement.

**City of Garden Grove and Nearby Service Providers  
Water Rate Comparison**

The table below sets forth a comparison of a typical monthly water bill (14 CCF) for a single family residential user to those of certain nearby water purveyors. The City bills bi-monthly and the rate shown below is an equivalent monthly rate.

<i><b>Water Service Provider</b></i>	<i><b>Rate</b></i>
South Coast Water District <sup>(1)</sup>	\$99.48
City of San Juan Capistrano	93.21
City of San Clemente	91.21
El Toro Water District	61.72
Santa Margarita Water District <sup>(2)</sup>	55.78
<b>City of Garden Grove</b>	<b>38.95</b>
Irvine Ranch Water District	38.88
Moulton Niguel Water District <sup>(3)</sup>	38.76

<sup>(1)</sup> Includes assumed \$22.45 peak demand charge. Actual charge varies by customer and is paid through property tax bills.

<sup>(2)</sup> Assumes Zone 3 power charge of \$0.11 per CCF.

<sup>(3)</sup> Does not reflect portion of water charges recouped from customers through property tax bills.

Source: City.

**Water System Collection Procedures**

The City is on a bi-monthly billing cycle for Water System customers. All water bills are due and payable on the date of billing and become delinquent 35 days thereafter. A late penalty will be assessed on the 43rd day after billing. If such bills remain unpaid after 60 days of being delinquent, water service is subject to termination until all fees, charges, penalties and the entire delinquent balance have been paid. The City’s water service shutoff policy complies with Senate Bill 998, recent legislation which restricts the discontinuation of water service to delinquent customers effective February 1, 2020. As of June 30, 2020, less than 8% of the City’s Water System’s customers were delinquent in the payment of their bills. The City reports that most customers pay their bills in full, including late charges, prior to shutoff. See the caption “THE CITY—COVID-19 Outbreak” for a discussion of the suspension of water shutoffs for the duration of the State-declared public health emergency. The suspension will prevent the City from imposing late charges and penalties, but no water service charges are being forgiven.

**Future Water System Improvements**

The City projects total capital improvements to the Water System of approximately \$20 million over the current and next four Fiscal Years, including the 2020 Project, as described under the caption “FINANCING PLAN—The 2020 Project,” and fire hydrant, gate valve and meter replacement projects. Such capital improvements are expected to be financed by a combination of the Bonds, grants and Revenues remaining after payment of the Series 2020 Installment Payments. The City does not anticipate entering into any additional Parity Obligations in the current or next four Fiscal Years to finance such capital improvements.

**Projected Water System Supply**

The following table shows the sources of supply for the Water System projected by the City for the current and next four Fiscal Years. As discussed under the caption “—Water Supply—Groundwater,” the City has recently voluntarily stopped groundwater extractions from two of its wells as a result of State regulations

relating to PFAS. The City expects to purchase additional amounts of imported water supplies from MWDOC in the next two Fiscal Years (compared to past purchases) in order to serve customer demand while such wells are out of service. The City expects that treatment facilities will be completed thereafter which will enable the City to resume pumping from such wells. See the caption “—Water Quality—PFAS.”

**City of Garden Grove  
Projected Water Sources in Acre Feet**

<i>Fiscal Year Ending June 30</i>	<i>Groundwater</i>	<i>MWD Purchases</i>	<i>Total</i>	<i>Percentage Increase/(Decrease)</i>
2021	14,885	8,015	22,900	4.19%
2022	14,969	8,061	23,030	0.57
2023	17,567	5,855	23,422	1.70
2024	17,666	5,888	23,554	0.56
2025	17,775	5,925	23,700	0.62

Source: City.

**Projected Water System Deliveries**

The following table shows projected deliveries for the Water System for the current and next four Fiscal Years.

**City of Garden Grove  
Projected Water Deliveries in Acre Feet**

<i>Fiscal Year Ending June 30</i>	<i>Water Deliveries</i>	<i>Percentage Increase/(Decrease)</i>
2021	21,055	4.19%
2022	21,174	0.57
2023	21,293	0.56
2024	21,413	0.56
2025	21,534	0.57

Source: City.

Water System deliveries can be affected by a number of factors, including connections to the Water System, State mandates and weather conditions. See the caption “—Projected Water System Connections” above.

**Projected Water System Connections**

The following table shows the number of connections to the Water System projected by the City for the current and next four Fiscal Years.

**City of Garden Grove  
Projected Water System Connections**

<i>Fiscal Year Ending June 30</i>	<i>Residential</i>	<i>Commercial</i>	<i>Industrial/Other</i>	<i>Total</i>	<i>Percentage Increase/(Decrease)</i>
2021	31,492	1,662	1,499	34,653	0.56%
2022	31,670	1,671	1,507	34,848	0.56
2023	31,849	1,680	1,516	35,045	0.57
2024	32,029	1,689	1,525	35,243	0.56
2025	32,210	1,699	1,534	35,443	0.57

Source: City.

**Projected Water System Sales Revenues**

The following table shows the sales revenues of the Water System projected by the City for the current and next four Fiscal Years, excluding investment income and other revenues. The projections are based on the projected water deliveries that are described under the caption “—Projected Water System Deliveries” and adopted rate increases in Fiscal Years 2021 and 2022 as described under the caption “—Water System Rates and Charges—Adopted Rates and Charges.”

**City of Garden Grove  
Projected Water System Sales Revenues**

<i>Fiscal Year Ending June 30</i>	<i>Residential</i>	<i>Commercial</i>	<i>Industrial/Other</i>	<i>Total</i>	<i>Percentage Increase/(Decrease)</i>
2021	\$29,002,714	\$5,446,730	\$6,045,556	\$40,495,000	4.94%
2022	30,374,914	5,882,596	6,493,515	42,751,025	5.57
2023	30,947,069	5,895,526	6,532,958	43,375,553	1.46
2024	31,236,177	6,081,907	6,693,608	44,011,692	1.47
2025	31,533,460	6,247,000	6,852,619	44,633,079	1.41

Source: City.

**WATER SYSTEM FINANCIAL INFORMATION**

**Available Cash**

As of June 30, 2020, the Water Fund had approximately \$12.9 million in available unrestricted cash and investments.

**Historical Operating Results and Debt Service Coverage**

The following table is a summary of operating results of the Water System for the last five Fiscal Years. These results have been derived from the audited financial statements of the City, but exclude certain receipts which are not included as Revenues under the Installment Purchase Agreement and certain non-cash items and include certain other adjustments.



**City of Garden Grove  
Historical Water System Operating Results  
Fiscal Year Ended June 30**

	2016	2017	2018	2019	2020 <sup>(1)</sup>
<b>Revenues</b>					
Water Sales	\$ 29,132,356	\$ 32,082,775	\$ 35,513,716	\$ 36,960,070	\$ 38,589,735
Investment Income	144,357	33,147	153,521	602,450	253,391
Other <sup>(2)</sup>	<u>184,058</u>	<u>229,559</u>	<u>279,630</u>	<u>269,489</u>	<u>188,961</u>
<b>Total Revenues</b>	\$ 29,460,771	\$ 32,345,481	\$ 35,946,867	\$ 37,832,009	\$ 39,032,087
<b>Operation and Maintenance Costs</b>					
Salaries and Wages <sup>(3)</sup>	\$ 4,805,490	\$ 5,391,413	\$ 8,048,241	\$ 6,935,573	\$ 5,466,451
Materials and Supplies	615,910	432,726	384,141	444,346	381,934
Contractual Services	5,642,743	6,490,070	5,788,290	6,411,779	6,703,102
Water Production Expenses <sup>(4)</sup>	<u>11,918,346</u>	<u>14,090,371</u>	<u>16,081,194</u>	<u>15,099,567</u>	<u>18,657,107</u>
<b>Total Operation and Maintenance Costs</b>	\$ 22,982,489	\$ 26,404,580	\$ 30,301,866	\$ 28,891,265	\$ 31,208,594
<b>Net Revenues</b>	\$ 6,478,282	\$ 5,940,901	\$ 5,645,001	\$ 8,940,744	\$ 7,823,493
<b>Parity Obligations</b>					
2010 Installment Purchase Agreement <sup>(5)</sup>	\$ 1,376,390	\$ 1,372,640	\$ 1,381,115	\$ 1,376,740	\$ 1,369,390
2015 Bonds <sup>(6)</sup>	<u>882,255</u>	<u>1,003,850</u>	<u>1,006,350</u>	<u>998,550</u>	<u>1,010,350</u>
<b>Total Parity Obligations</b>	\$ 2,258,645	\$ 2,376,490	\$ 2,387,465	\$ 2,375,290	\$ 2,379,740
<b>Remaining Revenues</b>	\$ 4,219,637	\$ 3,564,411	\$ 3,257,536	\$ 6,565,454	\$ 5,443,753
<b>Parity Obligations Coverage</b>	2.87	2.50	2.36	3.76	3.29

<sup>(1)</sup> Reflects unaudited estimated actual amounts based on available information to date. Subject to change.

<sup>(2)</sup> Includes sale of materials and other miscellaneous revenues. Also includes federal subsidy payments relating to the 2010 Bonds.

<sup>(3)</sup> Does not reflect application of GASB 68, as described under the caption “—Pension Obligations.”

<sup>(4)</sup> Includes purchases of water from MWD, which constituted an average of approximately 20% of total Operation and Maintenance Costs in Fiscal Years 2016 through 2020, respectively.

<sup>(5)</sup> This obligation is expected to be refunded from proceeds of the Bonds. See the caption “FINANCING PLAN—Refunding Plan.”

<sup>(6)</sup> See the caption “THE CITY—Outstanding Parity Obligations.”

Source: City.

**Projected Operating Results and Debt Service Coverage**

Estimated projected operating results for the Water System for the current and next four Fiscal Years, reflecting certain significant assumptions concerning future events and circumstances, are set forth below. The financial forecast represents the City’s estimate of projected financial results based on a variety of assumptions, including those set forth in the footnotes to the table set forth below. All of such assumptions are material in the development of the City’s financial projections, and variations in the assumptions may produce substantially different financial results. Actual operating results achieved during the projection period may vary from those presented in the forecast and such variations may be material.

**City of Garden Grove**  
**Projected Water System Operating Results**  
**Fiscal Year Ending June 30<sup>(11)</sup>**

	2021 <sup>(1)</sup>	2022	2023	2024	2025
<b>Revenues</b>					
Water Sales <sup>(2)</sup>	\$ 40,495,000	\$ 42,751,025	\$ 43,375,553	\$ 44,011,692	\$ 44,633,079
Investment Income <sup>(3)</sup>	250,000	250,000	250,000	250,000	250,000
Other <sup>(4)</sup>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
<b>Total Revenues</b>	\$ 40,845,000	\$ 43,101,025	\$ 43,725,553	\$ 44,361,692	\$ 44,983,079
<b>Operation and Maintenance Costs</b>					
Salaries and Wages <sup>(5)</sup>	\$ 6,481,940	\$ 6,741,218	\$ 7,010,866	\$ 7,291,301	\$ 7,582,953
Materials and Supplies <sup>(6)</sup>	837,353	858,287	879,744	901,738	924,281
Contractual Services <sup>(7)</sup>	6,112,423	6,265,234	6,421,864	6,582,411	6,746,971
Water Production Expenses <sup>(8)</sup>	<u>22,343,197</u>	<u>24,514,898</u>	<u>18,215,405</u>	<u>18,922,894</u>	<u>19,641,964</u>
<b>Total Operation and Maintenance Costs</b>	\$ 35,774,913	\$ 38,379,636	\$ 32,527,880	\$ 33,698,344	\$ 34,896,169
<b>Net Revenues</b>	\$ 5,070,087	\$ 4,721,389	\$ 11,197,674	\$ 10,663,348	\$ 10,086,909
<b>Parity Obligations</b>					
2010 Installment Purchase Agreement <sup>(9)</sup>	\$ -	\$ -	\$ -	\$ -	\$ -
2015 Bonds <sup>(10)</sup>	1,001,750	1,002,850	1,013,450	939,300	-
2020 Installment Purchase Agreement <sup>*</sup>	<u>148,725</u>	<u>347,800</u>	<u>1,150,000</u>	<u>1,754,400</u>	<u>1,748,200</u>
<b>Total Parity Obligations<sup>*</sup></b>	\$ 1,150,475	\$ 1,350,650	\$ 2,163,450	\$ 2,693,700	\$ 1,748,200
<b>Remaining Revenues<sup>*</sup></b>	\$ 3,919,612	\$ 3,370,739	\$ 9,034,224	\$ 7,969,648	\$ 8,338,709
<b>Parity Obligations Coverage<sup>*</sup></b>	4.41	3.50	5.18	3.96	5.77

(1) Reflects amended Fiscal Year 2021 budgeted amount with certain adjustments.

(2) Based on projected Water System Revenues described under the caption "THE WATER SYSTEM—Projected Water System Sales Revenues." See the caption "CERTAIN RISKS TO BONDHOLDERS—Accuracy of Assumptions."

(3) Projected to remain at Fiscal Year 2021 budgeted amount.

(4) Includes sale of materials and other miscellaneous revenues.

(5) Projected to increase by approximately 4% per annum.

(6) Projected to increase by approximately 2.5% per annum.

(7) Projected to increase by approximately 2.5% per annum.

(8) Reflects additional purchases of imported water supplies from MWDOC in Fiscal Years 2021 and 2022 while two of the City's wells are out of service as a result of PFAS regulations. See the caption "THE WATER SYSTEM—Water Supply—Groundwater." Projected to increase by approximately 3.8% per annum thereafter.

(9) This obligation is expected to be refunded from proceeds of the Bonds. See the caption "FINANCING PLAN—Refunding Plan."

(10) Reflects scheduled debt service. This obligation matures in Fiscal Year 2024. See the caption "THE CITY—Outstanding Parity Obligations."

(11) Totals may not add due to rounding.

Source: City.

## Employee Benefits

**Pension Obligations.** The portion of the City's pension obligations that is attributable to the Water System constitutes an Operation and Maintenance Cost of the Water System and is payable prior to the Series 2020 Installment Payments. The following information about the City's pension obligations is limited to the portion of such obligations that is attributable to the Water System to the extent that such information is available.

Accounting and financial reporting by state and local government employers for defined benefit pension plans is governed by Governmental Accounting Standards Board ("GASB") Statement No. 68 ("GASB 68"). GASB 68 governs the accounting treatment of defined benefit pension plans, including how expenses and liabilities are calculated and reported by state and local government employers in their financial statements. GASB 68 includes the following components: (i) unfunded pension liabilities are included on the employer's balance sheet; (ii) pension expense incorporates rapid recognition of actuarial experience and investment returns and is not based on the employer's actual contribution amounts; (iii) lower actuarial discount rates are required

\* Preliminary, subject to change.

to be used for underfunded plans in certain cases for purposes of the financial statements; (iv) closed amortization periods for unfunded liabilities are required to be used for certain purposes of the financial statements; and (v) the difference between expected and actual investment returns will be recognized over a closed five-year smoothing period. GASB 68 affects the City’s accounting reporting and disclosure requirements, but it does not affect the City’s pension plan funding obligations.

The City participates in a Miscellaneous plan to fund pension benefits for employees that operate and support the Water System, with such benefits constituting an Operation and Maintenance Cost of the Water System that is payable prior to the Series 2020 Installment Payments. The City’s Miscellaneous plan is administered by CalPERS. CalPERS administers an agent multiple-employer public employee defined benefit pension plan for all of the City’s full-time and certain part-time employees. CalPERS provides retirement, disability and death benefits to plan members and beneficiaries and acts as a common investment and administrative agent for participating public entities within the State, including the City. CalPERS plan benefit provisions and all other requirements are established by State statute and the City Council.

Miscellaneous plan participants who were hired before January 1, 2013 are subject to different benefit levels than employees who were hired on or after January 1, 2013 and who were not previously CalPERS members. Benefit provisions for Miscellaneous plan participants are set forth below.

**City of Garden Grove  
CalPERS Miscellaneous Pension Plan – Summary of Benefit Provisions**

	<i>Employees Hired Before January 1, 2013</i>	<i>Employees Hired On or After January 1, 2013 (AB 340)</i>
Benefit Formula	2.5% @ age 55	2.0% @ age 62
Benefit Vesting	5 years of service	5 years of service
Benefit Payments	Monthly for life	Monthly for life
Benefit Calculation	Highest Year	Highest Average 36 months
Retirement Age	50-55	52-67
Monthly Benefits as % of Salary	2.0% - 2.5%	1.0% - 2.5%
Fiscal Year 2021 Employee Contribution Rate	8.0% <sup>(1)</sup>	6.75% <sup>(2)</sup>
Fiscal Year 2021 Employer Contribution Rate	11.056% <sup>(3)</sup>	11.056% <sup>(3)</sup>

<sup>(1)</sup> Employees who were hired before January 1, 2013 are required to make the full employee contribution.

<sup>(2)</sup> Employees who were hired on or after January 1, 2013 are required to make the full employee contribution.

<sup>(3)</sup> Reflects normal cost rate. For informational purposes only. CalPERS no longer collects required contributions based on a percentage of payroll.

Source: City.

Pension benefits are funded in part by contributions from participants (i.e., employees) and in part by contributions from the City.

Miscellaneous plan participants who were hired on and after January 1, 2013 and who were not previously CalPERS members receive benefits based on a 2.0% at age 62 formula; such employees are required to make the full amount of required employee contributions themselves in an amount equal to 50% of the total normal cost under the California Public Employees’ Pension Reform Act of 2013 (“**AB 340**”), which was signed by the State Governor on September 12, 2012. AB 340 established a new pension tier – 2.0% at age 62 formula, with a maximum benefit formula of 2.5% at age 67. Benefits for such participants are calculated on the highest average annual compensation over a consecutive 36 month period. Employees are required to pay at least 50% of the total normal cost rate. AB 340 also caps pensionable income as noted below. Amounts are set annually,

subject to Consumer Price Index increases, and retroactive benefits increases are prohibited, as are contribution holidays and purchases of additional non-qualified service credit.

**City of Garden Grove  
Pensionable Income Caps for 2020 (AB 340 and Non-AB 340 Employees)**

	<i>Before January 1, 2013 (Non-AB 340 Employees)</i>	<i>After January 1, 2013 (AB 340 Employees)</i>
Maximum Pensionable Income	\$285,000	\$151,549
Maximum Pensionable Income if also Participating in Social Security	N/A	\$126,291

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Source: City.

Additional employee contributions, limits on pensionable compensation and higher retirement ages for new members as a result of the passage of AB 340 are expected to reduce the City’s unfunded pension liability and potentially reduce City contribution levels in the long term.

The City is also required to contribute the actuarially determined amounts necessary to fund benefits for its members which are not contributed by employees. Employer contribution rates for all public employers are determined on an annual basis by the CalPERS actuary and are effective on July 1 of each year following notice of a change in the rate. The total minimum required employer contribution is the sum of the plan’s employer normal cost rate (expressed as a percentage of payroll) plus the employer unfunded accrued liability contribution amount (prepaid annually in July). The normal cost rate is the annual cost of service accrual for the upcoming Fiscal Year of active employees.

The required normal cost employer contribution rates for the City’s Miscellaneous plan for Fiscal Years 2019 and 2020 were as follows: (i) 9.528% and 10.329%, respectively, for the 2.5% at age 55 benefit level; and (ii) 6.00% and 6.00%, respectively, for the 2.0% at age 62 AB 340 benefit level. The required normal cost employer contribution rates for the City’s Miscellaneous plan for Fiscal Year 2021 are 11.056% for the 2.5% at age 55 benefit level and 6.75% for the 2.0% at age 62 AB 340 benefit level.

Beginning in Fiscal Year 2018, CalPERS began collecting employer contributions toward a pension plan’s unfunded liability as dollar amounts instead of the prior method of a percentage of payroll. According to CalPERS, this change was intended to address potential funding issues that could arise from a declining payroll or a reduction in the number of active members in the plan. Funding the unfunded liability as a percentage of payroll could lead to underfunding of pension plans. Due to stakeholder feedback regarding internal needs for total contributions expressed as an estimated percentage of payroll, the CalPERS reports include such results in the contribution projection for informational purposes only. Contributions toward a pension plan’s unfunded liability will continue to be collected as set dollar amounts. The combined unfunded accrued liability amount for both of the City’s pension tiers is \$8,131,029 for Fiscal Year 2021.

The City’s required contributions to CalPERS fluctuate each year and, as noted, include a normal cost component and a component equal to an amortized amount of the unfunded liability. Many assumptions are used to estimate the ultimate liability of pensions and the contributions that will be required to meet those obligations. The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the City’s required contributions to CalPERS in future years. Accordingly, the City cannot provide any assurances that the City’s required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions.

CalPERS earnings reports for Fiscal Years 2010 through 2019 report investment gains of approximately 13.3%, 21.7%, 0.1%, 13.2%, 18.4%, 2.4%, 0.6%, 11.2%, 8.6% and 6.7%, respectively. In July 2020, CalPERS

reported a preliminary 4.7% investment return in Fiscal Year 2020, which was below its investment target. The City can provide no assurance that CalPERS' earnings will not be reduced in Fiscal Year 2021 as a result of stock market declines in the wake of the COVID-19 outbreak, which could increase future contribution rates for plan participants, including the City. See the caption "—COVID-19 Outbreak."

On December 21, 2016, the CalPERS Board of Administration voted to lower its discount rate from the current rate of 7.50% to 7.00% over a three-year period. For public agencies such as the City, the first discount rate reduction took effect July 1, 2018. Lowering the discount rate means that employers that contract with CalPERS to administer their pension plans will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013 who were not previously CalPERS members will also see their contribution rates rise under AB 340. The reduction in the discount rate will result in average employer rate increases of approximately 1% to 3% of normal cost as a percentage of payroll for most Miscellaneous retirement plans such as the City's plan. Additionally, many employers will see a 30% to 40% increase in their current unfunded accrued liability payments. These payments are made to amortize unfunded liabilities over 20 years to bring pension funds to a fully funded status over the long term.

For Fiscal Years 2018, 2019 and 2020, the City made required Miscellaneous plan contributions of \$6,015,462, \$11,800,179 and \$14,687,068, respectively, of which an average of approximately 15.7% was attributable to the Water System in each such Fiscal Year. The City currently expects its annual required contribution toward the pension plan's unfunded liability (excluding the normal cost) in Fiscal Year 2021 to be approximately \$7,860,562. The City currently expects to allocate approximately 15.7% of such amount to the Water System. Such contributions constitute an Operation and Maintenance Cost of the Water System that is payable prior to the Series 2020 Installment Payments. The City notes that contributions in future years (beginning in Fiscal Year 2022-23) may increase in the event of losses in CalPERS' portfolio resulting from stock market declines in the wake of the COVID-19 outbreak. See the caption "—COVID-19 Outbreak."

In November 2019, the City Council approved the establishment of the Section 115 Trust to provide the City with a mechanism for prefunding pension benefits. See the caption "—Governance and Management—Management Policies—Pension Funding Policy." The Section 115 Trust is administered by CalPERS. As of August 31, 2020, the City had \$1,426,909 on deposit in the Section 115 Trust. The Section 115 Trust holds funding contributions for the City's pending future remittances to CalPERS, which will pay all retiree benefit payments to employees. The City's total pension assets include funds held by both CalPERS and the Section 115 Trust, although under accounting rules, amounts held in the Section 115 Trust do not reduce the City's unfunded liability until they are transferred to CalPERS.

*Portions of the above information are primarily derived from information that has been produced by CalPERS, its independent accountants and its actuaries. The City has not independently verified such information and neither makes any representations nor expresses any opinion as to the accuracy of the information that has been provided by CalPERS.*

*The comprehensive annual financial reports of CalPERS are available on CalPERS' Internet website at [www.calpers.ca.gov](http://www.calpers.ca.gov). The CalPERS website also contains CalPERS' most recent actuarial valuation reports and other information that concerns benefits and other matters. The textual reference to such Internet website is provided for convenience only. None of the information on such Internet website is incorporated by reference herein. The City and the Authority cannot guarantee the accuracy of such information. Actuarial assessments are "forward-looking" statements that reflect the judgment of the fiduciaries of the pension plans, and are based upon a variety of assumptions, one or more of which may not materialize or be changed in the future.*

The City's Miscellaneous plan had a total net pension liability of approximately \$98,199,614 for the Fiscal Year ended June 30, 2018, approximately \$91,846,580 for the Fiscal Year ended June 30, 2019 and approximately \$97,669,489 for the Fiscal Year ended June 30, 2020, of which an average of approximately 17% was attributable to the Water System in each Fiscal Year. The portion of this liability, when paid down by the Water System, constitutes an Operation and Maintenance Cost of the Water System that is payable prior to the

Series 2020 Installment Payments. The net pension liability is the difference between the total pension liability and the fair market value of pension assets. The City’s total pension assets include funds that are held by CalPERS, and its net pension asset or liability is based on such amounts. The City notes that its net pension liability could increase in the future as a result of losses in CalPERS’ portfolio resulting from stock market declines in the wake of the COVID-19 outbreak. See the caption “—COVID-19 Outbreak.”

A summary of principal assumptions and methods used to determine the total pension liability for Fiscal Year 2020 is shown below.

**City of Garden Grove  
Actuarial Assumptions for CalPERS Miscellaneous Pension Plan**

Actuarial Cost Method	Entry Age Normal in accordance with the requirements of GASB 68
Asset Valuation Method	Market Value of Assets
Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
<i>Actuarial Assumptions:</i>	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	3.00%
Investment Rate of Return	7.375% net of pension plan investment and administrative expenses; includes projected inflation rate of 2.75%
Mortality Rate Table <sup>(1)</sup>	Derived using CalPERS’ membership data for all funds

<sup>(1)</sup> The mortality table used was developed based on 15 years of projected mortality improvements using 90% of Scale MP 2016 published by the Society of Actuaries.  
Source: City.

Changes in the net pension liability for the City’s Miscellaneous plan were as follows:

**City of Garden Grove  
Changes in CalPERS Miscellaneous Pension Plan Net Pension Liability**

	<i>Increase / (Decrease)</i>		
	<i>Total Pension Liability</i>	<i>Plan Fiduciary Net Position</i>	<i>Net Pension Liability / (Asset)</i>
Balance at June 30, 2018	\$ 317,029,012	\$ 225,182,432	\$ 91,846,580
Net Changes for period from July 1, 2018 through June 30, 2019	<u>15,470,955</u>	<u>9,648,046</u>	<u>5,822,909</u>
Balance at June 30, 2019	\$ 332,499,967	\$ 234,830,478	\$ 97,669,489

Source: City.

The following table presents the net pension liability of the City’s Miscellaneous plan, calculated using the discount rate as of Fiscal Year 2019 (7.15%), as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.15%) or 1 percentage point higher (8.15%) than the current rate:

**City of Garden Grove**  
**Sensitivity of the Miscellaneous Plan Net Pension Liability to Changes in the Discount Rate**

	<i>Discount Rate – 1%</i> <i>(6.15%)</i>	<i>Fiscal Year 2020</i> <i>Discount Rate</i> <i>(7.15%)</i>	<i>Discount Rate +</i> <i>1% (8.15%)</i>
Plan’s Net Pension Liability/(Asset)	\$142,631,315	\$97,669,489	\$60,630,247

Source: City.

The City’s projections of Operation and Maintenance Costs under the caption “WATER SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage” do not reflect additional increases in CalPERS normal cost contributions in the future as a result of the COVID-19 outbreak, as the City is unable to quantify the magnitude of any such increases at this time, and any related increases in contributions will not be reflected until Fiscal Year 2023 and later. See the caption “—COVID-19 Outbreak.” The City does not expect that any increased funding of pension benefits will have a material adverse effect on the ability of the City to make the Series 2020 Installment Payments.

For additional information relating to the City’s CalPERS Miscellaneous pension plan, see Note C.11 to the City’s audited financial statements set forth in Appendix A.

**Post-Employment Benefits.** In addition to the pension benefits that are described under the subcaption “—Pension Obligations,” the City provides certain health care benefits for retired employees and eligible dependents. Such benefits constitute an Operation and Maintenance Cost of the Water System that is payable prior to the Series 2020 Installment Payments.

Substantially all of the City’s full-time employees who are eligible for pension benefits may become eligible for such other post-employment benefits if they retire from the City at age 50 or older. As of June 30, 2020, (measurement date June 30, 2019), 617 active employees are entitled to these benefits and 298 inactive employees or beneficiaries were receiving benefit payments. Contributions of \$412,400, \$467,790 and \$487,137, respectively, were recognized for post-employment health care benefits in Fiscal Years 2018, 2019 and 2020, of which an average of approximately 6.7% was attributable to the Water System. Such contributions constituted an Operation and Maintenance Cost of the Water System that was payable prior to debt service on the Parity Obligations.

GASB Statement No. 75 (“**GASB 75**”) requires governmental agencies to account for and report outstanding obligations and commitments related to post-employment benefits in essentially the same manner as for pensions. For the City, the reporting obligation began in Fiscal Year 2018.

The City retained Total Compensation Systems, Inc. (the “**Actuarial Consultant**”) to calculate the City’s post-employment benefits funding status. In a report dated August 19, 2020 (the “**Report**”), the Actuarial Consultant concluded that, as of June 30, 2019, the City’s total liability for post-employment benefits was \$45,756,997. The City has budgeted \$493,998 for its post-employment benefit plan for Fiscal Year 2021 (which reflects the pay-as-you-go amount), of which approximately 9.1% is allocable to the Water System. Such obligation constitutes an Operation and Maintenance Cost of the Water System that is payable prior to the Series 2020 Installment Payments.

Changes in the net liability for the City’s post-employment benefit plan were as follows.

**City of Garden Grove  
Changes in Post-Employment Benefit Plan Liability**

	<i><b>Total Post-Employment Benefit Plan Liability</b></i>
Balance at June 30, 2018	\$18,203,123
Net Changes for period from July 1, 2018 through June 30, 2019	<u>27,553,874</u>
Balance at June 30, 2019	\$45,756,997

Source: City.

The following table presents the total liability of the City’s post-employment benefits plan, calculated using the discount rate applicable to Fiscal Year 2019 (3.5%), as well as what the total post-employment benefit liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.5%) or 1 percentage point higher (4.5%) than the Fiscal Year 2019 rate:

**City of Garden Grove  
Sensitivity of the Post-Employment Benefit Plan Net Liability to Changes in the Discount Rate  
(Dollars in Thousands)**

	<i><b>Discount Rate – 1% (2.5%)</b></i>	<i><b>Fiscal Year 2019 Discount Rate (3.5%)</b></i>	<i><b>Discount Rate + 1% (4.5%)</b></i>
Plan’s Net Liability/(Asset)	\$51,376,857	\$45,756,997	\$41,064,198

Source: City.

The City’s projections of Operation and Maintenance Costs under the caption “WATER SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage” do not assume unusual increases in post-employment benefit funding expenses in the future. However, future changes in funding policies and assumptions, including those related to the assumed rates of investment return and healthcare cost inflation, could trigger increases in the City’s annual required contributions, and such increases could be material to the finances of the City. No assurance can be provided that such expenses will not increase significantly in the future. The City does not expect that any increased funding of post-employment benefits will have a material adverse effect on the ability of the City to make the Series 2020 Installment Payments.

For additional information relating to the post-employment benefit plan, see Note C.12 to the City’s audited financial statements set forth in Appendix A.

**CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES**

**Article XIII B**

Article XIII B of the State Constitution limits the annual appropriations of the State and of any city, county, school district, authority, special district or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and population. The “base year” for establishing such appropriation limit is the 1978-79 State fiscal year and the limit is to be adjusted annually to reflect changes in population and consumer prices. Adjustments in the appropriations limit of an entity may also be made if: (a) the financial responsibility for a service is transferred to another public entity or to a private entity; (b) the financial source for the provision of services is transferred from taxes to other revenues; or (c) the voters of the entity approve a change in the limit for a period of time not to exceed four years.



Appropriations that are subject to Article XIII B generally include the proceeds of taxes levied by or for the State or other entity of local government, exclusive of certain State subventions, refunds of taxes and benefit payments from retirement, unemployment, insurance and disability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to an entity of government from: (i) regulatory licenses, user charges, and user fees (but only to the extent that such proceeds exceed the cost reasonably borne by the entity in providing the service or regulation); and (ii) the investment of tax revenues. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amounts that are permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Certain expenditures are excluded from the appropriations limit, including payments of indebtedness that were existing or legally authorized as of January 1, 1979, or of bonded indebtedness thereafter approved by the voters, and payments that are required to comply with court or federal mandates which without discretion require an expenditure for additional services or which unavoidably make the provision of existing services more costly.

The City is of the opinion that its charges for Water Service do not exceed the costs that it reasonably bears in providing such service and therefore are not subject to the limits of Article XIII B. See the caption "SECURITY FOR THE BONDS—Rate Covenant" for a description of the City's covenant to set rates and charges for the Water Service.

### **Proposition 218**

**General.** An initiative measure entitled the "Proposition 218 – the Right to Vote on Taxes Act" (the "**Initiative**") was approved by the voters of the State at the November 5, 1996 general election. The Initiative added Articles XIII C and XIII D to the State Constitution. According to the "Title and Summary" of the Initiative prepared by the State Attorney General, the Initiative limits "the authority of local governments to impose taxes and property-related assessments, fees and charges."

**Article XIII D.** Article XIII D defines the terms "fee" and "charge" to mean "any levy other than an ad valorem tax, a special tax or an assessment, imposed by an agency upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property-related service." A "property-related service" is defined as "a public service having a direct relationship to property ownership." Article XIII D further provides that reliance by an agency on any parcel map (including an assessor's parcel map) may be considered a significant factor in determining whether a fee or charge is imposed as an incident of property ownership.

Article XIII D requires that any agency which imposes or increases any property-related fee or charge must provide written notice thereof to the record owner of each identified parcel upon which such fee or charge is to be imposed and must conduct a public hearing with respect thereto. The proposed fee or charge may not be imposed or increased if a majority of owners of the identified parcels file written protests against it. As a result, because fees for water service and wastewater service are a "fee" or "charge" as defined in Article XIII D, the local government's ability to increase such fees or charges may be limited by a majority protest.

In addition, Article XIII D includes a number of limitations that are applicable to existing fees and charges, including provisions to the effect that: (a) revenues that are derived from the fee or charge may not exceed the funds which are required to provide the property-related service; (b) such revenues may not be used for any purpose other than that for which the fee or charge was imposed; (c) the amount of a fee or charge that is imposed upon any parcel or person as an incident of property ownership may not exceed the proportional cost of the service attributable to the parcel; and (d) no such fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Property-related fees or charges based on potential or future use of a service are not permitted.

Based upon the California Court of Appeal decision in *Howard Jarvis Taxpayers Association v. City of Los Angeles*, 85 Cal. App. 4th 79 (2000), which was denied review by the State Supreme Court, it was generally

believed that Article XIID did not apply to charges for water services that are “primarily based on the amount consumed” (i.e., metered water or wastewater rates), which had been held to be commodity charges related to consumption of the service, not property ownership. The State Supreme Court ruled in *Bighorn-Desert View Water Agency v. Verjil*, 39 Cal. 4th 205 (2006) (the “**Bighorn Case**”), however, that fees for ongoing water service through an existing connection were property-related fees and charges. The State Supreme Court specifically disapproved the holding in *Howard Jarvis Taxpayers Association v. City of Los Angeles* that metered water rates are not subject to Proposition 218. The City complied with the notice, hearing and protest procedures in Article XIID, as further explained by the State Supreme Court in the *Bighorn Case*, with respect to the Water rate increases that were approved on January 8, 2020. See the captions “THE WATER SYSTEM—Water System Rates and Charges.”

On April 20, 2015, the California Court of Appeal, Fourth District, issued an opinion in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, 235 Cal. App. 4th 1493 (2015) (the “**SJC Case**”), upholding tiered water rates under the Initiative provided that the tiers correspond to the actual cost of furnishing service at a given level of usage. The opinion included a finding that the City of San Juan Capistrano did not attempt to calculate the actual costs of providing water at various tier levels. The City’s water rates, which are described under the captions “THE WATER SYSTEM—Water System Rates and Charges” include tiered rates based on usage. The City has reviewed the holding in the *SJC Case* and determined that the City’s water rates comply with the Initiative.

See the caption “LITIGATION—City—Water Rate Litigation” for a discussion of certain litigation challenging the City’s water rates under Article XIID.

**Article XIIC.** Article XIIC provides that the initiative power may not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges is applicable to all local governments. Article XIIC does not define the terms “local tax,” “assessment,” “fee” or “charge,” so it was unclear whether the definitions set forth in Article XIID referred to above are applicable to Article XIIC. Moreover, the provisions of Article XIIC are not expressly limited to local taxes, assessments, fees and charges imposed after November 6, 1996. On July 24, 2006, the State Supreme Court held in the *Bighorn Case* that the provisions of Article XIIC applied to rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations.

On August 3, 2020, the State Supreme Court issued an opinion in *Wilde v. City of Dunsmuir* (Cal. S. Ct. S252915) holding that the taxation exemption from the State Constitution’s referendum process applies to measures setting water rates, and that the Initiative does not subject water rates to challenge by referendum. The City does not believe that Article XIIC grants to the voters within the City the power (whether by initiative under Article XIIC or otherwise, or by referendum, which is not authorized under Article XIIC) to repeal or reduce rates and charges for the Water Service in a manner that would interfere with the contractual obligations of the City or the obligation of the City to maintain and operate the Water System. However, there can be no assurance as to the availability of particular remedies adequate to protect the Beneficial Owners of the Bonds. Remedies that are available to Beneficial Owners of the Bonds in the event of a default by the City are dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain. So long as the Bonds are held in book-entry form, DTC (or its nominee) will be the sole registered owner of the Bonds and the rights and remedies of the Bond Owners will be exercised through the procedures of DTC.

In addition to the specific limitations on remedies which are contained in the applicable documents themselves, the rights and obligations with respect to the Bonds, the Indenture and the Installment Purchase Agreement are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought and to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public

agencies in the State. The various opinions of counsel to be delivered with respect to such documents, including the opinion of Bond Counsel (the form of which is attached as Appendix C), will be similarly qualified.

### **Future Initiatives**

Articles XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time other initiatives could be proposed and adopted affecting the City's revenues or ability to increase revenues.

### **CERTAIN RISKS TO BONDHOLDERS**

*The following information, in addition to the other matters that are described in this Official Statement, should be considered by prospective investors in evaluating the Bonds. However, the following does not purport to be comprehensive, definitive or an exhaustive listing of risks and other considerations that may be relevant to making an investment decision with respect to the Bonds. In addition, the order in which the following information is presented is not intended to reflect the relative importance of any such risks. If any risk factor materializes to a sufficient degree, it alone could delay or preclude payment of principal of or interest on the Bonds.*

### **Limited Obligations**

The obligation of the City to pay the Series 2020 Installment Payments is a limited obligation of the City and is not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Net Revenues. The obligation of the City to pay the Series 2020 Installment Payments does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

### **Accuracy of Assumptions**

**General.** To estimate the Net Revenues available to pay the Series 2020 Installment Payments, the City has made certain assumptions with regard to various matters, including but not limited to future development within the City and increases in revenues resulting therefrom, the rates and charges to be imposed in future years, the expenses associated with operating the Water System and the interest rate at which funds will be invested. The City believes these assumptions to be reasonable, but to the extent that any of such assumptions fail to materialize, the Net Revenues available to pay the Series 2020 Installment Payments will, in all likelihood, be less than those projected herein. See the caption "WATER SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage." The City may choose, however, to maintain compliance with the rate covenant set forth in the Installment Purchase Agreement in part by means of contributions from available reserves or resources, including the Rate Stabilization Fund. In such event, Net Revenues may generate amounts which are less than 125% of Debt Service in any given Fiscal Year. See the captions "SECURITY FOR THE BONDS—Rate Covenant" and "SECURITY FOR THE BONDS—Rate Stabilization Fund."

**PFAS Treatment Facilities.** As described under the caption "THE WATER SYSTEM—Water Quality—PFAS," testing of the City's groundwater sources in early 2020 revealed the presence of contaminants known as PFAS at levels above regulatory thresholds in two of the City's groundwater wells. As a result, the City voluntarily elected to stop groundwater production from such wells. The City expects to purchase additional imported water supplies from MWDOC to serve customer demand while such wells are out of service.

The City has entered into an agreement with OCWD pursuant to which OCWD will design and construct PFAS treatment facilities at OCWD's expense at the two City wells that have been shut down. The City expects such facilities to be operational within two years, at which time the City can resume production from the wells. However, the appropriate design for the facilities is still being studied and there can be no assurance as to the

ultimate type of facilities to be constructed or the timing of completion thereof. Although the City will be obligated to operate and maintain the PFAS treatment facilities for a period of up to 30 years, the City's agreement with OCWD enables the City to seek reimbursement for up to half of the operation and maintenance costs of the facilities at the rate of \$75 per acre foot of groundwater produced.

The projected operating results which are set forth under the caption "WATER SYSTEM FINANCIAL INFORMATION—Projected Operating Results and Debt Service Coverage" assume higher water supply costs for two years as a result of the purchase of relatively more expensive imported water to replace the supplies from the two wells which have been taken out of service, and additional Operation and Maintenance Costs to operate and maintain the new treatment facilities that are being constructed by OCWD after the two year construction period. Notwithstanding the foregoing, there can be no assurance that additional State regulations related to PFAS will not result in the imposition of additional costs on the Water System.

In the event that the PFAS treatment facilities are completed later than currently contemplated, operating costs of the PFAS treatment facilities are higher than currently contemplated, or additional State regulations relating to PFAS are adopted, Operation and Maintenance Costs of the Water System could be higher than projected herein, which could reduce the Net Revenues available to pay the Series 2020 Installment Payments.

### **System Demand**

There can be no assurance that the demand for Water Service will occur as described in this Official Statement. Reduction in levels of demand could require an increase in rates or charges in order to comply with the rate covenant. See the caption "SECURITY FOR THE BONDS—Rate Covenant." Demand for Water Service could be reduced or may not occur as projected by the City as a result of reduced levels of development in the City's service area, hydrological conditions, conservation efforts, an economic downturn (including as a result of the COVID-19 outbreak that is discussed under the caption "THE CITY—COVID-19 Outbreak"), mandatory State conservation orders and other factors.

### **System Expenses**

There can be no assurance that the City's expenses will be consistent with the descriptions in this Official Statement. Operation and Maintenance Costs may vary with the cost of imported water and the quality and amount of local supplies as well as treatment costs, regulatory compliance costs, labor costs (including costs related to pension and other post-employment benefits) and other factors. See the caption "—Accuracy of Assumptions—PFAS Treatment Facilities" for a discussion of certain material assumptions related to Operation and Maintenance Costs of the Water System in the next five years.

A significant portion of the City's water supply is purchased from MWD through MWDOC, and increases in such agencies' costs or changes in such agencies' operations over which the City has no control could impact the City's cost of water to supply its customers. See the caption "THE WATER SYSTEM—Water Supply." Increases in Operation and Maintenance Costs could require an increase in rates or charges in order to comply with the rate covenant. See the caption "SECURITY FOR THE BONDS—Rate Covenant."

### **Limited Recourse on Default**

If the City defaults on its obligation to pay the Series 2020 Installment Payments, the Trustee, as assignee of the Authority, has the right to declare the total unpaid principal amount of the Series 2020 Installment Payments, together with the accrued interest thereon, to be immediately due and payable. However, in the event of a default and such acceleration, there can be no assurance that the City will have sufficient funds to pay such accelerated amounts from Net Revenues.

## **Rate-Setting Process under Proposition 218**

Proposition 218, which added Articles XIII C and XIII D to the State Constitution, affects the City's ability to maintain existing Water System rates and impose rate increases, and no assurance can be given that future proposals to increase Water System rates will not encounter majority protest opposition or be challenged by initiative action authorized under Proposition 218. In the event that future proposed Water System rate increases cannot be imposed as a result of majority protest or initiative, the City might thereafter be unable to generate Net Revenues in the amounts required by the Installment Purchase Agreement to pay the Series 2020 Installment Payments. The City believes that its current Water System rates approved by the City Council were effected in accordance with the public hearing and majority protest provisions of Proposition 218. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218."

## **Statutory and Regulatory Compliance**

Laws and regulations governing treatment and delivery of water are enacted and promulgated by federal, State and local government agencies. Compliance with these laws and regulations is and will continue to be costly, and, as more stringent standards are developed, such costs will likely increase.

Claims against the Water System for failure to comply with applicable laws and regulations could be significant. Such claims may be payable from assets of the Water System and constitute Operation and Maintenance Costs or from other legally available sources. In addition to claims by private parties, changes in the scope and standards for municipal water systems such as that operated by the City may also lead to administrative orders issued by federal or State regulators. Future compliance with such orders can also impose substantial additional costs on the City. No assurance can be given that the cost of compliance with such laws, regulations and orders would not adversely affect the ability of the City to generate Net Revenues in amounts that are sufficient to pay the Series 2020 Installment Payments.

## **Natural Disasters**

The occurrence of any natural disaster in the City, including, without limitation, earthquake, wildfire, drought, high winds, landslide or flood, could have an adverse material impact on the economy within the City and the revenues available for the payment of the Bonds and result in substantial damage to and interference with the operations of the Water System.

Portions of the City's service area may be subject to unpredictable seismic activity. See the caption "THE CITY—Seismic Considerations." The Installment Purchase Agreement does not require the City to maintain earthquake insurance and the City does not currently maintain such insurance for Water System facilities other than the Public Works Municipal Service Center, where administrative functions of the Water System are carried out. The City maintains liability insurance for the Water System and property casualty insurance (for losses other than from seismic events) for certain portions of the Water System. See the caption "THE CITY—City Insurance." However, there can be no assurance that specific losses will be covered by insurance or, if covered, that claims will be paid in full by the applicable insurers. Furthermore, significant portions of the Water System, including underground pipelines, are not covered by property casualty insurance. Damage to such portions of the Water System as a result of natural disasters would result in uninsured losses to the City.

## **Limitations on Remedies**

The ability of the City to comply with its covenants under the Installment Purchase Agreement and to generate Net Revenues in amounts that are sufficient to pay the Series 2020 Installment Payments may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND

CHARGES—Proposition 218.” Furthermore, the remedies that are available to the owners of the Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time-consuming to obtain.

In addition, usual equity principles may limit the specific enforcement under State law of certain remedies, as may the exercise by the United States of America of the powers delegated to it by the federal Constitution and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium proceedings and other laws relating to or affecting creditors’ rights, or the exercise of powers by the federal or State government, if initiated, could subject the Beneficial Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitations or modification of their rights. Remedies may be limited because the Water System serves an essential public purpose.

The opinion to be delivered by Bond Counsel concurrently with the issuance of the Bonds will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. See Appendix C. In the event that the City fails to comply with its covenants under the Installment Purchase Agreement or fails to pay the Series 2020 Installment Payments, which secure the payments of principal of and interest on the Bonds, there can be no assurance of the availability of remedies adequate to protect the interest of the holders of the Bonds.

### **Loss of Tax Exemption**

In order to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds, the Authority and the City have covenanted in the Indenture and the Installment Purchase Agreement, respectively, to comply with the applicable requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and not to take any action or fail to take any action if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Bonds thereunder. Interest on the Bonds could become includable in gross income for purposes of federal income taxation retroactive to the date of issuance of such Bonds as a result of acts or omissions of the Authority or the City in violation of such covenants or other covenants in the Indenture or the Installment Purchase Agreement. The Bonds are not subject to redemption or any increase in interest rates should an event of taxability occur and will remain outstanding until maturity or prior redemption in accordance with the provisions contained in the Indenture. See the caption “TAX EXEMPTION.”

### **Secondary Market**

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that the Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then prevailing circumstances. Such prices could be substantially different from the original purchase price.

### **Parity Obligations**

The Installment Purchase Agreement permits the City to enter into Parity Bonds and Contracts payable from Net Revenues on a parity with the Series 2020 Installment Payments, which secure the Bonds, subject to the terms and conditions set forth therein. See the caption “SECURITY FOR THE BONDS—Additional Parity Bonds and Contracts.” The entry into of additional Parity Bonds and Contracts could result in reduced Net Revenues available to pay the Series 2020 Installment Payments. The City has covenanted to maintain coverage of Debt Service as described under the caption “SECURITY FOR THE BONDS—Rate Covenant.”

## **Climate Change**

The State has historically been susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels. The future fiscal impact of climate change on the Water System is difficult to predict, but it could be significant and it could have a material adverse effect on the City's finances by requiring greater expenditures to counteract the effects of climate change or by changing the business and activities of Water System customers.

## **Cyber Security**

Municipal agencies, like other business entities, face significant risks relating to the use and application of computer software and hardware. Recently, there have been significant cyber security incidents affecting municipal agencies, including a freeze affecting computer systems of the City of Atlanta, an attack on the City of Baltimore's 911 system, an attack on the Colorado Department of Transportation's computers and an attack that resulted in the temporary closure of the Port of Los Angeles' largest terminal.

The City employs a multi-level cyber protection scheme that includes firewalls, anti-virus software, anti-spam/malware software and an intrusion protection system. The City also contracts with a third party vendor to provide cyber security training for all City staff and conduct simulated phishing attacks. To date, the City has not experienced a major attack on its computer operating systems. However, there can be no assurance that the City's security and operational control measures will be successful in guarding against all cyber threats and attacks. The results of any attack on the City's computer systems could negatively impact the City's operations, and the costs related to such attacks could be substantial.

## **THE AUTHORITY**

The Authority is a public entity created for the joint exercise of common powers pursuant to a 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. The Authority is an autonomous entity that is separate from the City and SCWD. The powers and functions of the Authority are exercised by a seven-member Board consisting of the Mayor and members of the City Council of the City.

## **APPROVAL OF LEGAL PROCEEDINGS**

The valid, legal and binding nature of the Bonds is subject to the approval of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, acting as Bond Counsel. The form of such legal opinion is attached as Appendix C, and such legal opinion will be attached to each Bond. Certain matters will be passed upon for the Authority and the City by Woodruff Spradlin & Smart, Costa Mesa, California, as General Counsel and City Attorney, and by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, as Disclosure Counsel, and for the Trustee by its counsel. The Underwriter is being represented by its counsel, Jones Hall, A Professional Law Corporation, San Francisco, California.

## **LITIGATION**

### **City**

*General.* At the time of delivery of and payment for the Bonds, the City will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the City, threatened against the City affecting the existence of the City or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the

sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Installment Purchase Agreement and the Indenture, or that would have a material adverse effect on the City's ability to pay the Series 2020 Installment Payments, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, the Installment Purchase Agreement or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the City or its authority with respect to the Bonds or any action of the City contemplated by any of said documents, nor to the knowledge of the City, is there any basis therefor.

**Water Rate Litigation.** On February 19, 2020, a class action complaint and petition for writ of mandate (collectively, the "**Water Rate Complaint**") was filed in the matter of *Kessner et al. v. City of Santa Clara et al.* in the Superior Court of California, County of Santa Clara, on behalf of 81 customer classes (collectively "**Plaintiffs**"), challenging the rates of 82 public water suppliers, including the City. The Water Rate Complaint alleges that the named defendants and respondents (collectively "**Defendants**") unlawfully set water rates for retail customers that exceed the cost of service, in violation of Proposition 218. See the caption "CONSTITUTIONAL LIMITATIONS ON APPROPRIATIONS AND CHARGES—Proposition 218" for a discussion of Proposition 218.

Plaintiffs are challenging Defendants' retail water rates on the ground that they allegedly subsidize water service provided for general governmental purposes, including "subsidized public fire hydrant service."

The City was served with the Water Rate Complaint in March 2020. On March 9, 2020, the Superior Court of California, County of Santa Clara, issued an Order deeming the case complex and staying discovery and responsive pleading deadlines. Pursuant to the March 9, 2020 Order, the parties may not file or serve responsive pleadings until later orders of the court.

Plaintiffs have also filed a motion to consolidate the Water Rate Complaint with two similar complaints filed by Plaintiffs' counsel against water agencies in northern California. All proceedings in the Water Rate Complaint are currently stayed pending a hearing on the motion to consolidate.

The City is unable to predict the outcome of this litigation or the timing of any resolution thereof. However, the City believes that its water rates were adopted in compliance with Proposition 218 and does not currently expect the Water Rate Complaint to have a material adverse effect on its ability to pay the Series 2020 Installment Payments.

The City notes that the State Legislature recently adopted Senate Bill 1386 ("**SB 1386**"), which awaits signature by the State Governor. SB 1386 would add provisions to the California Government Code establishing that the costs of water service chargeable to property owners properly include the cost of infrastructure, e.g., fire hydrants, which provide fire protection for nearby property. The signing of SB 1386 into law by the State Governor would likely assist the City's defense of the Water Rate Complaint.

## **Authority**

At the time of delivery of and payment for the Bonds, the Authority will certify that there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the Authority, threatened against the Authority affecting the existence of the Authority or the titles of its directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Installment Purchase Agreement and the Indenture, or that would have a material adverse effect on the Authority's ability to pay the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, the Installment Purchase Agreement or any action of the Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the Authority or its authority with respect to the



Bonds or any action of the Authority contemplated by any of said documents, nor to the knowledge of the Authority, is there any basis therefor.

### **TAX EXEMPTION**

In the opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Bond Counsel, under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals. In the further opinion of Bond Counsel, interest (and original issue discount) on the Bonds is exempt from State of California personal income tax.

Bond Counsel's opinion as to the exclusion from gross income for federal income tax purposes of interest (and original issue discount) on the Bonds is based upon certain representations of fact and certifications made by the Authority, the City and others and is subject to the condition that the Authority and the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The Authority and the City have covenanted to comply with all such requirements.

In the opinion of Bond Counsel, the difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity of such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Beneficial Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Beneficial Owner will increase the Beneficial Owner's basis in the applicable Bond. The amount of original issue discount that accrues to the Beneficial Owner of a Bond is excluded from the gross income of such Beneficial Owner for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals, and is exempt from State of California personal income tax.

The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable bond premium, which must be amortized under Section 171 of the Code; such amortizable bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received with respect to the Bonds), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The Internal Revenue Service (the "IRS") has initiated an expanded program for the auditing of tax-exempt bond issues, including both random and targeted audits. It is possible that the Bonds will be selected for audit by the IRS. It is also possible that the market value of the Bonds might be affected as a result of such an audit of the Bonds (or by an audit of similar municipal obligations). No assurance can be given that in the course of an audit, as a result of an audit, or otherwise, Congress or the IRS might not change the Code (or interpretation thereof) subsequent to the issuance of the Bonds to the extent that it adversely affects the exclusion from gross income of interest (and original issue discount) on the Bonds or their market value.

**SUBSEQUENT TO THE ISSUANCE OF THE BONDS THERE MIGHT BE FEDERAL, STATE OR LOCAL STATUTORY CHANGES (OR JUDICIAL OR REGULATORY CHANGES TO OR INTERPRETATIONS OF FEDERAL, STATE OR LOCAL LAW) THAT AFFECT THE FEDERAL, STATE**

OR LOCAL TAX TREATMENT OF THE BONDS, INCLUDING THE IMPOSITION OF ADDITIONAL FEDERAL INCOME OR STATE TAXES ON OWNERS OF TAX-EXEMPT STATE OR LOCAL OBLIGATIONS, SUCH AS THE BONDS. THESE CHANGES COULD ADVERSELY AFFECT THE MARKET VALUE OR LIQUIDITY OF THE BONDS. NO ASSURANCE CAN BE GIVEN THAT, SUBSEQUENT TO THE ISSUANCE OF THE BONDS, STATUTORY CHANGES WILL NOT BE INTRODUCED OR ENACTED OR JUDICIAL OR REGULATORY INTERPRETATIONS WILL NOT OCCUR HAVING THE EFFECTS DESCRIBED ABOVE. BEFORE PURCHASING ANY OF THE BONDS, ALL POTENTIAL PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS REGARDING POSSIBLE STATUTORY CHANGES OR JUDICIAL OR REGULATORY CHANGES OR INTERPRETATIONS, AND THEIR COLLATERAL TAX CONSEQUENCES RELATING TO THE BONDS.

Bond Counsel's opinions may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. Bond Counsel has not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. The Indenture and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. Bond Counsel expresses no opinion as to the effect on the exclusion from gross income of interest (and original issue discount) for federal income tax purposes with respect to any Bond if any such action is taken or omitted based upon the advice of counsel other than Stradling Yocca Carlson & Rauth, a Professional Corporation.

Although Bond Counsel has rendered an opinion that interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes provided that the Authority and the City continue to comply with certain requirements of the Code, the ownership of the Bonds and the accrual or receipt of interest (and original issue discount) on the Bonds may otherwise affect the tax liability of certain persons. Bond Counsel expresses no opinion regarding any such tax consequences. Accordingly, before purchasing any of the Bonds, all potential purchasers should consult their tax advisors with respect to collateral tax consequences relating to the Bonds.

Should interest (and original issue discount) on the Bonds become includable in gross income for federal income tax purposes, the Bonds are not subject to early redemption and will remain outstanding until maturity or until redeemed in accordance with the Indenture.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as Appendix C.

#### CONTINUING DISCLOSURE

The City has covenanted in a Continuing Disclosure Agreement, dated as of November 1, 2020 (the "**Continuing Disclosure Agreement**"), by and between the City and Applied Best Practices LLC, as dissemination agent (the "**Dissemination Agent**") for the benefit of the Owners and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the City by not later than each March 31 following the end of the City's Fiscal Year (currently its Fiscal Year ends on June 30) (the "**Annual Report**"), and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of enumerated events will be filed by the City or the Dissemination Agent with EMMA. The specific nature of the information to be contained in the Annual Report and the notice of enumerated events is set forth in Appendix E. These covenants have been made in order to assist the Underwriter in complying with Section (b)(5) of Rule 15c2-12 adopted by the Securities and Exchange Commission.

[DISCLOSURE RE PRIOR COMPLIANCE TO COME].

As noted above, the City has engaged Applied Best Practices LLC as its Dissemination Agent in connection with future continuing disclosure reporting. In addition, the City adopted a debt management policy in February 2017 that includes procedures with respect to continuing disclosure compliance.

## RATING

The Authority expects that S&P Global Ratings, a Standard & Poor's Financial Services LLC business (“S&P”), will assign the Bonds the rating of “\_\_\_”.

Future events, including the impacts of the COVID-19 pandemic that is described under the caption “THE CITY—COVID-19 Outbreak,” could have an adverse impact on the rating of the Bonds, and there is no assurance that any credit rating that is given to the Bonds will be maintained for any period of time or that a rating may not be qualified, downgraded, lowered or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant, nor can there be any assurance that the criteria required to achieve the rating on the Bonds will not change during the period that the Bonds remain outstanding. Any such qualification, downgrade, lowering or withdrawal of the rating may have an adverse effect on the market price of the Bonds. The rating reflects only the current views and current rating criteria of S&P (which views and criteria could change at any time), and an explanation of the significance of such rating may be obtained from S&P. Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the City that is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

The City has covenanted in the Continuing Disclosure Agreement to file notices of any rating changes on the Bonds with EMMA. See the caption “CONTINUING DISCLOSURE” and Appendix E. Notwithstanding such covenant, information relating to a rating change on the Bonds may be publicly available from S&P prior to such information being provided to the City and prior to the date by which the City is obligated to file a notice of rating change. Purchasers of the Bonds are directed to S&P and its websites and official media outlets for the most current rating with respect to the Bonds after the initial issuance of the Bonds.

In providing a rating on the Bonds, S&P may have performed independent calculations of coverage ratios using its own internal formulas and methodology, which may not reflect the provisions of the Indenture or the Installment Purchase Agreement. The City makes no representations as to any such calculations, and such calculations should not be construed as a representation by the City as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of debt service or for any other purpose.

## MUNICIPAL ADVISOR

The City has retained Fieldman, Rolapp & Associates, Inc., Irvine, California (the “**Municipal Advisor**”) as its municipal advisor in connection with the sale of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume any responsibility for the accuracy, completeness or fairness of the information contained herein. The Municipal Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

## UNDERWRITING

The Bonds are being purchased by Stifel, Nicolaus & Company, Incorporated, (the “**Underwriter**”), pursuant to a purchase agreement, dated the date hereof, by and among the Authority, the City and the Underwriter. The Underwriter will purchase the Bonds from the Authority at an aggregate purchase price of \$\_\_\_\_\_, representing the principal amount of the Bonds, plus/less \$\_\_\_\_\_ of net original issue premium/discount and less \$\_\_\_\_\_ of Underwriter's discount.

The initial public offering prices stated on the inside front cover of this Official Statement may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agents and others at prices lower than said public offering prices.

Bond Counsel and Disclosure Counsel represent the Authority and the City in connection with the issuance of the Bonds. From time to time Bond Counsel and Disclosure Counsel represent the Underwriter in connection with other financings and matters that are unrelated to the Bonds. Bond Counsel and Disclosure Counsel do not represent the Underwriter with respect to the issuance of the Bonds.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

**MISCELLANEOUS**

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents and reference is made to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for and the source for repayment for the Bonds and the rights and obligations of the owners thereof.

The information that is contained in this Official Statement has been compiled from official and other sources that are deemed to be reliable, and is believed to be correct as of its date, but it is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by, the Underwriter.

Any statements made in this Official Statement that involve matters of opinion, estimates or projections, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates or projections will be realized. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City.

**GARDEN GROVE PUBLIC FINANCING  
AUTHORITY**

By: \_\_\_\_\_  
Chair

**CITY OF GARDEN GROVE**

By: \_\_\_\_\_  
City Manager

**APPENDIX A**  
**CITY FINANCIAL STATEMENTS**

## **APPENDIX B**

### **DEFINITIONS AND SUMMARY OF CERTAIN PROVISIONS OF THE INSTALLMENT PURCHASE AGREEMENT AND THE INDENTURE**

*The following is a summary of certain provisions of the Installment Purchase Agreement and the Indenture that are not described elsewhere. This summary does not purport to be comprehensive and reference should be made to the applicable document for a full and complete statement of the provisions thereof.*

[TO COME FROM BOND COUNSEL]

## APPENDIX C

### FORM OF OPINION OF BOND COUNSEL

*Upon issuance of the Bonds, Stradling Yocca Carlson & Rauth, a Professional Corporation, Bond Counsel, proposes to render its final approving opinion in substantially the following form:*

November \_\_, 2020

Garden Grove Public Financing Authority  
11222 Acacia Parkway  
Garden Grove, California 92840

*Re:     \$\_\_\_\_\_ Garden Grove Public Financing Authority Water Revenue Bonds, Series 2020A*

Members of the Board of Directors:

We have acted as Bond Counsel to the Garden Grove Public Financing Authority (the "Authority") in connection with the issuance of \$\_\_\_\_\_ aggregate principal amount of Garden Grove Public Financing Authority Water Revenue Bonds, Series 2020A (the "Bonds"). The Bonds have been issued by the Authority pursuant to the terms of the Indenture of Trust, dated as of November 1, 2020 (the "Indenture"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee").

The Bonds are limited obligations of the Authority payable solely from payments to be made by the City of Garden Grove (the "City") to the Authority pursuant to an Installment Purchase Agreement, dated as of November 1, 2020 (the "Installment Purchase Agreement"), by and between the City and the Authority, and from certain funds and accounts established under the Indenture.

In connection with our representation, we have examined a certified copy of the proceedings relating to the Bonds. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigations.

Based upon the foregoing and after examination of such questions of law as we have deemed relevant in the circumstances, but subject to the limitations set forth herein, we are of the opinion that:

1. The proceedings of the Authority show lawful authority for the issuance and sale by the Authority of the Bonds under the laws of the State of California (the "State") now in force, and the Indenture has been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery by the Trustee, as appropriate, the Bonds and the Indenture are valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms.

2. The obligation of the Authority to make the payments of principal and interest on the Bonds from Authority Revenues (as such term is defined in the Indenture) is an enforceable obligation of the Authority and does not constitute an indebtedness of the Authority in contravention of any constitutional or statutory debt limit or restriction.

3. Under existing statutes, regulations, rulings and judicial decisions, and assuming the accuracy of certain representations and compliance with certain covenants and requirements described herein, interest (and original issue discount) on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals.

4. Interest (and original issue discount) on the Bonds is exempt from State personal income tax.



5. The difference between the issue price of a Bond (the first price at which a substantial amount of the Bonds of a maturity is to be sold to the public) and the stated redemption price at maturity with respect to such Bond constitutes original issue discount. Original issue discount accrues under a constant yield method, and original issue discount will accrue to a Bond Owner before receipt of cash attributable to such excludable income. The amount of original issue discount deemed received by a Bond owner will increase the Bond Owner's basis in the applicable Bond. The amount of original issue discount that accrues to the Bond Owner is excluded from the gross income of such Owner for federal income tax purposes, is not an item of tax preference for purposes of calculating the federal alternative minimum tax imposed on individuals or corporations and is exempt from State personal income tax.

6. The amount by which a Bond Owner's original basis for determining loss on sale or exchange in the applicable Bond (generally, the purchase price) exceeds the amount payable on maturity (or on an earlier call date) constitutes amortizable Bond premium, which must be amortized under Section 171 of the Internal Revenue Code of 1986, as amended (the "Code"); such amortizable Bond premium reduces the Bond Owner's basis in the applicable Bond (and the amount of tax-exempt interest received), and is not deductible for federal income tax purposes. The basis reduction as a result of the amortization of Bond premium may result in a Bond Owner realizing a taxable gain when a Bond is sold by the Owner for an amount equal to or less (under certain circumstances) than the original cost of the Bond to the Owner. Purchasers of the Bonds should consult their own tax advisors as to the treatment, computation and collateral consequences of amortizable bond premium.

The opinions that are expressed herein as to the exclusion from gross income of interest (and original issue discount) on the Bonds are based upon certain representations of fact and certifications made by the City and the Authority and are subject to the condition that the City and the Authority comply with all requirements of the Code that must be satisfied subsequent to issuance of the Bonds to assure that interest (and original issue discount) on the Bonds will not become includable in gross income for federal income tax purposes. Failure to comply with such requirements of the Code might cause interest (and original issue discount) on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds. The City and the Authority have covenanted to comply with all such requirements.

The opinions that are expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Bonds terminates on the date of their issuance. The Indenture, the Installment Purchase Agreement and the Tax Certificate relating to the Bonds permit certain actions to be taken or to be omitted if a favorable opinion of Bond Counsel is provided with respect thereto. No opinion is expressed herein as to the effect on the exclusion from gross income of interest (and original issue discount) on the Bonds for federal income tax purposes if any such action is taken or omitted based upon the opinion or advice of counsel other than ourselves. Other than expressly stated herein, we express no other opinion regarding tax consequences with respect to the Bonds.

Our opinion is limited to matters governed by the laws of the State and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions that are expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. We call attention to the fact that the rights and obligations under the Indenture, the Installment Purchase Agreement and the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors' rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Bonds and expressly disclaim any duty to advise the Owners of the Bonds with respect to matters contained in the Official Statement.

Respectfully submitted,

## APPENDIX D

### INFORMATION CONCERNING DTC

*The information in this section concerning DTC and DTC's book-entry only system has been obtained from sources that the Authority, the City and the Underwriter believe to be reliable, but none of the Authority, the City or the Underwriter takes any responsibility for the completeness or accuracy thereof. The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, premium, if any, accreted value, if any, and interest on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC.*

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered bond will be issued for each annual maturity of the Bonds, each in the aggregate principal amount of such annual maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Bond Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Trustee, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account. DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, bonds will be printed and delivered to DTC.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY ONLY SYSTEM IS USED FOR THE BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES TO OWNERS ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY DTC PARTICIPANT, OR OF ANY DTC PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER, OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OF SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

## APPENDIX E

### FORM OF CONTINUING DISCLOSURE AGREEMENT

*Upon the issuance of the Bonds, the City proposes to enter into a Continuing Disclosure Agreement in substantially the following form:*

This Continuing Disclosure Agreement, dated as of November 1, 2020 (the “**Disclosure Agreement**”) is executed and delivered by the City of Garden Grove (the “**Obligor**”) and Applied Best Practices LLC as dissemination agent (the “**Dissemination Agent**”), in connection with the issuance of the Garden Grove Public Financing Authority Water Revenue Bonds, Series 2020A (the “**Bonds**”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of November 1, 2020 (the “**Bond Indenture**”), by and between the Garden Grove Public Financing Authority and U.S. Bank National Association, as trustee. The Obligor and the Dissemination Agent covenant as follows:

**SECTION 1. Purpose of the Disclosure Agreement.** This Disclosure Agreement is being executed and delivered by the Obligor and the Dissemination Agent, for the benefit of the Owners and Beneficial Owners of the Bonds and in order to assist the Underwriter in complying with the Rule.

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

“**Annual Report**” shall mean any report provided by the Obligor pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“**Beneficial Owner**” shall mean any person which: (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries); or (b) is treated as the owner of any Bonds for federal income tax purposes.

“**Disclosure Representative**” shall mean the City Manager or the Director of Finance of the Obligor, or the designee thereof, or such other officer or employee as the Obligor shall designate in writing to the Dissemination Agent from time to time.

“**Dissemination Agent**” shall mean, initially, Applied Best Practices LLC, or any successor Dissemination Agent designated in writing by the Obligor and which has filed with the then current Dissemination Agent a written acceptance of such designation.

“**Financial Obligation**” shall mean a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (C) guarantee of (A) or (B). The term “Financial Obligation” shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

“**Fiscal Year**” shall mean the period from July 1 to June 30, or any other period selected by the Obligor as its fiscal year.

“**Listed Events**” shall mean any of the events listed in Section 5(a) and (b) of this Disclosure Agreement.

“**MSRB**” shall mean the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“**Official Statement**” shall mean the Official Statement relating to the Bonds, dated October \_\_, 2020.

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

“**State**” shall mean the State of California.

“**Underwriter**” shall mean the original underwriters of the Bonds that are required to comply with the Rule in connection with the offering of the Bonds.

**SECTION 3. Provision of Annual Reports.**

(a) The Obligor shall, or shall cause the Dissemination Agent by written direction to such Dissemination Agent to, upon delivery of the Annual Report to the Dissemination Agent (if other than the Obligor), not later than March 31 of each year, commencing March 31, 2021, provide to the MSRB an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Agreement (provided that the first Annual Report may consist solely of the Official Statement). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the Obligor may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Obligor’s Fiscal Year changes, it shall give notice of such change to the Dissemination Agent and the Obligor shall, or shall cause the Dissemination Agent, by written direction to such Dissemination Agent, to give notice of such change in the same manner as for a Listed Event under Section 5(a).

(b) Not later than fifteen (15) business days prior to each March 31, the Obligor shall provide the Annual Report to the Dissemination Agent (if other than the Obligor). The Obligor shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by it hereunder. The Dissemination Agent may conclusively rely upon such certification of the Obligor and shall have no duty or obligation to review such Annual Report. If: (i) the Obligor is acting as Dissemination Agent and an Annual Report has not been provided to the MSRB by the date required in subsection (a); or (ii) if the Dissemination Agent is other than the Obligor and is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a), then the Obligor or the Dissemination Agent (if other than the Obligor), as applicable, shall send a notice to the MSRB in a timely manner in substantially the form prescribed by the MSRB.

(c) The Dissemination Agent shall:

(i) determine each year prior to March 31 the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the Obligor, promptly after receipt of the Annual Report, file a report with the Obligor certifying that the Annual Report has been filed with the MSRB pursuant to this Disclosure Agreement, and stating, to the extent that it can confirm such filing of the Annual Report, the date that it was filed.

**SECTION 4. Content of Annual Reports.** The Obligor’s Annual Report shall contain or include by reference the following:

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

(a): (b) To the extent not contained in the audited financial statements filed pursuant to subsection

Annual Report Date. (i) The principal amount of Bonds outstanding as of the December 31 preceding the

(ii) An update of the information for the prior Fiscal Year in substantially the form set forth in the following tables in the Official Statement under the caption "THE WATER SYSTEM":

1. Historical Water Sources in Acre Feet;
2. Historical Water Deliveries in Acre Feet;
3. Historical Water System Connections;
4. Historical Water System Sales Revenues; and
5. Ten Largest Water System Customers.

(iii) A description of changes to Water System rates and charges since the date of the prior Annual Report, or, for the first Annual Report, since the date of the Official Statement.

(iv) An update of the information for the prior Fiscal Year in substantially the form set forth in the following table in the Official Statement under the caption "WATER SYSTEM FINANCIAL INFORMATION":

1. Historical Water System Operating Results.

In addition to any of the information expressly required to be provided under paragraphs (i) through (iv) of this Section, the Obligor shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(c) Any or all of the items listed above may be included by specific reference to other documents, including official statements for debt issues of the Obligor or related public entities, which have been submitted to the MSRB or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the MSRB. The Obligor shall clearly identify each such other document so included by reference.

#### SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the Obligor shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds in a timely manner not more than ten (10) Business Days after the event:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (iv) Substitution of credit or liquidity providers, or their failure to perform.
- (v) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability or Notices of Proposed Issue (IRS Form 5701 TEB).
- (vi) Tender offers.
- (vii) Defeasances.

- (viii) Rating changes.
- (ix) Bankruptcy, insolvency, receivership or similar proceedings.

Note: For the purposes of the event identified in subparagraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(x) Default, event of acceleration, termination event, modification of terms or other similar events under the terms of a Financial Obligation of the Obligor, any of which reflect financial difficulties.

(b) Pursuant to the provisions of this Section 5, the Obligor shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material, in a timely manner not more than ten (10) Business Days after occurrence:

(i) Unless described in Section 5(a)(v), other notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other events affecting the tax status of the Bonds.

(ii) Modifications to the rights of Bondholders.

(iii) Optional, unscheduled or contingent Bond calls.

(iv) Release, substitution or sale of property securing repayment of the Bonds.

(v) Non-payment related defaults.

(vi) The consummation of a merger, consolidation or acquisition involving the Obligor or the sale of all or substantially all of the assets of the Obligor, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.

(vii) Appointment of a successor or additional trustee or the change of the name of a trustee.

(viii) Incurrence of a Financial Obligation of the Obligor, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Obligor, any of which affect security holders.

(c) If the Obligor determines that knowledge of the occurrence of a Listed Event under subsection (b) would be material under applicable federal securities laws, and if the Dissemination Agent is other than the Obligor, the Obligor shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to file a notice of such occurrence with the MSRB in an electronic format as prescribed by the MSRB in a timely manner not more than ten (10) Business Days after the event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(vii) and (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the Bond Indenture. In each case of the Listed Event, the Dissemination Agent shall not be obligated to file a notice as required in this subsection (c) prior to the occurrence of such Listed Event.

(d) If the Obligor determines that a Listed Event under subsection (b) would not be material under applicable federal securities laws and if the Dissemination Agent is other than the Obligor, the Obligor shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence.

(e) The Obligor hereby agrees that the undertaking set forth in this Disclosure Agreement is the responsibility of the Obligor and, if the Dissemination Agent is other than the Obligor, the Dissemination Agent shall not be responsible for determining whether the Obligor's instructions to the Dissemination Agent under this Section 5 comply with the requirements of the Rule.

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

SECTION 7. Dissemination Agent. The Obligor may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent shall not be responsible in any manner for the form or content of any notice or report prepared by the Obligor pursuant to this Disclosure Agreement. The Dissemination Agent may resign by providing thirty days' written notice to the Obligor and the Trustee. The Dissemination Agent shall not be responsible for the content of any report or notice prepared by the Obligor and shall have no duty to review any information provided to it by the Obligor. The Dissemination Agent shall have no duty to prepare any information report, nor shall the Dissemination Agent be responsible for filing any report not provided to it by the Obligor in a timely manner and in a form suitable for filing.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Obligor may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that, in the opinion of nationally recognized bond counsel, such amendment or waiver is permitted by the Rule, and provided further that the Dissemination Agent shall have first consented to any amendment that modifies or increases its duties or obligations hereunder. In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Obligor shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the Obligor. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (a) notice of such change shall be given in the same manner as for a Listed Event under Section 5(a); and (b) the Annual Report for the year in which the change is made shall present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Obligor from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Obligor chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Obligor shall have no obligation under this Disclosure Agreement to update such information or to include it in any future Annual Report or notice of occurrence of a Listed Event.

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



No Owner or Beneficial Owner may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Obligor satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Obligor shall have refused to comply therewith within a reasonable time.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Agreement, and the Obligor agrees, to the extent permitted by law, to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the Obligor for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. In performing its duties hereunder, the Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the Obligor, the Owners, or any other party. The Dissemination Agent shall be entitled to the protections and limitations afforded to the Trustee under the Bond Indenture. The obligations of the Obligor under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given to the Dissemination Agent (if other than the Obligor) and to the Obligor as follows:

Disclosure Representative: City of Garden Grove  
City Manager  
11222 Acacia Parkway  
Garden Grove, California 92840

Dissemination Agent: Applied Best Practices LLC  
19900 MacArthur Blvd #1100  
Irvine, California 92612

SECTION 13. Beneficiaries. This Disclosure Agreement inures solely to the benefit of the Obligor, the Dissemination Agent, the Underwriter and the Owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Signature. This Disclosure Agreement has been executed by the undersigned on the date hereof, and such signature binds the Obligor to the undertaking herein provided.

CITY OF GARDEN GROVE

By: \_\_\_\_\_  
Its: City Manager

FIELDMAN, ROLAPP & ASSOCIATES, INC., DBA  
APPLIED BEST PRACTICES LLC, as Dissemination Agent

By: \_\_\_\_\_  
Its: Authorized Officer