

## Mt. Shasta Public Financing Authority Agenda

Mt. Shasta Recreation and Parks District Lodge

1315 Nixon Road

Monday, May 13, 2019, Immediately Following the City Council Meeting

	<p>1. Call to Order and Roll Call</p>
	<p>2. Resolution Of The Governing Board Of The Mount Shasta Public Financing Authority Declaring Officers, Directing The Filing Of Certain Notices, And Providing For Other Matters Related Thereto</p> <p><u>Background:</u> The City of Mount Shasta (the “City”) and the newly formed Mount Shasta Industrial Development Authority (the “IDA”), hereafter sometimes referred to as “Members,” have heretofore approved the formation of the Mount Shasta Public Financing Authority (the “Authority”) through the execution of a joint exercise of powers agreement, dated as of April 22, 2019 (the “JPA Agreement”). Pursuant to the JPA Agreement, the Governing Board of the Authority desires to, among other things, appoint the balance of the initial officers to serve the Mount Shasta Public Financing Authority, and direct the Executive Director to complete all required regulatory filings necessary to properly record the successful formation of the Authority.</p> <p><u>Report By:</u> Bruce Pope, City Manager</p> <p><u>Recommended Action:</u> Review the Staff Report and adopt the subject Resolution.</p>
	<p>3. Adoption of Resolutions Pertaining to the Authorization, Sale and Delivery of Wastewater Revenue Bonds to USDA</p> <p><u>Background:</u> Staff has been working with the local USDA office to find a cost-effective long-term financing solution to address the downtown collection system inadequacies. In August of 2017 PACE Engineering prepared a Preliminary Engineering Report (PER), to identifying project specific required improvements, and to determine costs associated with those improvements. Based upon the PER, in July of 2018 the United States Department of Agriculture (USDA) Rural Development issued a Letter of Conditions (LOC) to fund the City’s Downtown Sewer Collection System Improvement Project (the “Project”), including a not-to-exceed \$1,309,000 loan component and a \$1,608,000 grant component. The City has completed the plans and specifications for the Project, and now ready to go out for bids.</p> <p><u>Report By:</u> Bruce Pope, City Manager</p> <p><u>Recommended Council Action:</u> Staff respectfully requests the Board of Directors of the Mount Shasta Public Financing Authority to adopt Resolution No. PFA-19-XX Approving a Trust Agreement, Installment Sale Agreement, Assignment Agreement and Certain Other Documents in Connection with the Authorization, Preparation, Sale and Delivery of Mount Shasta Public Financing Authority, Series 2019 Wastewater Enterprise Revenue Bonds, and Authorizing and Directing Certain Actions with Respect thereto.</p>
	<p>4. Adjourn</p>

**AGENDA REPORT**

**MOUNT SHASTA PUBLIC FINANCING AUTHORITY**

**ORDER OF BUSINESS**

**April 22, 2019**

**RESOLUTION / TITLE:**

**A RESOLUTION OF THE GOVERNING BOARD OF THE MOUNT SHASTA PUBLIC FINANCING AUTHORITY DECLARING OFFICERS, DIRECTING THE FILING OF CERTAIN NOTICES, AND PROVIDING FOR OTHER MATTERS RELATED THERETO**

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**RECOMMENDATION:** That the Governing Board review this Staff Report and adopt the subject Resolution.

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**EXECUTIVE SUMMARY:** The City of Mount Shasta (the “City”) and the newly formed Mount Shasta Industrial Development Authority (the “IDA”), hereafter sometimes referred to as “Members,” have heretofore approved the formation of the Mount Shasta Public Financing Authority (the “Authority”) through the execution of a joint exercise of powers agreement, dated as of April 22, 2019 (the “JPA Agreement”). Pursuant to the JPA Agreement, the Governing Board of the Authority desires to, among other things, appoint the balance of the initial officers to serve the Mount Shasta Public Financing Authority, and direct the Executive Director to complete all required regulatory filings necessary to properly record the successful formation of the Authority.

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**CONSIDERATION OF RESOLUTION NO. PFA-19-01:**

1. **DECLARATION OF THE OFFICERS**

Resolution PFA-19-01 reaffirms the JPA Agreement, and provides that the officers of the Authority shall be the Chair, Vice Chair, Executive Director, Secretary and Treasurer. The Chair, Vice Chair, Executive Director, Treasurer and Secretary of the Authority shall be same individuals who are the Mayor, Mayor Pro Tempore, City Manager, Finance Director and City Clerk, respectively, of the City at any given point in time.

2. **FILING OF REQUIRED NOTICE WITH SECRETARY OF STATE**

Resolution PFA-19-01 directs the Executive Director to notify the Secretary of State of the formation of the Authority, and to file said notice, together with the appropriate filing fee, if any, within thirty days after the creation of the Authority in the manner set forth in Government Code Section 6503.5.

3. FILING OF ROSTER

The Resolution PFA-19-01 directs the Executive Director to prepare a public agency roster pursuant to Government Code Section 53051, and to file the same with the Secretary of State of the State of California and with the County Clerk of Siskiyou County within seventy (70) days of the creation of the Authority.

4. SELECTION OF TIME AND PLACE OF MEETINGS

Under the JPA Agreement the regular meeting of the Governing Board of the Authority shall be held at the time and place of each regular meeting of the City Council of the City. In the event an agenda for a regular meeting of the Authority is not posted timely in accordance with the provisions of Section 54954.2 of the Government Code, such regular meeting is cancelled without any further action of the any Member, the Governing Board or any officer of the Authority. The Governing Board may hold special meetings at any time and from time to time in accordance with law. The regular meeting place of the Governing Board shall be held at the same location as the City Council meetings. The first regular meeting of the Authority shall be held on May 13, 2019.

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**ATTACHMENTS:**

1. Resolution No. PFA-19-01

**RESOLUTION NO. PFA-19-01**

**A RESOLUTION OF THE GOVERNING BOARD OF THE MOUNT SHASTA  
PUBLIC FINANCING AUTHORITY DECLARING OFFICERS, DIRECTING THE FILING  
OF CERTAIN NOTICES, AND PROVIDING FOR OTHER MATTERS RELATED THERETO**

**MOUNT SHASTA PUBLIC FINANCING AUTHORITY**

**WHEREAS**, the City of Mount Shasta (the “City”) and the Mount Shasta Industrial Development Authority, hereafter sometimes referred to as “Members,” have heretofore approved the formation of the Mount Shasta Public Financing Authority (the “Authority”) through the execution of a joint exercise of powers agreement, dated as of April 22, 2019 (the “JPA Agreement”); and

**WHEREAS**, pursuant to Section 4(b) of the JPA Agreement the Governing Board of the Authority (the “Governing Board”) shall be constituted of all of the individuals who, at any given time, are the sworn members of the City Council of the City; and

**WHEREAS**, pursuant to this Resolution and Section 4(d)(1) of the JPA Agreement, (i) the Governing Board is to be presided over by a Chair and Vice Chair who shall be the same individuals who are the Mayor and Mayor Pro Tempore, respectively, of the City at any given time, (ii) the City Manager of the City shall serve as the Executive Director of the Authority, (iii) the City Finance Director shall serve as the Treasurer of the Authority, and (iv) the City Clerk shall serve as the Secretary of the Authority; and

**WHEREAS**, Section 12 of the JPA Agreement sets forth the requirements for the accounting and reporting requirements of the Authority; and

**WHEREAS**, Section 6503.5 of the Government Code of the State of California requires the notification of the creation of a joint powers entity with the Secretary of State within thirty (30) days after said creation; and

**WHEREAS**, Section 53051 of the Government Code of the State of California requires the filing of a public agency roster with the Secretary of State and the county clerk of each county in which the public agency maintains an office within seventy (70) days after the creation of the public agency; and

**WHEREAS**, Section 6505.1 of the Government Code of the State of California requires the Treasurer to file an official bond;

**NOW, THEREFORE, THE GOVERNING BOARD OF THE MOUNT SHASTA PUBLIC FINANCING AUTHORITY DOES HEREBY FIND, ORDER AND DETERMINE AS FOLLOWS:**

**SECTION 1.** The presiding officers of the Authority shall be same individuals who are the Mayor and Mayor Pro Tempore, respectively, of the City at any given point in time.

**SECTION 2.** The Executive Director, Treasurer and Secretary of the Authority shall be same individuals who are the City Manager, Finance Director and City Clerk, respectively, of the City at any given point in time.

**SECTION 3.** The Executive Director is hereby directed to prepare a public agency roster pursuant to Government Code Section 53051, which public agency roster shall be filed with the Secretary of State of the State of California and with the County Clerk of Siskiyou County within ten (10) days of the date of adoption of this Resolution. Such a public agency roster shall include the following information:

- (1) The full legal name of the Authority.
- (2) The official mailing address of the Governing Board of the Authority.
- (3) The name and residence or business address of each member of the Governing Body of the Authority.
- (4) The name, title, and residence or business address of the Chair and Secretary of the Governing Body of the Authority.

Said roster shall be on a form prescribed by the Secretary of State.

The Executive Director is hereby further authorized and directed to file an amended public agency roster with the Secretary of State of the State of California and with the County Clerk of Siskiyou County within ten (10) days after any change in the facts required to be stated pursuant to Government Code Section 53051.

**SECTION 4.** The Treasurer is directed to procure a bond in compliance with Government Code Section 6505.1.

**SECTION 5.** The Authority shall hold its first regular meeting on May 13, 2019, and thereafter regular meetings of the authority will be held at the same time and place of each regular meeting of the City Council of the City. In the event an agenda for a regular meeting of the Authority is not posted timely in accordance with the provisions of Section 54954.2 of the Government Code, such regular meeting shall be automatically cancelled without any further action of the any Member, the Governing Board or any officer of the City or Authority. The Governing Board of the Authority may hold a special meeting at any time. Furthermore, the Governing Board of the Authority may, by resolution adopted at a regular or special meeting, declare that regular meetings occur at a date or dates, and at times, different from that set forth in this paragraph.

**SECTION 6.** The Authority is authorized, in its own name, to do all acts necessary or convenient for the exercise of its powers to the extent set forth in the JPA Agreement, including, but not limited to, any or all of the following: to sue and be sued; to make and enter into contracts; to employ agents, consultants, attorneys, accountants, and employees; to acquire, hold or dispose of property, whether real or personal, tangible or intangible, wherever located; to issue bonds or otherwise incur debts, liabilities or obligations to the extent authorized by the Chapter 5 of Division 7 of Title I of the California Government Code (the "Act") or any other applicable provision of law and to pledge any property or revenues or the rights thereto as security for such Bonds and other indebtedness. Notwithstanding the foregoing, the Authority shall have any additional powers conferred under the Act or under applicable law, insofar as such additional powers may be necessary to accomplish the purposes set forth in JPA Agreement.

**SECTION 7.** This resolution shall take effect immediately upon its passage and adoption.

\* \* \* \* \*

**THE FOREGOING RESOLUTION WAS PASSED AND ADOPTED** by the members of the Mount Shasta Public Financing Authority at its first meeting held on this April 22, 2019, by the following roll call vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

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Chair of the Mount Shasta  
Public Financing Authority

ATTEST:

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Secretary of the Mount Shasta  
Public Financing Authority

**Public Financing Authority Board Agenda Item #3  
Staff Report**

**Meeting Date:** May 13, 2019

**TO:** Authority Board

**FROM:** Bruce Pope, City Manager

**SUBJECT:** Adoption of Resolutions Pertaining to the Authorization, Sale and Delivery of Wastewater Revenue Bonds to USDA

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**Recommendation:**

Staff respectfully requests the Board of Directors of the Mount Shasta Public Financing Authority to adopt Resolution No. PFA-19-~~XX~~ Approving a Trust Agreement, Installment Sale Agreement, Assignment Agreement and Certain Other Documents in Connection with the Authorization, Preparation, Sale and Delivery of Mount Shasta Public Financing Authority, Series 2019 Wastewater Enterprise Revenue Bonds, and Authorizing and Directing Certain Actions with Respect thereto.

**Background & Summary:**

City's wastewater collection system has a series of bottlenecks in the downtown area due to undersized and/or deteriorated sewers, which has led to ongoing sewer system overflows, inflow and infiltration problems. The original collection system for the City consisted of short lengths of vitrified clay pipe or concrete pipe with cement mortar joints dating back to 1912 with major additions being constructed in the late 1920s through the 1950s. Some portions of the collection system are up to 90 years old, prone to excessive infiltration problems, and require a significant amount of maintenance. The existing condition of the downtown collection system poses a risk to citizens and to the environment. Basically, the sewer mains are well beyond their design life, and signs of deterioration only emphasize their need for replacement.

Staff has been working with the local USDA office to find a cost-effective long-term financing solution to address the downtown collection system inadequacies. In August of 2017 PACE Engineering prepared a Preliminary Engineering Report (PER), to identifying project specific required improvements, and to determine costs associated with those improvements.

Based upon the PER, in July of 2018 the United States Department of Agriculture (USDA) Rural Development issued a Letter of Conditions (LOC) to fund the City's Downtown Sewer Collection System Improvement Project (the "Project"), including a not-to-exceed \$1,309,000 loan component and a \$1,608,000 grant component. The City has completed the plans and specifications for the Project, and now ready to go out for bids.

The loan component will be in the form of Mt. Shasta Series 2019 Revenue Bonds that will be purchased by the United States Department of Agriculture (USDA), in an aggregate amount of not to exceed \$1,309,000 (the “Bonds”). The Bonds will bear interest at a rate of approximately 2.375% and will be repaid semi-annually over a 40-year fully amortizing term, which equates to annual debt service of approximately \$52,500.

### **Summary of the Resolutions:**

The subject resolutions essentially authorize and approve the form of all the base legal documents (the “Financing Documents”) necessary to provide for the successful issuance of the Bonds. The adoption of each Resolution is a legal prerequisite to allow for the completion of the appropriate documentation necessary for the USDA/Bonds finalization. The accompanying Financing Documents comprise a financing structure that is considered typical for California cities to legally incur debt secured by enterprise revenues, and is acceptable to USDA, as the purchaser of the Bonds. In using this financing structure, an installment sale arrangement must be established with a third-party governmental entity. The newly formed Mount Shasta Public Financing Authority (the “Authority”) is being used to serve this purpose for this financing transaction.

### **Summary of Financing Documents:**

The Financing Documents are being presented to both the City Council and the Board of Directors of the Authority (the “Authority Board”) Board as “form-only documents.” The actual final forms cannot be produced at this time because the exact amounts, dates, and certain other information will not be known until the actual sale date. The subject resolutions authorize and direct certain City and Authority officers and staff to finalize the Financing Documents as and when appropriate, and to do all things necessary to provide for the issuance of the Bonds, which is expected to occur sometime within the next couple of months. If the final terms for any reason should fall outside of expected parameters, staff will return for further direction before finalizing the transaction, although staff presently has no reason to believe that this will occur.

The Financing Documents can be succinctly summarized as follows: The Bonds are sold directly to USDA and the proceeds from the sale of the Bonds (along with the grant monies) are used to pay Project costs. Pursuant to the Installment Sale Agreement (described below) the City is “purchasing” the Project from the Authority in exchange for making semi-annual Installment Sale Payments which are assigned to the Trust Administrator (which role is being served by the City Finance Director), who then makes corresponding semi-annual debt service payments directly to USDA. The Bonds are to be issued as limited debt obligations, and therefore it is only the City’s wastewater enterprise fund that is being exposed to repayment risk. The proposed Bonds are structured as tax-exempt obligations and are pre-payable at any time without penalty.

The Financing Documents, and a brief description of each, is as follows:

1. Installment Sale Agreement: This agreement provides for the purchase of the Project from the Authority in exchange for the City’s promise to make future semi-annual Installment Payments to the Authority, which semi-annual payments are commensurate with the debt service on the Bonds. In addition to making the Installment Payments, the City covenants to acquire and construct

the Project in accordance with proper plans and specifications, and then to maintain the Project throughout the term of the Installment Sale Agreement, pay taxes, if any, and to maintain various forms of insurance.

This document, among other things, provides the following:

- That the City must include Installment Payments due each Fiscal Year in each corresponding annual budget and to make the necessary annual appropriations for all such annual Rental Payments.
- That rates must be set and maintained such that annual Net Revenues equal or exceed at least 120% of (i) the Installment Payments coming due and payable during such Fiscal Year, and (ii) all payments required with respect to any outstanding Parity Debt.
- That the City must establish a reserve fund (the “Reserve Fund”) that is restricted and only to be used in the event of a shortfall in the payment of debt service on the Bonds. The Reserve Fund will be built up over ten years until it reaches an amount equal to the average annual debt service on the Bonds (i.e., approximately \$55,000).
- That the City must, at its sole cost and expense, keep and maintain the Project in good condition and repair.
- That the City must procure and maintain throughout the term of the financing, the insurance set forth in Sections 5.04 and 5.05 of the Installment Sale Agreement.

3. Trust Agreement: This document provides for execution and delivery of the Bonds to USDA in exchange for proceeds in the par amount thereof, and further establishes the covenants and specifics of the Bonds, including (i) the application of proceeds to pay for the acquisition and construction of the proposed Project (as well as payment of the costs of issuance for the Bonds), (ii) the management of the Reserve Fund, (iii) the Trust Administrator’s duties (which role is being served by the City Finance Director), (iv) repayment mechanisms, (v) default and remedies provisions, and (vi) the Bond Owners (i.e., USDA) rights and remedies.

4. Assignment Agreement: This agreement provides the terms and conditions under which the Authority assigns the City’s Installment Payments to the Trust Administrator, for ultimate payment to the USDA.

5. Purchase Offer: The City will sell the Bonds to USDA pursuant to the terms of the Purchase Offer. The Purchase Offer states the conditions under which USDA will purchase the Bonds and requires the City and Authority to deliver all the duly authorized and executed documents and opinions at closing. The City also covenants that there is no material litigation against the City which would impair its ability to make Installment Payments or affect the Bonds. The sale is scheduled in accordance with the parameters described above.

**Financial Impact:**

The Bonds will be scheduled for repayment over a period of 40 years. Payments will be annual principal installments and semi-annual interest installments, beginning approximately six months after closing. For planning purposes, USDA is presently proposing an interest rate 2.375%, which provides for a total annual payment of approximately \$52,500. The precise payment amount will be based on the interest rate at the time the Bond issue is closed, and may be different than the one above. The payment due dates will also be established as the day that the financing closes.

**Alternatives:**

1. Do not approve resolutions and provide staff with other direction.

**Attachments:**

1. Authority Resolution No. PFA-19-~~XX~~
2. Form of Installment Sale Agreement
3. Form of Trust Agreement
4. Form of Assignment Agreement
5. Form of Grant Agreement
6. Form of Purchase Offer

**RESOLUTION NO. PFA-19-XX**

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE MOUNT SHASTA PUBLIC FINANCING AUTHORITY APPROVING A TRUST AGREEMENT, INSTALLMENT SALE AGREEMENT, ASSIGNMENT AGREEMENT AND CERTAIN OTHER DOCUMENTS IN CONNECTION WITH THE AUTHORIZATION, PREPARATION, SALE AND DELIVERY OF MOUNT SHASTA PUBLIC FINANCING AUTHORITY, SERIES 2019 WASTEWATER ENTERPRISE REVENUE BONDS, AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO**

**WHEREAS**, the Mount Shasta Public Financing Authority (the “Authority”), a joint exercise of powers authority organized and existing under the laws of the State of California, was formed pursuant to the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”), and is authorized pursuant to Article 4 of the Act (the “Bond Law”) to borrow money for the purpose of, among other things, making loans, buying securities, purchasing facilities, and providing for installment sale arrangements to assist the City of Mt. Shasta (the “City”) further its public purposes; and

**WHEREAS**, the City has requested the assistance of the Authority to cause Series 2019 Wastewater Enterprise Revenue Bonds (the “Bonds”) to be delivered to the United States of America, Acting Through Rural Utility Service, United States Department of Agriculture, California (hereafter referred to as “USDA”) in the aggregate principal amount of not to exceed \$2,000,000 for the purpose of providing permanent long-term financing for the acquisition and construction of certain new wastewater system facilities commonly referred to as the City of Mt. Shasta Wastewater System Improvement Project (the “Project”); and

**WHEREAS**, the Bonds will be issued pursuant to and secured by a Trust Agreement (the “Trust Agreement”), dated as of June 1, 2019, by and among the City, the Authority and the Finance Director of the City, as trust administrator (the “Trust Administrator”); and

**WHEREAS**, the Bonds will be sold to USDA pursuant to (i) Resolution No. CCR-19-XX (Adopting USDA RUS Bulletin 1780-27 Loan Resolution) adopted by the City Council of the City (the “City Council”) on May 13, 2019, (ii) Resolution No. CCR-19-XX (2019), adopted by the City Council on May 13, 2019; (iii) this resolution (collectively, the “Resolutions”), and (iv) USDA’s written offer to purchase the Bonds from the Authority pursuant to the terms and conditions of the Trust Agreement (the “Purchase Offer”); and

**WHEREAS**, the City proposes to purchase the Project, from the Authority pursuant to a certain Installment Sale Agreement (the “Installment Sale Agreement”), dated as of June 1, 2019, by and between the City and the Authority; and

**WHEREAS**, the City will make installment payments pursuant to the Installment Sale Agreement (the “Installment Payments”) from the Net Revenues (as defined therein) of the Wastewater System in order to purchase the Project from the Authority; and

**WHEREAS**, to implement the foregoing, the Authority and the Trust Administrator propose to execute and enter into an Assignment Agreement (the “Assignment Agreement”), dated as of June 1, 2019, whereby the Authority will assign to the Trust Administrator all of its rights and entitlements under the Installment Sale

Agreement, including but not limited to the entitlement to receive the Installment Payments from the City; and

**WHEREAS**, the Authority propose to sell the Bonds to USDA pursuant to USDA’s Purchase Offer (the “Purchase Offer”), all on the terms and conditions herein set forth and as provided in the Trust Agreement and Installment Sale Agreement; and

**WHEREAS**, the Authority, with the aid of its staff, has reviewed the Purchase Offer, the Trust Agreement, the Installment Sale Agreement and the Assignment Agreement, the forms of which are on file with the Secretary of the Board of Directors of the Authority (the “Secretary”), and the Board of Directors of the Authority (the “Board”) wishes at this time to approve the foregoing in the public interests of the Authority; and

**WHEREAS**, the Authority desires to designate the Bonds for purposes of Paragraph (3) of Section 265(b) of the Code as a “Qualified Tax-Exempt Obligation;” and

**WHEREAS**, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of such financing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Authority is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the Project in the manner and upon the terms herein provided; and

**NOW, THEREFORE, IT IS HEREBY DETERMINED AND RESOLVED BY THE BOARD OF DIRECTORS OF THE MOUNT SHASTA PUBLIC FINANCING AUTHORITY AS FOLLOWS:**

**Section 1. Recitals and Findings.** The Board hereby specifically finds and declares that each of the statements, findings and determinations of the Authority set forth in the recitals set forth above and in the preambles of the documents approved herein are true and correct. The Board hereby further finds and determines that the total payments to be paid under the Installment Sale Agreement does not exceed the fair market value of the Project as set forth in the Installment Sale Agreement.

**Section 2. Authorized Representatives.** The Chairperson, Vice-Chairperson, Executive Director, Treasurer, Secretary, and any other person authorized by the Board to act on behalf of the Authority shall each be an “Authorized Representative” of the Authority for the purposes of structuring and providing for the issuance of the Bonds, and are hereby authorized, jointly and severally, for and in the name of and on behalf of the Authority, to execute and deliver any and all documents and certificates that may be required to be executed in connection with the execution and delivery of the Bonds, and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the Board has approved in this Resolution.

**Section 3. Bonds.** The Board hereby authorizes the preparation, sale and delivery of the Bonds in an aggregate principal amount not to exceed \$2,000,000 in accordance with the terms and provisions of the Trust Agreement.

**Section 4. Bond Documents.** The form of the Installment Sale Agreement, the Trust Agreement, Purchase Offer and the Assignment Agreement presented at this meeting are approved. The Chairperson, Vice-Chairperson, Executive Director, Treasurer or Secretary of the Authority, and any other person authorized by the

Board to act on behalf of the Authority, is authorized and directed to execute, deliver or acknowledge said agreements. Such agreements shall be executed or acknowledged, as the case may be, in substantially the forms hereby approved, with such changes, insertions and omissions as may be recommended by the Authority and approved by the officers executing the same, said execution being conclusive evidence of such approval.

**Section 5. Appointment of Trust Administrator.** The Finance Director is hereby accepted to act as Trust Administrator under the Trust Agreement unless and until replaced in accordance with the provisions of the Trust Agreement.

**Section 6. Qualified Tax-Exempt Obligation.** The Board hereby designates the Installment Sale Agreement and the Bonds for purposes of Paragraph (3) of Section 265(b) of the Code as a “Qualified Tax-Exempt Obligation” and covenants that the Bonds do not constitute a private activity bond as defined in Section 141 of the Code and that the aggregate face amount of all tax-exempt obligations issued by the Authority (including all subordinate entities of the Authority and all entities which may issue obligations on behalf of the Authority) during the calendar year 2019 is not reasonably expected to exceed \$10,000,000, excluding, however, private activity bonds, as defined in Section 141 of the Code (other than qualified 501(c)(3) bonds as defined in Section 145 of the Code) and current refunding obligations having a principal amount not in excess of the refunded obligation.

**Section 7. Other Actions.** The Chairperson, Vice-Chairperson, Executive Director, Treasurer or Secretary, and such other officers of the Authority are authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate the sale and delivery of the Bonds, and the delivery of the Purchase Offer, Installment Sale Agreement, Trust Agreement and Assignment Agreement and otherwise effectuate the purposes of this Resolution.

**Section 8. Effect.** This Resolution shall take effect immediately from and after the date of its passage and adoption.

\* \* \* \* \*

**THE FOREGOING RESOLUTION WAS PASSED AND ADOPTED** by the members of the Mount Shasta Public Financing Authority at its regular meeting held on May 13, 2019, by the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

\_\_\_\_\_  
Chairperson

ATTEST:

\_\_\_\_\_  
Secretary

\* \* \* \* \*

I hereby certify that the foregoing is a true and correct copy of a Resolution duly adopted by the MOUNT SHASTA PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California, at a regular meeting of the Board of Directors thereof duly called and held at the office of the Authority on the 13th day of May, 2019.

(SEAL)

\_\_\_\_\_  
Secretary  
MOUNT SHASTA PUBLIC FINANCING AUTHORITY

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**INSTALLMENT SALE AGREEMENT**

**Dated as of June 1, 2019**

**by and between the**

**MOUNT SHASTA PUBLIC FINANCING AUTHORITY,  
as Seller**

**and the**

**CITY OF MOUNT SHASTA,  
as Purchaser**

**Relating to**

**\$ \_\_\_\_\_  
MOUNT SHASTA PUBLIC FINANCING AUTHORITY  
(City of Mount Shasta, California)  
SERIES 2019 WASTEWATER ENTERPRISE REVENUE BONDS  
(Downtown Sewer Collection System Improvement Project)  
BANK QUALIFIED**

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## **INSTALLMENT SALE AGREEMENT**

**THIS INSTALLMENT SALE AGREEMENT**, dated as of June 1, 2019, by and between the MOUNT SHASTA PUBLIC FINANCING AUTHORITY, a California joint powers authority duly organized and existing pursuant to the laws of the State of California, as seller (the “Authority”), and the CITY OF MOUNT SHASTA, a general law city and public agency duly organized and validly existing under the constitution and laws of the State of California, as purchaser (the “City”);

### ***WITNESSETH:***

**WHEREAS**, the City received a Letter of Conditions dated May 29, 2013 (the “Letter of Conditions”), from the United States Department of Agriculture, Rural Development (the “USDA”) establishing certain conditions under which the USDA would loan and grant money to the City to finance the certain repairs and improvements to its wastewater system (the “Wastewater System”), as more particularly described in Exhibit A hereto (the “Project”); and

**WHEREAS**, the Authority has been formed for the purpose, among others, of assisting municipalities such as the City in the financing of public capital improvements within or of benefit to the City; and

**WHEREAS**, to that end, the Authority will cause the execution and delivery of Series 2019 Wastewater Enterprise Revenue Bonds in the principal amount of \$ \_\_\_\_\_ (the “Bonds”), and apply the proceeds of the sale thereof to the acquisition and construction of the Project; and

**WHEREAS**, the Bonds will be issued pursuant to the terms and conditions of a Trust Agreement by and among the Authority, the City and the Finance Director of the City, as the trust administrator named therein (the “Trust Agreement”); and

**WHEREAS**, the City has determined to purchase the Project from the Authority pursuant to this Installment Sale Agreement; and

**WHEREAS**, the City will make installment payments pursuant to this Installment Sale Agreement (the “Installment Payments”) from the Net Revenues (as defined herein) of the Wastewater System in order to purchase the Project from the Authority; and

**WHEREAS**, the Authority will assign its right to receive Installment Payments to the Finance Director of the City of Mount Shasta, as trust administrator, pursuant to an Assignment Agreement, dated as of June 1, 2019 (the “Assignment Agreement”) for the benefit of the Owners (as defined herein) of the Bonds;

**NOW, THEREFORE**, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

## ARTICLE I

### GENERAL

**Section 1.01. Definitions.** Unless the context otherwise requires, the terms defined in the Trust Agreement, dated as of June 1, 2019, by and among the Finance Director of the City of Mount Shasta, as Trust Administrator, the Authority and the City, shall, for all purposes of this Installment Sale Agreement, have the meanings specified therein.

**Section 1.02. Representations, Covenants and Warranties.** The City and the Authority represent, covenant and warrant to each other as follows:

- (a) Each is validly organized and existing under the laws of the State.
- (b) The laws of the State authorize each to enter into this Installment Sale Agreement and the Trust Agreement and to enter into the transactions contemplated by and to carry out its obligations under each of the aforesaid agreements, and each is duly authorized to execute such agreements.
- (c) The execution and delivery of this Installment Sale Agreement, the Trust Agreement, the fulfillment of or compliance with the terms and conditions hereof or thereof, and the consummation of the transactions contemplated by this Installment Sale Agreement and the Trust Agreement do not conflict with and do not result in a material breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which either is now a party or by which either is bound or constitutes a default under any such agreement or instrument.
- (d) Each has duly executed this Installment Sale Agreement and the Trust Agreement in accordance with the laws of the State.
- (e) The Project has not been the subject of a previous conveyance by the City.
- (f) The City has not issued or incurred any obligations which are currently outstanding having any priority in payment out of the Gross Revenues or the Net Revenues over the payment of the Installment Payments as provided herein.

**Section 1.03. Written Certificates.**

- (a) **Contents.** Every Written Certificate provided for in this Installment Sale Agreement with respect to compliance with any provision hereof (other than Written Certificates delivered on the Closing Date) shall include (a) a statement that the person making or giving such Written Certificate or opinion has read such provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the Written Certificate is based; (c) 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 him or her to express an informed opinion with respect to the subject matter referred to in the instrument to which his or her signature is affixed; (d) a statement of the assumptions upon which such Written Certificate is based,

and that such assumptions are reasonable; and (e) a statement as to whether, in the opinion of such person, such provision has been complied with.

**(b) Reliance.** Any such Written Certificate made or given by a City Representative may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an accountant, unless such City Representative 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 Written Certificate may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an accountant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the City, as the case may be) upon a certificate or opinion of or representation by a City Representative, unless such counsel or 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 is erroneous. The same City Representative, or the same counsel or accountant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Installment Sale Agreement, but different officers, counsel or accountants may certify to different matters, respectively.

**Section 1.04. Exhibits.** The following Exhibits are attached to, and by this reference are made a part of, this Installment Sale Agreement:

- Exhibit A: Project Description**
- Exhibit B: Installment Payments Schedule**

## ARTICLE II

### DEPOSITS; PAYMENTS; CONSTRUCTION

**Section 2.01. Deposit of Moneys.** The Authority shall cause to be deposited with the Trust Administrator, the amounts derived, from time to time, as advances of the proceeds of the Bonds (to be an aggregate of \$ \_\_\_\_\_) in the funds as provided in the Trust Agreement.

**Section 2.02. Payment of Project Costs and Delivery Costs.** Payment of the Project Costs and Delivery Costs shall be made from the moneys deposited with the Trust Administrator in the Bond Proceeds Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with Sections 3.02 and 3.03, respectively, of the Trust Agreement. The City hereby covenants to pay necessary Project Costs and Delivery Costs in excess of amounts available from Bonds proceeds from any legally available source of funds.

**Section 2.03. Unexpended Proceeds.** In accordance with Section 3.04 of the Trust Agreement, all excess moneys remaining in the Bond Proceeds Fund and not required for payment of Project Costs shall be transferred to the Installment Payment Fund and applied to the prepayment of Bonds.

**Section 2.04. Construction of Project.** The Authority hereby appoints the City as its agent to acquire and construct the Project.

## ARTICLE III

### PROJECT SALE AND TITLE; INSTALLMENT PAYMENTS; NET REVENUES

**Section 3.01. Sale.** The Authority hereby sells, bargains and conveys the Project to the City, and the City hereby purchases the Project from the Authority upon the terms and conditions set forth in this Installment Sale Agreement.

**Section 3.02. Title.** The City and the Authority agree that title to the Project, and each component thereof, shall be deemed conveyed to and vested in the City upon the completion of the acquisition, construction and installation thereof. The Authority and its officers shall take all actions necessary to vest in the City all of the Authority's rights in and title to the Project.

**Section 3.03. Assignment by the Authority.** The Authority's right, title and interest in this Installment Sale Agreement, including the right to receive and enforce payment of the Installment Payments to be made by the City under this Installment Sale Agreement, have been assigned to the Trust Administrator, subject to certain exceptions, pursuant to the Assignment Agreement, to which assignment the City hereby consents. The City understands and agrees that the Authority has assigned its right, title and interest (but not its duties or obligations) in this Installment Sale Agreement to the Trust Administrator pursuant to the Assignment Agreement for the benefit of the Owners of the Bonds. The Authority hereby directs the City, and the City hereby agrees, to pay to the Trust Administrator at the Trust Administrator's Trust Office or at such other place as the Trust Administrator shall direct in writing, all payments payable by the City pursuant to this Installment Sale Agreement.

**Section 3.04. Term of the Installment Sale Agreement.** The Term of the Installment Sale Agreement shall be as provided in the Trust Agreement.

#### **Section 3.05. Installment Payments.**

(a) **Obligation to Pay.** The City agrees to pay to the Authority, its successors and assigns, as the purchase price of the Project, the Installment Payments, consisting of components of principal and interest, on the Installment Payment Dates and in the amounts specified in Exhibit B hereto, except such amounts shall be reduced by moneys on deposit in the Installment Payment Fund and credited to the payment of Installment Payments next due; provided that the amount of the respective Installment Payments shall remain subject to modification to reflect the facts that (a) the corresponding proceeds received from the Government on account of the sequential purchase of the Certificates will be received in installments, with the result that interest installments of the Installment Payments will be less than shown in Exhibit B for the period during which such proceeds are being received from the Government, and (b) the aggregate principal amount of the proceeds received from the United States of America may ultimately be less than the \$ \_\_\_\_\_ Principal Amount of the Bonds, in which case both the principal installments and the interest installments shown in Exhibit B will be modified to correspond to the actual aggregate principal amount received. The Installment Payments shall be payable solely from Net Revenues as hereinafter provided.

(b) **Reduction upon Partial Prepayment.** In the event the City prepays less than all of the remaining principal components of the Installment Payments pursuant to Sections 4.02 and 4.03

hereof, the amount of such prepayment shall be applied to reduce the principal component of the subsequent remaining Installment Payments in inverse order of maturity, unless otherwise requested by City and agreed to by Original Purchaser in its reasonable discretion, and the interest component of each subsequent remaining Installment Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Bonds redeemed as a result of such prepayment.

(c) **Rate on Overdue Payments.** In the event the City should fail to make any of the payments required in this Section 3.05 so that there are insufficient moneys on hand in the Installment Payment Fund to pay any Installment Payment in full on an Installment Payment Date, the Installment Payment in default shall continue as an obligation of the City until the amount in default shall have been fully paid and the City agrees to pay the same with interest thereon, to the extent permitted by law, from the date thereof at the rate of interest payable with respect to the Bonds.

### **Section 3.06. Special Obligation of the City.**

(a) **Limitations.** The City's obligation to pay the Installment Payments shall be a special obligation limited solely to Net Revenues. Under no circumstances shall the City be required to advance any moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Installment Payments, nor shall any other funds or property of the City be liable for the payment of the Installment Payments.

(b) **Obligations Unconditional.** The obligations of the City to make the Installment Payments from Net Revenues and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach of the City, the Authority or the Trust Administrator of any obligation to the City or otherwise with respect to the Project, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the City by the Authority or the Trust Administrator.

(c) **Obligations Specified.** Until such time as all of the Installment Payments shall have been fully paid or prepaid, the City:

(i) will not suspend, abate, or discontinue any payments provided for in Section 3.05 hereof;

(ii) will perform and observe all other agreements contained in this Installment Sale Agreement; and

(iii) will not terminate the Term of the Installment Sale Agreement for any cause, including, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, the taking by eminent domain of title to or temporary use of any or all of the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof or any failure of the Authority or the Trust Administrator to perform and observe any agreement, whether express or implied,

or any duty, liability or obligation arising out of or connected with the Trust Agreement, the Assignment Agreement or this Installment Sale Agreement.

**(d) Authority Obligations.** Nothing contained in this Section 3.06 shall be construed to release the Authority from the performance of any of the agreements on its part herein contained, and in the event the Authority shall fail to perform any such agreements on its part, the City may institute such action against the Authority as the City may deem necessary to compel performance so long as such action does not abrogate the obligations of the City contained in Section 3.06(b) above. The City may, however, at the City's own cost and expense and in the City's own name or in the name of the Authority prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure or protect the City's right of possession, occupancy and use hereunder, and in such event the Authority hereby agrees to cooperate fully with the City and to take such action necessary to effect the substitution of the City for the Authority in such action or proceeding if the City shall so request.

**Section 3.07. Pledge of Net Revenues; Transfer to Pay Installment Payments; Release from Lien.**

**(a) Pledge of Net Revenues.** The City hereby agrees that the payment of the Installment Payments shall be secured by a first pledge, charge and lien upon Net Revenues which pledge, charge and lien are on a parity with any Parity Debt, and Net Revenues sufficient to pay the Installment Payments as they become due and payable are hereby pledged, charged, assigned, transferred and set over by the City to the Authority and its assigns for the purpose of securing payment of the Installment Payments. The Net Revenues shall constitute a trust fund for the security and payment of the Installment Payments.

**(b) Transfer to Pay Installment Payments.** In order to provide for the payment of Installment Payments when due, the City shall, on or before each Installment Payment Date, transfer to the Trust Administrator for deposit into the Installment Payment Fund the amount indicated in Exhibit B attached hereto as required for the next occurring Installment Payment Date. Notwithstanding Exhibit B attached hereto, the City shall be obligated to make Installment Payments sufficient to pay all principal and interest due with respect to the Bonds.

**(c) Release from Lien.** Following the transfers described in paragraph (b) of this Section 3.07 with respect to Net Revenues allocable to such Fiscal Year in excess of amounts required for the payment of Bonds and Parity Debt, if any issued or incurred in accordance with Section 3.09(b), and for the replenishment of the Reserve Fund in such Fiscal Year shall be released from the lien of this Installment Sale Agreement and shall be available for any lawful purpose of the City.

**Section 3.08. Rate Covenant.** The City hereby covenants that it shall prescribe, revise and collect such charges for the services and facilities of the Wastewater System which, after allowances for contingencies and error in the estimates, shall produce Gross Revenues sufficient in each Fiscal Year to provide Net Revenues equal to at least 1.20 times (i) the Installment Payments coming due and payable during such Fiscal Year, (ii) all payments required with respect to Parity Debt and (iii) amounts required to replenish the Reserve Fund, as required by Section 6.06 of the Trust Agreement.

**Section 3.09. Limitations on Future Obligations Secured by Net Revenues.**

**(a) No Obligations Superior to Installment Payments.** In order to protect further the availability of the Net Revenues and the security for the Installment Payments and any Parity Debt, the City hereby agrees that the City shall not, so long as any Bonds are outstanding, issue or incur any obligations payable from Gross Revenues or Net Revenues superior to the Installment Payments or any Parity Debt.

**(b) Parity Debt.** The City further covenants that, except for obligations issued or incurred to prepay the Installment Payments in full pursuant to Section 4.02 hereof, the City shall not issue or incur any Parity Debt unless:

**(i)** The City is not in default under the terms of this Installment Sale Agreement;

**(ii)** Net Revenues, calculated on sound accounting principles, as shown by the books of the City for the latest Fiscal Year or any more recent 12-month period selected by the City ending not more than 60 days prior to the adoption of the resolution pursuant to which instrument such parity debt is issued or incurred, as shown by the books of the City, plus the estimated amount of the increase in the Net Revenues for the first full 12-month period in which the proposed additions to or improvements or extensions of the Wastewater System to be funded by such Parity Debt will be in operation, as shown by an opinion of an independent recognized consulting engineer, equals at least 1.20 times the sum of the average annual Installment Payments, average annual debt service on all outstanding Parity Debt outstanding at the time the additional parity obligations are issued or incurred, and average annual debt service on all additional parity bonds or additional parity obligations proposed to be issued or incurred. Either or both of the following items may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (b)(ii):

**(A)** An allowance for revenues from any additions to or improvements or extensions of the Wastewater System to be constructed with the proceeds of such Parity Debt, and also for net revenues from any such additions, improvements or extensions which have been constructed from moneys from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 70% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following closing of the proposed Parity Debt, all as shown by the certificates or opinion of a qualified independent consultant employed by the City, may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (b)(ii).

**(B)** An allowance for earnings arising from any increase in the charges made for service from the Wastewater System which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been

in effect during the whole of such Fiscal Year and any period prior to the incurring of such additional obligations, as shown by the certificates or opinion of a qualified independent engineer employed by the City.

(iii) So long as all of the Outstanding Bonds are held by the Original Purchaser, the prior written consent of such Original Purchaser shall have been obtained.

**Section 3.10. Additional Payments.** In addition to the Installment Payments, the City shall pay, from Net Revenues, when due all costs and expenses incurred by the Authority to comply with the provisions of the Trust Agreement and this Installment Sale Agreement, including, without limitation all Delivery Costs (to the extent not paid from amounts on deposit in the Bond Proceeds Fund), compensation due to the Trust Administrator for its fees, costs and expenses incurred under the Trust Agreement and the Assignment Agreement and all costs and expenses of attorneys, auditors, engineers and accountants.

**Section 3.11. Payments to Reserve Fund.** In addition to the Installment Payments, the City shall pay to the Trust Administrator from Net Revenues for deposit in the Reserve Fund (a) on each Installment Payment Date, and for the Term of the Installment Sale Agreement, an amount equal to one-twentieth (1/20th) of the average annual debt service on the Bonds, and (b) such amounts as shall be required to replenish the Reserve Fund in the event of a draw therefrom or a valuation determines that a deficiency exists therein, all in accordance with Section 6.06 of the Trust Agreement; provided, however, that in the event the amount on deposit in the Reserve Fund reaches the Reserve Requirement, the City shall discontinue the aforesaid payments to the Reserve Fund (except to the extent necessary to replenish the Reserve Fund) and any further interest earnings on the Reserve Fund shall be allocated under Section 8.03 of the Trust Agreement.

**Section 3.12. Payments to Short-Lived Assets Reserve Fund.** In addition to the Installment Payments, the City shall pay to the Trust Administrator from Net Revenues an initial amount of \$\_\_\_\_\_ into the Short-Lived Assets Reserve Fund on or before the Closing Date, and shall annually thereafter deposit \$\_\_\_\_\_ into the Short-Lived Assets Reserve Fund by not later than June 30 of each year, starting with fiscal year ending June 30, 2020, and continuing for as long as any of the Bonds remain outstanding.

The City may withdraw amounts on deposit in the Short-Lived Assets Reserve Fund from time to time to pay for timely replacement of “short-lived assets” of the Wastewater System, which for purposes of this Section shall mean any component or assets of the Wastewater System, including without limitation pumps, paint and small equipment, that will need to be repaired or replaced over a one to fifteen-year period, the cost of which is not included within the definition of Operation and Maintenance Costs.

Notwithstanding the foregoing, before each June 30 the City shall evaluate the status and condition of short-lived assets of the Wastewater System and, if such evaluation suggests that a lesser or greater deposit is required in order to provide for the timely replacement of any short-lived assets, the City may upon consultation by the City with the Government decrease the amount of the annual deposit into the Short-Lived Assets Reserve Fund if a lesser amount is indicated, but shall increase the amount of the annual deposit in to the Short-Lived Assets Reserve Fund if a greater amount is indicated.

## ARTICLE IV

### PREPAYMENT OF INSTALLMENT PAYMENTS

**Section 4.01. Prepayment.** The City shall have the right to prepay the Installment Payments, but only in the manner, at the times and in all respects in accordance with the provisions of this Article IV.

**Section 4.02. Optional Prepayment.** Subject to the terms and conditions of this Section 4.02, the Authority hereby grants an option to City to prepay the Installment Payments in full, by paying the total unpaid principal component of the Installment Payments as set forth in Exhibit B or in part, but not in an amount of less than the Denomination Amount or any integral multiple thereof, at any one time. Said option may be exercised on any date following written notice by the City to the Authority and the Trust Administrator of the exercise of such option at least sixty (60) days prior to date designated for prepayment. Such option shall be exercised in the event of prepayment in full, by depositing with the Trust Administrator by the applicable prepayment date cash in an amount sufficient to pay the total unpaid principal component of the Installment Payments as set forth in Exhibit B, together with any Installment Payments then due but unpaid together with accrued interest to the prepayment date, or, in the event of prepayment in part, by depositing with the Trust Administrator by the applicable date of prepayment, an amount divisible by the Denomination Amount equal to the amount desired to be prepaid together with any Installment Payments then due but unpaid together with accrued interest on the amount to be prepaid to the prepayment date.

In the event of prepayment in part, the City or Authority shall revise the Exhibit B Schedule of Installment Payments, which schedule shall take into account such prepayment and shall be and become for all purposes thereafter the “Amended Exhibit B to the Installment Sale Agreement.”

**Section 4.03. Mandatory Prepayment from Net Proceeds of Insurance or Condemnation and from Unexpended Proceeds.** The City shall be obligated to prepay the Installment Payments in whole or in part on any Installment Payment Date from and to the extent of (a) any Net Proceeds of any insurance or condemnation award theretofore deposited in the Installment Payment Fund for such purpose pursuant to Section 5.07 hereof or pursuant to Section 7.02 of the Trust Agreement; and (b) from any excess monies remaining in the Bond Proceeds Fund and not required for payment of Project or Delivery Costs (“Unexpended Proceeds”). The City and the Authority hereby agree that such Net Proceeds and Unexpended Proceeds shall be credited towards the City’s obligations under this Section 4.03. Except in the case of such prepayment of the Installment Payments in full, such payment shall be in addition to the Installment Payment required to be paid by the City on such date.

**Section 4.04. Credit for Amounts on Deposit.** In the event the City elects or is required to prepay the Installment Payments in full under this Article IV, such that the Trust Agreement shall be discharged by its terms as a result of such prepayment, all amounts then on deposit in the Installment Payment Fund, the Bond Proceeds Fund or the Reserve Fund shall be credited towards the amounts required to be so prepaid.

**Section 4.05. Security Deposit.** Notwithstanding any other provision of this Installment Sale Agreement, the City may, on any date, secure the payment of Installment Payments by a deposit with the Trust Administrator, as escrow holder under an escrow deposit and trust agreement as referenced in Section 14.01(d) of the Trust Agreement, of:

**(a) All Installment Payments.** in the case of a security deposit relating to all Installment Payments, either (i) an amount which, together with amounts on deposit in the Installment Payment Fund and the Reserve Fund, is sufficient to pay all unpaid Installment Payments, including the principal and interest components thereof, in accordance with the Installment Payment schedule set forth in Exhibit B attached hereto, or (ii) Defeasance Obligations, together with cash, if required, in such amount as will, in the opinion of nationally-recognized bond counsel and of an independent certified public accountant, together with interest to accrue thereon and, if required, all or a portion of moneys or Defeasance Obligations then on deposit in the Installment Payment Fund and the Reserve Fund, be fully sufficient to pay all unpaid Installment Payments on their Installment Payment Date; or

**(b) Portion of Installment Payments.** in the case of a security deposit relating to a portion of the Installment Payments both (i) a Written Certificate executed by a City Representative designating the portion of the Installment Payments to which the deposit pertains, and (ii) cash or Defeasance Obligations, in such amount as will, together with interest to be received thereon, if any, and an allocable portion of amounts on deposit in the Installment Payment Fund and the Reserve Fund, be fully sufficient in the opinion of an independent certified public accountant, to pay the portion of the Installment Payments designated in the aforesaid City Representative's Written Certificate.

**(c) Effect.** In the event of a deposit pursuant to this Section 4.05, all obligations of the City under this Installment Sale Agreement pertaining to the portion of the Installment Payments for which the deposit has been made shall cease and terminate, excepting only the obligation of the City to make, or cause to be made, all Installment Payments, or the portion of Installment Payments to which the deposit pertains, from the deposit made by City pursuant to this Section 4.05. Such deposit shall be deemed to be and shall constitute a special fund for the payment of Installment Payments in accordance with the provisions of this Installment Sale Agreement; and further provided that any security deposit relating to the Project shall not affect the covenant of the City contained in Section 3.09 hereof in the event such security deposit is insufficient to pay or prepay all Installment Payments relating to the Project when and as the same become due and payable. Upon said deposit, the Authority will execute or cause to be executed any and all documents as may be necessary to release the security provided hereby to the extent of such deposit.

## ARTICLE V

### MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

#### Section 5.01. Maintenance, Taxes and Assessments, Contests.

**(a) Operation.** The City covenants to operate the Wastewater System in an efficient and economical manner and operate, maintain and preserve the Wastewater System in good repair and working order in accordance with customary standards and practices applicable to similar facilities.

**(b) Taxes and Assessments.** The City shall also pay or cause to be paid all taxes and assessments of any type or nature charged to the Authority or the City or levied, assessed or charged against the Wastewater System or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the City shall be obligated to pay only such installments as are required to be paid during the Term of the Installment Sale Agreement as and when the same become due.

**(c) Contest.** The City may, at the City's expense and in its name, in good faith contest any such taxes, assessments and charges and, in the event of any such contest, may permit the taxes, assessments or charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority shall notify the City that, in the opinion of Independent Counsel, by nonpayment of any such items, the Project or any part thereof will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority.

**Section 5.02. Modification of Project.** The City shall, at its own expense, have the right to remodel the Project or to make additions, modifications and improvements thereto. All such additions, modifications and improvements shall thereafter comprise part of the Project and be subject to the provisions of this Installment Sale Agreement. Such additions, modifications and improvements shall not in any way damage the Project or cause it to be used for purposes other than those authorized under the provisions of state and federal law; and the Project, upon completion of any additions, modifications and improvements made pursuant to this Section 5.02, shall be of a value which is not substantially less than the value of the Project immediately prior to the making of such additions, modifications and improvements.

**Section 5.03. Installation of City's Equipment.** The City may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Project. All such items shall remain the sole property of the City, in which neither the Authority nor the Trust Administrator shall have any interest, and may be modified or removed by the City at any time provided that the City shall repair and restore any and all damage to the Project resulting from the installation, modification or removal of any such items. Nothing in this Installment Sale Agreement shall prevent the City from purchasing items to be installed pursuant to this Section 5.03 under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof.

**Section 5.04. Public Liability and Property Damage Insurance.**

**(a) Insurance Policies.** The City shall maintain or cause to be maintained, throughout the Term of the Installment Sale Agreement, insurance policies, including a standard comprehensive general insurance policy or policies in protection of the City, its members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the construction or operation of the Wastewater System (but only if such insurance is available at reasonable cost on the open market from reputable insurance companies). Such policy or policies shall afford protection in such amounts, with such deductibles, as are usually covered in connection with operations similar to the Wastewater System. Such liability insurance

may be maintained as part of or in conjunction with any other liability insurance coverage carried by the City, and may be maintained in the form of insurance maintained through a nonprofit public benefit corporation created for such purpose or in the form of self-insurance by the City.

(b) **Self-Insurance.** If the City shall maintain self-insurance, it shall supply to the Trust Administrator a statement of sufficiency by an independent insurance consultant or the City's risk manager on an annual basis as described in Section 5.06 hereof.

(c) **Application of Net Proceeds.** The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

#### **Section 5.05. Fire and Extended Coverage Insurance.**

(a) **Insurance Policies.** The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Installment Sale Agreement, insurance against loss or damage to any above-ground structures, including City-owned equipment and machinery housed therein, constituting any part of the Wastewater System by fire and lightning, with extended coverage insurance but not including earthquake insurance. Such insurance need not include reservoirs, standpipes and elevated tanks. Such insurance shall be in an amount which is not less than 100% of the replacement cost of the Project. Such insurance may be subject to a deductible clause of not to exceed ten percent of said replacement cost for any one loss. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the City, and may be maintained in the form of insurance maintained through a nonprofit public benefit corporation created for such purpose or in the form of self-insurance by the City.

(b) **Self-Insurance.** If the City shall maintain self-insurance, it will supply to the Trust Administrator a statement of sufficiency by an independent insurance consultant or the City's risk manager on an annual basis as described in Section 5.06 hereof.

(c) **Application of Net Proceeds.** Net Proceeds of such insurance shall be applied as provided in Section 5.07 hereof.

**Section 5.06. Insurance Net Proceeds; Form of Policies.** The insurance required by Section 5.05 hereof shall provide that all applicable proceeds thereunder shall be payable to the Trust Administrator for the benefit of the Bonds Owners. The City shall pay or cause to be paid when due the premiums for all insurance policies required by this Installment Sale Agreement. All such policies shall provide that the Authority and the Trust Administrator are named as additional insureds and that the Trust Administrator shall be given thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trust Administrator shall not be responsible for the sufficiency of any insurance herein required or for the obtaining of such insurance and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the City. The City shall cause to be delivered to the Trust Administrator annually, no later than the end of each Fiscal Year, a Written Certificate signed by a City Representative stating that the City is in compliance with Sections 5.04 and 5.05 of this Agreement. The Trust Administrator may conclusively rely on such Written Certificates.

**Section 5.07. Application of Net Proceeds.**

(a) **From Insurance Award.** The Net Proceeds of any insurance award resulting from any damage to or destruction of the Project by fire or other casualty shall be deposited in the Insurance and Condemnation Fund by the Trust Administrator promptly upon receipt thereof and, if the City Representative notifies the Trust Administrator in writing of the City's determination that the replacement, repair, restoration, modification or improvement of the Project is not economically feasible or in the best interest of the City, then such Net Proceeds shall be promptly transferred by the Trust Administrator to the Installment Payment Fund to be applied as provided in Section 4.03 hereof. All Net Proceeds deposited in the Insurance and Condemnation Fund and not so transferred shall be applied to the prompt replacement, repair, restoration, modification or improvement of the Project by the City, upon receipt of a requisition, signed by the City Representative and, so long as all of the Outstanding Bonds are held by the Original Purchaser, the Owner of the Bonds stating with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation. Any balance of the Net Proceeds remaining after such work has been completed shall be transferred to the Installment Payment Fund. The City covenants that it will commence such replacement, repair, restoration, modification or improvement or indicate that such replacement, repair, restoration, modification or improvement is not economically feasible within 180 days of receipt of such Net Proceeds.

(b) **From Eminent Domain Award.** The Net Proceeds of any eminent domain award shall be deposited in the Insurance and Condemnation Fund to be held and applied by the Trust Administrator pursuant to Section 7.02 of the Trust Agreement.

**Section 5.08 Advances.** If the City shall fail to perform any of its obligations under this Article V, the Authority may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the City shall be obligated to repay all such advances as soon as possible, with interest at the rate of interest with respect to the Bonds from the date of the advance to the date of repayment.

**ARTICLE VI**

**DISCLAIMER OF WARRANTIES; ACCESS; INDEMNITY**

**Section 6.01. Disclaimer of Warranties.** The Authority makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City for the Project or any item thereof, or any other representation or warranty with respect to the Project or any item thereof. In no event shall the Authority be liable for incidental, indirect, special or consequential damages, in connection with or arising out of this Installment Sale Agreement or the Trust Agreement for the existence, furnishing, functioning or City's use of the Project.

**Section 6.02. Access to the Project and Records.** To the extent permitted by law, the City agrees that the Authority, any Authority Representative, and the Authority’s successors or assigns shall have the right at all reasonable times to enter upon and to examine and inspect the Project. The City further agrees that the Authority, any Authority Representative, and the Authority’s successors or assigns shall have such rights of access to the Project as may be reasonably necessary to cause the proper maintenance of the Project in the event of failure by the City to perform its obligations hereunder. In addition, the City agrees that the Authority, any Authority Representative, and the Authority’s successors or assigns shall have the right at all reasonable times to inspect and examine all books, papers and records of the Authority and the City pertaining to the Project and the Bonds, to make copies thereof and to take non-privileged memoranda therefrom or with respect thereto as may be desired.

**Section 6.03. Indemnity.** The City shall and hereby agrees to indemnify and save the Authority and its successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of: (a) the use, maintenance, condition or management of, or from any work or thing done on the Project by the City; (b) any breach or default on the part of the City in the performance of any of its obligations under this Installment Sale Agreement; (c) any act or negligence of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Project; (d) any act or negligence of any assignee or sublessee of the City with respect to the Project; or (e) the construction of the Project or the authorization of payment of the Project Costs or Delivery Costs by the City or the Authority. No indemnification is made under this Section 6.03, or elsewhere in this Installment Sale Agreement for willful misconduct, negligence, or breach of duty under this Installment Sale Agreement by the Authority, its officers, agents, employees, successors or assigns.

## ARTICLE VII

### EVENTS OF DEFAULT AND REMEDIES

**Section 7.01. Events of Default Defined.** The following shall be “events of default” under this Installment Sale Agreement and the terms “events of default” and “default” shall mean, whenever they are used in this Installment Sale Agreement, any one or more of the following events:

(a) Failure by the City to pay any Installment Payment by the Installment Payment Date or failure to make any other payment required to be paid hereunder at the time specified herein; or

(b) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed in this Installment Sale Agreement or the Trust Agreement, other than as referred to in clause (a) of this Section 7.01, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority, the Trust Administrator or the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Bonds then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Authority, the Trust Administrator or such Owners, as applicable, shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected; or

(c) The filing by the City of 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 the approval by a court of competent jurisdiction of 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, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the City or of the whole or any substantial part of its property; or

(d) An event of default shall have occurred and be continuing with respect to any Parity Debt.

**Section 7.02. Remedies on Default.** Whenever any event of default referred to in Section 7.01 hereof shall have happened and be continuing, the Authority shall have the right, at its option and without any further demand or notice, to:

(a) declare all principal components of the unpaid Installment Payments, together with accrued interest at the rate or rates specified in the respective Outstanding Bonds from the immediately preceding Installment Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall become due and payable; and

(b) take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the Term of the Installment Sale Agreement, or enforce performance and observance of any obligation, agreement or covenant of the City under this Installment Sale Agreement.

**Section 7.03. No Remedy Exclusive.** No remedy herein conferred upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Installment Sale Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article VII it shall not be necessary to give any notice, other than such notice as may be required in this Article VII or by law.

**Section 7.04. Prosecution and Defense of Suits.** The City shall promptly, upon request of the Authority or its assignee, from time to time take or cause to be taken such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Project whether now existing or hereafter developing and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and, to the extent permitted by law, shall indemnify or cause to be indemnified the Authority and its assignee for all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceedings.

To the extent permitted by law, the City shall defend, or cause to be defended, against every suit, action or proceeding at any time brought against the Authority or its assignee upon any claim arising out of the receipt, application or disbursement of any of the Net Revenues or involving the rights or duties of the Authority or its assignee under this Installment Sale Agreement or the Trust Agreement; provided, that the

Authority and its assignee at their election may appear in and defend any such suit, action or proceeding. The City shall indemnify or cause to be indemnified the Authority and its assignee against any and all liability claimed or asserted by any person, arising out of such receipt, application or disbursement. Notwithstanding any contrary provision hereof, this covenant shall remain in full force and effect, even though all Installment Payments have been fully paid and satisfied, until a date which is three (3) years following the payment of the last of the Installment Payments.

**Section 7.05. No Additional Waiver Implied by One Waiver.** In the event any agreement contained in this Installment Sale Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

**Section 7.06. Application of the Proceeds.** The Trust Administrator, as assignee of the Authority, shall apply all amounts received under this Article VII as set forth in Section 13.03 of the Trust Agreement.

**Section 7.07. Liability Limited to Net Revenues.** Notwithstanding any provision of this Installment Sale Agreement, the City's liability to pay the Installment Payments and other amounts hereunder shall be limited solely to Net Revenues as provided in Sections 3.06 and 3.07 hereof. In the event that Net Revenues shall be insufficient at any time to pay an Installment Payment in full, the City shall not be liable to pay or prepay such Installment Payment other than from Net Revenues.

**Section 7.08. Trust Administrator and Bond Owners to Exercise Rights.** Such rights and remedies as are given to the Authority under this Article VII have been assigned by the Authority to the Trust Administrator under the Assignment Agreement, to which assignment the City hereby consents. Such rights and remedies shall be exercised by the Trust Administrator and the Owners of the Bonds as provided in the Trust Agreement.

**Section 7.09. Pro Rata Application of Net Revenues.** If, at any time, there is a deficiency in Net Revenues available to pay the Installment Payments, any amounts due with respect to Parity Debt, amounts required to replenish the Reserve Fund or amounts required to replenish any reserve fund established for Parity Debt, available Net Revenues shall be applied on a pro rata basis to the payment of such Installment Payments and to the payment of amounts due with respect to Parity Debt, then to the replenishment of the Reserve Fund and to the replenishment of any reserve fund established for Parity Debt.

## ARTICLE VIII

### MISCELLANEOUS

**Section 8.01. Assignment, Sale or Lease by the City.**

(a) **Assignment or Sale.** This Installment Sale Agreement may not be assigned by the City, and the Wastewater System may not be sold by the City during the Term of this Installment Sale Agreement.

(b) **Lease.** The City may lease the Project, or any portion thereof, with the consent of the Owner of the Bonds so long as all of the Outstanding Bonds are held by the Original Purchaser thereof, and subject to all of the following conditions:

(i) This Installment Sale Agreement and the obligation of the City to make Installment Payments hereunder shall remain obligations of the City;

(ii) The City shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trust Administrator a true and complete copy of the documents accomplishing such lease;

(iii) No such lease by the City shall cause the Project to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State; and

(iv) No such lease shall cause the interest component of the Installment Payments to become subject to federal income taxes or State personal income taxes.

**Section 8.02. Amendment of Installment Sale Agreement.** The City will not alter, modify or cancel or agree or consent to alter, modify or cancel this Installment Sale Agreement, except as permitted by Article X of the Trust Agreement, without the written consent of the Trust Administrator and the Authority,

**Section 8.03. Binding Effect.** This Installment Sale Agreement shall inure to the benefit of and shall be binding upon the Authority and the City and their respective successors and assigns.

**Section 8.04. Applicable Law.** This Installment Sale Agreement shall be governed by and construed in accordance with the laws of the State.

**Section 8.05. Severability.** In the event any provision of this Installment Sale Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**Section 8.06. Captions.** The captions or headings in this Installment Sale Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provision, Article or Section of this Installment Sale Agreement.

**Section 8.07. Net Contract.** This Installment Sale Agreement shall be deemed and construed to be a “net contract” and the City hereby agrees that the Installment Payments shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever.

**Section 8.08. Further Assurances and Corrective Instruments.** The Authority and the City agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project hereby sold or intended so to be or for carrying out the expressed intention of this Installment Sale Agreement.

**Section 8.09. Authority and City Representatives.** Whenever under the provisions of this Installment Sale Agreement the approval of the Authority or the City is required, or the Authority or the City is required to take some action at the request of the other, such approval or such request shall be given for the Authority by an Authority Representative and for the City by a City Representative, and any party hereto shall be authorized to rely upon any such approval or request.

**Section 8.10. Notices.** All notices, Written Certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received 48 hours after deposit in the United States mail with postage fully prepaid:

If to the City:	City of Mount Shasta 305 N. Mt. Shasta Boulevard Mt. Shasta, California 96067 Attention: City Manager
If to the Authority:	Mount Shasta Public Financing Authority 305 N. Mt. Shasta Boulevard Mt. Shasta, California 96067 Attention: Executive Director
If to the Trust Administrator:	Finance Director City of Mount Shasta 305 N. Mt. Shasta Boulevard Mt. Shasta, California 96067 Attention: Finance Director
If to the Government:	Rural Development, United States Department of Agriculture 430 G Street Suite 4169 Davis, CA 95616 Attention: Community Programs Specialist

The Authority, the City, the Trust Administrator and the Government, by notice given hereunder, may designate different addresses to which subsequent notices, Written Certificates or other communications will be sent.

**Section 8.11. Execution in Counterparts.** This Installment Sale Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

\* \* \* \* \*

IN WITNESS, the Authority has caused this Installment Sale Agreement to be executed in its corporate name by its duly authorized officer and sealed with its corporate seal; and the City has caused this Installment Sale Agreement to be executed in its name by its duly authorized officers, as of the date first above written.

MOUNT SHASTA PUBLIC FINANCING  
AUTHORITY, *as Seller*

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

CITY OF MOUNT SHASTA, *as Purchaser*

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

Attest

By \_\_\_\_\_  
City Clerk

## **EXHIBIT A**

### **DESCRIPTION OF THE PROJECT**

The Project to be acquired and constructed with the proceeds of the Bonds, is general described as follows:

The acquisition and improvement of/to the Wastewater System, as more specifically described in the Preliminary Engineering Report prepared by or on behalf of the City, as submitted to the Government in connection with the application of the City to Government for the financing of a portion of the cost and expense of said improvements (subject to such modifications to the subject improvement project as may be approved by Government during the course of construction), as well as any necessary lands, rights of way and other real or personal property useful in connection therewith, together with all additions, extensions, expansions, improvements and betterments thereto and equipments thereof, together with such other or additional Wastewater System improvements as may be agreed to between the Government and the City.

**EXHIBIT B**

**SCHEDULE OF INSTALLMENT PAYMENTS**

Installment Payment Date	Principal	Interest Rate	Interest	Installment Payments
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Totals	\$
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**TRUST AGREEMENT**

**by and among the**

**CITY OF MOUNT SHASTA**

**and the**

**MOUNT SHASTA PUBLIC FINANCING AUTHORITY**

**and the**

**FINANCE DIRECTOR OF THE CITY OF MOUNT SHASTA,  
as Trust Administrator**

**Dated as of June 1, 2019**

**Relating to**

**§ \_\_\_\_\_  
MOUNT SHASTA PUBLIC FINANCING AUTHORITY  
(City of Mount Shasta, California)  
SERIES 2019 WASTEWATER ENTERPRISE REVENUE BONDS  
(Downtown Sewer Collection System Improvement Project)  
BANK QUALIFIED**

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## TRUST AGREEMENT

THIS TRUST AGREEMENT, dated as of June 1, 2019, is by and among the MOUNT SHASTA PUBLIC FINANCING AUTHORITY, a California joint powers authority duly organized and existing pursuant to the laws of the State of California (the “Authority”), the CITY OF MOUNT SHASTA, a general law city and public agency duly organized and validly existing under the laws of the State of California (the “City”), and THE FINANCE DIRECTOR OF THE CITY OF MOUNT SHASTA, as Trust Administrator (the “Trust Administrator”);

### *WITNESSETH:*

WHEREAS, the Authority is a joint exercise of powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated as of May 1, 2019, by and between the City and the Mount Shasta Industrial Development Authority (the “Authority”), and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code (the “Act”), and is authorized pursuant to Article 4 (commencing with Section 6584) of the Act (the “Bond Law”) to borrow money for the purpose, among other things, of financing and refinancing public capital improvements of the City and the Authority; and

WHEREAS, the City and the Authority propose to undertake the acquisition and financing of certain capital improvements (the “Project”) to the City’s municipal wastewater system (interchangeably, the “Enterprise,” “Wastewater Enterprise” or “Wastewater System”); and

WHEREAS, to help finance the Project, the City has agreed to purchase the Project from the Authority pursuant to, and in accordance with the terms set forth in an Installment Sale Agreement, dated as of June 1, 2019, by and between the City and the Authority (the “Installment Sale Agreement”); and

WHEREAS, concurrently with the execution of this Trust Agreement, it is contemplated that the Trust Administrator will authenticate and deliver the Mount Shasta Public Financing Authority, Series 2019 Wastewater Enterprise Revenue Bonds (Downtown Sewer Collection System Improvement Project), in the aggregate principal amount of \$\_\_\_\_\_ (the “Bonds”) pursuant to the terms and conditions of this Trust Agreement, evidencing a direct, undivided fractional interest in certain Installment Payments to be made by the City, pursuant to the terms and conditions of the Installment Sale Agreement (the “Installment Payments”); and

WHEREAS, all rights to receive the Installment Payments will be assigned without recourse by the Authority to the Trust Administrator, for the benefit of the Owners of the Bonds, pursuant to an Assignment Agreement, dated as of June 1, 2019, by and between the Trust Administrator and the Authority (the “Assignment Agreement”); and

WHEREAS, in consideration of such assignment, concurrently with the execution of this Trust Agreement, the Trust Administrator will authenticate and deliver the Bonds to the United States of America, acting through Rural Utilities Service, United States Department of Agriculture (interchangeably, the “USDA” or “Government”), as the initial purchasers thereof; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have

been performed precedent to and in connection with the execution and entering into of this Trust 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 Trust Agreement; and

WHEREAS, the City has determined that all acts and proceedings required by law necessary to make the Bonds, when executed, authenticated and delivered by the Trust Administrator and duly issued, the valid, binding and legal special obligations of the City, and to constitute this Trust Agreement a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Trust Agreement have been in all respects duly authorized; and

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

ARTICLE I  
DEFINITIONS; AUTHORIZATION; EXHIBITS

**Section 1.01. Definitions.** Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Trust Agreement, have the meanings herein specified. In addition, all terms defined in the Installment Sale Agreement and not otherwise defined herein shall have the respective meanings specified in the Installment Sale Agreement.

“*Act*” means Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the California Government Code.

“*Acquisition and Construction*” means, with respect to any portion of the Project, the acquisition, construction, improvement, equipping, renovation, remodeling or reconstruction thereof.

“*Authority*” means the Mount Shasta Public Financing Authority, a joint powers authority duly organized and existing under the laws of the State of California.

“*Authority Board*” means the governing board of the Authority.

“*Authority Representative*” means the Chairperson, Vice-Chairperson, Executive Director, Treasurer and Secretary of the Authority, or any other person authorized by resolution of the Authority Board to act on behalf of the Authority under or with respect to this Trust Agreement.

“*Assignment Agreement*” means the Assignment Agreement, dated as of June 1, 2019, by and between the Authority and the Trust Administrator, together with any amendments or supplements thereto.

“*Bond Counsel*” means (a) The Weist Law Firm, and (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to municipal obligations, the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code.

“*Bond Law*” means Article 4 (commencing with Section 6584) of the Act.

“**Bonds**” means the \$ \_\_\_\_\_ aggregate principal amount of Mount Shasta Public Financing Authority, Series 2019 Wastewater Enterprise Revenue Bonds (Downtown Sewer Collection System Improvement Project), Bank Qualified, dated the Closing Date, authorized, executed and delivered pursuant to this Trust Agreement, the Act and the Bond Law.

“**2008 Obligations**” means the \$1,750,000 original principal amount of the obligations consummated pursuant to the Enterprise Fund Installment Sale Agreement, dated as of July 1, 2008, by and between the City and the California Infrastructure Economic Development Bank.

“**Business Day**” means any day other than (i) a Saturday or a Sunday or (ii) a day on which the City offices are authorized or obligated by law or executive order to be closed.

“**Bond Maturity Date**” means June 1, 2059, which is the date on which the final principal component of the Installment Payments evidenced and represented thereby shall become due and payable.

“**Bond Register**” means the Bond Register relating to the Bonds maintained by the Trust Administrator in accordance with Section 2.12 of this Trust Agreement.

“**City**” means the City of Mount Shasta, California.

“**City Manager**” means the person who is the City’s acting or interim City Manager or his or her deputy or assistant.

“**City Representative**” means the Mayor, Mayor Pro Tem, City Manager, Finance Director and City Clerk or Acting City Clerk, or any other official of the City authorized by the Council to act for, and on behalf of, the City.

“**Closing Date**” means the date upon which there is a physical delivery of the Bonds in exchange for the amount representing the purchase price of all or the first advance of a portion of the purchase price of the Bonds by the Original Purchaser.

“**Council**” or “**City Council**” means the City Council of the City.

“**Bond Proceeds Fund**” means the fund of that name established pursuant to Article III of this Trust Agreement and held by the Trust Administrator.

“**County**” means the County of Siskiyou, California.

“**Debt Service**” means the scheduled amount of interest and amortization of principal payable with respect to the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning or during such period.

“**Defeasance Obligations**” means (a) cash, or (b) non-callable Federal Securities.

“**Delivery Costs**” means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority relating to the financing and refinancing of the Project from the proceeds of the Bonds,

including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges and first year's administration fee of the Trust Administrator, Trust Administrator's counsel fees and expenses, financing discounts, legal fees and charges, financial and other professional consultant fees, costs of rating agencies or credit ratings, fees for execution, transportation and safekeeping of the Bonds, travel expenses and charges and fees in connection with the foregoing.

**"Denomination Amount"** means the minimum denomination of each Bond which is One Hundred Dollars (\$100).

**"Event of Default"** means an event of default under Section 7.01 of the Installment Sale Agreement.

**"Fair Market Value"** means for purposes of valuing the Permitted Investments, the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term "fair market value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest if the return paid by such fund is without regard to the source of investment. The Trust Administrator shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of a City Representative in any written directions of a City Representative.

**"Federal Securities"** means direct general obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury) the United States of America, or obligations the timely payment of principal of and interest on which are guaranteed by, the United States of America.

**"Finance Director"** means the person who is the City's acting or interim Finance Director or his or her deputy or assistant.

**"Fiscal Year"** means any period of twelve (12) consecutive months established by the City as its fiscal year and shall initially mean the period commencing July 1 of one year and ending on June 30 of the following year.

**"Government"** means the United States of America, acting through Rural Utilities Service, United States Department of Agriculture (or successor agency, bureau or division).

**"Gross Revenues"** means all gross charges received for, and all other gross income and receipts received or receivable by the City from, the ownership or operation of the Wastewater System or otherwise arising from the Wastewater System, including but not limited to connection charges and investment earnings on such charges, income and receipts. Gross Revenues shall not include (i) customers' wastewater related

deposits or any other wastewater related deposits subject to refund until such deposits have become the property of the City, (ii) the proceeds of any ad valorem property taxes, (iii) grants that are designated by the grantor for a specific wastewater purpose and are therefore not available for other purposes, (iv) any specific charges levied for the express purpose of reimbursing others for all or a portion of the cost of the acquisition or construction of specific wastewater facilities, and (v) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the City for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Wastewater System.

**“Independent Certified Public Accountant”** means any firm of certified public accountants appointed by the City that is independent according to the Statement of Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

**“Independent Counsel”** means an attorney or a firm of attorneys duly admitted to the practice of law before the highest court of the state in which he or such firm maintains an office and who is not an employee of the Authority, the Trust Administrator or the City.

**“Independent Engineer”** means any registered engineer or firm of engineers generally recognized to be well-qualified in engineering matters relating to wastewater systems similar to the Wastewater System, appointed and paid by the City, and who or each of whom:

- (1) is in fact independent and not under the domination of the City;
- (2) does not have a substantial financial interest, direct or indirect, in the City; and
- (3) is not connected with the City as a board member, officer or employee of the City, but may be regularly retained to make reports to the City.

**“Independent Financial Consultant”** means a financial consultant qualified in the field of municipal finance, appointed and paid by the City, and who:

- (1) is in fact independent and not under the domination of the City or any member thereof;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and
- (3) is not connected with the City as an officer or employee of the City or any member thereof, but may be regularly retained to audit the accounting records of and make reports thereon to the City.

**“Installment Payment”** means any payment required to be paid by the City to the Authority pursuant to Section 3.05 of the Installment Sale Agreement.

**“Installment Payment Date”** means each Interest Payment Date.

**“Installment Payment Fund”** means the fund designated “City of Mount Shasta Project Installment Payment Fund” established and held by the Trust Administrator pursuant to Article III of this Trust Agreement.

**“Installment Sale Agreement”** means the Installment Sale Agreement, dated as of June 1, 2019, by and between the Authority and the City, and any duly authorized and executed amendment or supplement thereto.

**“Insurance and Condemnation Fund”** means the fund by that name established pursuant to Article VII of this Trust Agreement and held by the Trust Administrator.

**“Interest Fund”** means the fund by that name established in Section 5.04 herein.

**“Interest Payment Date”** means June 1 and December 1 of each year, commencing December 1, 2019.

**“Interest Rate”** means the rate of interest to be paid on the Bond which is      % per annum.

**“Net Proceeds”** means any insurance proceeds or condemnation award paid with respect to the Project, remaining after payment therefrom of all expenses incurred in the collection thereof.

**“Net Revenues”** means Gross Revenues less Operation and Maintenance Expenses.

**“Operation and Maintenance Expenses”** means the reasonable and necessary costs paid or incurred by the City for maintaining and operating the Wastewater System, determined in accordance with Generally Accepted Accounting Principles, including all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and including all administrative costs of the City that are charged directly or apportioned to the operation of the Wastewater System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums (including payments required to be paid into any self-insurance funds), and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the execution of any Parity Debt, such as compensation, reimbursement and indemnification of the Trust Administrator and fees and expenses of Independent Certified Public Accountants; but excluding in all cases (i) payment of Parity Debt and Subordinate Debt, (ii) costs of capital additions, replacements, betterments, extensions or improvements which under Generally Accepted Accounting Principles are chargeable to a capital account, and (iii) depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles.

**“Original Purchaser”** means the Government as the first purchaser of the Bonds (evidenced by a single fully registered Bond) upon their delivery by the Trust Administrator on the Closing Date.

**“Outstanding,”** when used as of any particular time with respect to Bonds, means (subject to the provisions of Section 10.03 of this Trust Agreement) all Bonds theretofore executed and delivered by the Trust Administrator under this Trust Agreement except:

(a) Bonds theretofore canceled by the Trust Administrator or surrendered to the Trust Administrator for cancellation;

(b) Bonds for the payment or prepayment of which funds or eligible securities in the necessary amount, including accrued interest thereon, shall have theretofore been deposited with the

Trust Administrator (whether upon or prior to the maturity or prepayment date of such Bonds), provided that, if such Bonds are to be prepaid prior to maturity, notice of such prepayment shall have been given as provided in Section 4.03 of this Trust Agreement or provision satisfactory to the Trust Administrator shall have been made for the giving of such notice; and

(c) Bonds in lieu of or in exchange for which other Bonds shall have been executed and delivered by the Trust Administrator pursuant to Section 2.09 of this Trust Agreement.

“**Owner**” or “**Bond Owner**” or “**Registered Owner**,” or any similar term, means the person or entity in whose name a Bond shall be registered.

“**Parity Debt**” means (i) the 2008 Obligations, (ii) the Bonds issued hereunder, and (iii) any other indebtedness or other obligation (including bonds, leases and installment sale agreements) hereafter issued or incurred in accordance with Section 3.09(b) of the Installment Sale Agreement and secured by a pledge of and lien on Net Revenues equally and ratably with the Installment Payments.

“**Permitted Investments**” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein, provided that the same are of appropriate maturity and acquired at Fair Market Value:

(i) Federal Securities and any investment fund, including money market funds or other investment policy arrangement which purchases and holds exclusively Federal Securities;

(ii) Obligations issued by federal land banks or federal home loan banks; or obligations, participations, or other instruments issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association; or obligations, participations, or other instruments issued by a federal agency or a United States government-sponsored enterprise;

(iii) Investments in repurchase agreements under the terms of which the underlying collateral is transferred to the possession of the Trust Administrator of any securities authorized by paragraphs (i) and (ii) above which have a fair market value (valued at cost) at least equal to 103% of the amount invested in the repurchase agreement and are free of third party claims;

(iv) Nonnegotiable certificates of deposit issued by a nationally chartered bank, a bank chartered by the State of California or a foreign banking corporation, authorized pursuant to Section 1756 of the California Financial Code to transact business in the State of California by accepting deposits, or a State of California or federal savings and loan association, provided that such certificates of deposit are fully collateralized in the manner required for collateralization of trust funds; and

(v) Any investment agreement, guarantee or other investment vehicle or security issued by, secured by or otherwise representing the general obligations of a financial institution whose long-term unsecured, uninsured and unguaranteed obligation or claims-paying ability is rated AA or better by any Rating Authority at the time of its issuance, provided that: (a) the agreement is not subordinated to any other obligations of such financial institution; and (b) if the financial institution fails to maintain a rating of AA or better (without regard to gradations), the City and/or the Authority

shall have the right to demand collateral in the form of securities authorized by paragraphs (i) and (ii) above pledged to secure the investment agreement. Such collateral shall be pledged through the Trust Administrator and shall have a fair market value (valued at cost) of at least 103% of the value of funds remaining in the investment agreement. Further, the City and/or the Authority shall have the right to withdraw all funds without penalty should the financial institution fail to provide collateral as required under this paragraph;

(vi) Investments otherwise defined in Section 53601 of the California Government Code, as amended from time to time; provided that the Trust Administrator shall not be obligated to invest in any form of investment pursuant to this subparagraph (vi) except upon receipt of a certificate of an City Representative that any directed investment to be made pursuant to this subparagraph (vi) meets this definition as set forth in this subparagraph (vi).

**“Prepayment”** means any payment applied towards the prepayment of the Installment Payments, in whole or in part, pursuant to Article IV of the Installment Sale Agreement.

**“Principal Amount”** means the aggregate authorized principal amount of the Bond which is \$\_\_\_\_\_.

**“Principal Component Payment”** means each principal portion of each Installment Payment made pursuant to Section 2.03 hereof.

**“Principal Fund”** means the fund by that name established in Section 5.04 herein.

**“Principal Payment Date”** means June 1 of each year, commencing with June 1, 2019, and ending on June 1, 2059.

**“Proceeds”** when used with reference to the Bonds, means the face amount of the Bonds, plus accrued interest and premium, if any, and less original issue discount, if any.

**“Project”** means the improvements to the Wastewater System described in Exhibit A to the Installment Sale Agreement.

**“Project Costs”** means the costs of the acquisition, construction, rehabilitation, equipping, improvement, reimbursement or financing and refinancing of improvements to, or part of, the Wastewater System constituting the Project.

**“Rating Category”** means, with respect to any Permitted Investment, one or more of the generic categories of rating by S&P applicable to such Permitted Investment, without regard to any refinement or gradation of such rating category by a plus or minus sign.

**“Regular Record Date”** means the close of business on the fifteenth (15th) day of the month preceding each Interest Payment Date, whether or not such fifteenth (15th) day is a Business Day.

**“Reserve Fund”** means the fund of that name established under Article VI of this Trust Agreement and held by the Trust Administrator.

**“Reserve Installment Payments”** means the amount required to be paid by the City to the Trust Administrator from Net Revenues pursuant to Section 3.11 of the Installment sale Agreement, and which shall be applied to the Reserve Fund as set forth in Sections 6.01 through 6.06 herein.

**“Reserve Requirement”** means, for the purpose of determining the maximum size of the Reserve Fund, the least of: (a) 10% of the Principal Amount of the Bond; (b) 125% of average annual Debt Service; or (c) maximum annual Debt Service.

**“S&P”** means S&P Global Ratings, New York, New York, or its successors.

**“Short-Lived Assets Reserve Fund”** means the fund by that name established and maintained pursuant to Section 6.07 herein.

**“State”** means the State of California.

**“Subordinate Debt”** means indebtedness or other obligations (including leases and installment sale agreements) hereafter issued or incurred and secured by a pledge of and lien on Net Revenues subordinate to the Installment Payments.

**“Tax Code”** means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Installment Sale Agreement or this Trust Agreement) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated under the Tax Code.

**“Term of the Installment Sale Agreement”** means the time during which the Installment Sale Agreement is in effect which begins on the Closing Date and ends on June 1, 2059, unless sooner terminated pursuant to the terms of the Installment Sale Agreement.

**“Trust Administrator”** means the Finance Director of the City, or any successor thereto, acting as Trust Administrator pursuant to this Trust Agreement.

**“Trust Agreement”** means this Trust Agreement, dated as of June 1, 2019, by and among the Trust Administrator, the Authority and the City, together with any amendments or supplements thereto permitted to be made thereunder.

**“Trust Office”** means the office of the Trust Administrator at the offices of the City in Mount Shasta, California, or at such other address designated by the Trust Administrator by written notice filed with the City and the Authority.

**“Wastewater System”** means the whole and each and every part of the wastewater system of the City serving the City and its residents and other customers served thereby, whether within or without the City, for the collection, treatment and disposal of wastewater, including but not limited to all buildings, facilities, properties, 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 or on behalf of the City.

“*Written Certificate*” of the City means a written certificate signed in the name of the City by a City Representative as contemplated by and containing the elements required by Section 1.03 of this Trust Agreement and Section 1.03 of the Installment Sale Agreement.

**Section 1.02. Authorization.** Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Trust Agreement, and has taken all actions necessary to authorize the execution of this Trust Agreement by the officers and persons signing it.

**Section 1.03. Content of Written Certificates.**

(a) **Contents.** Every Written Certificate provided for in this Trust Agreement with respect to compliance with any provision hereof, except Written Certificates delivered on the Closing Date and the certificate of destruction pursuant to Section 14.07, shall include (a) a statement that the person making or giving such Written Certificate or opinion has read such provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the Written Certificate is based; (c) a statement that, in the opinion of such person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (d) a statement of the assumptions upon which such Written Certificate is based, and that such assumptions are reasonable; and (e) a statement as to whether, in the opinion of such person, such provision has been complied with.

(b) **Reliance.** Any such Written Certificate made or given by a City Representative may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an accountant, unless such City Representative 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 Written Certificate may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an accountant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the City, as the case may be) upon a certificate or opinion of or representation by a City Representative, unless such counsel or 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 City Representative, or the same counsel or accountant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Trust Agreement, but different officers, counsel or accountants may certify to different matters, respectively.

**Section 1.04. Exhibits.** The following Exhibits are attached to, and by this reference are made a part of, this Trust Agreement:

- Exhibit A: Form of Series 2019 Wastewater Enterprise Revenue Bond
- Exhibit B: Form of Disbursement Requisition from Bond Proceeds Fund

**ARTICLE II  
THE WASTEWATER ENTERPRISE REVENUE BONDS**

**Section 2.01. Authorization.** The Trust Administrator is hereby authorized and directed upon written request from either the City or the Authority to execute and deliver, to the Original Purchaser, a single Bond in the Principal Amount evidencing undivided fractional interests in the Installment Payments and the

Prepayments. The aggregate principal amount of the Bond shall not in any case exceed the aggregate payments by the Original Purchaser therefor, as such payments and the dates thereof are endorsed on the single, fully registered Bond. No provision is made for the Bonds to be executed and delivered in blocks or phases as the Original Purchaser’s regulations for single delivery have been satisfactorily met.

**Section 2.02. Date.** Each Bond shall be dated as of the date of delivery thereof.

**Section 2.03. Principal; Interest; Maturity.** The Bond shall mature on June 1 in the years and in the principal amounts as shown below (each, a “Principal Component Payment”). Interest with respect thereto shall be computed at the Interest Rate of     % per annum, calculated on the basis of a 365-day year, with one-half of the annual interest payable on each Interest Payment Date. The annual Principal Component Payments are as follows:

<b><u>Maturity</u></b> <b><u>Date</u></b>	<b><u>Principal</u></b>	<b><u>Annual</u></b> <b><u>Interest Rate</u></b>	<b><u>Maturity</u></b> <b><u>Date</u></b>	<b><u>Principal</u></b>	<b><u>Annual</u></b> <b><u>Interest Rate</u></b>
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**Section 2.04. Interest.** The interest evidenced and represented by the Bond shall be payable on June 1 and December 1 of each year (each, an “Interest Payment Date”), commencing on December 1, 2019 and continuing to and including the Bond Maturity Date or upon prepayment prior thereto, and shall evidence and represent the sum of the portions of the Installment Payments designated as interest components (each, an “Interest Component Payment”) coming due on the Interest Payment Dates during the interest period immediately preceding each of the Interest Payment Dates. Interest shall be calculated with respect to the Original Purchaser’s aggregate payments for the single Bond from the respective date(s) of advances thereof, as such payments and dates thereof are endorsed on the single Bond and computed on the basis of a 365-day year, actual days elapsed. Each Interest Component Payment shall be computed by multiplying the portion of

Installment Payments designated as principal with respect to such Bond by the rate of interest applicable to such Bond.

Interest on any Bond shall be payable from the Interest Payment Date next preceding the date of execution thereof, unless (i) such Bond is executed on an Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (ii) such Bond is executed after the close of business on the fifteenth (15th) day of the month immediately preceding the following Interest Payment Date and prior to such Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (iii) such Bond is executed on or before November 15, 2019, in which event interest shall be payable from the date of delivery thereof; provided, however, that if at the time of execution of any Bond, interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payment of interest with respect to any Bond shall be made to the person appearing on the Bond Register of the Trust Administrator as the Owner thereof as of the fifteenth (15th) day of the month preceding such Interest Payment Date, such interest to be paid as specified in Section 2.09 hereof.

**Section 2.05. Form of Bond; Legends.** The Bonds shall be delivered in the form of a fully registered Bonds, without coupons, in the Denomination Amount or any integral multiple thereof, except that one annual amount may be any odd amount, and no Bond may have principal maturing in more than one year. The Bonds shall be numbered in such manner as the Trust Administrator deems appropriate. At the option of the Original Purchaser of the Bonds, a single, fully-registered Bond may be executed and delivered, in lieu of serial, registered Bonds, which single Bond shall mature in installments of the same principal amounts and on the same dates as the registered Bonds it represents. The single Bond shall be substantially in the form set forth in Exhibit A attached hereto and by this reference incorporated herein. The Bonds may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Trust Agreement as may be necessary or desirable to comply with custom, or otherwise.

**Section 2.06. Execution.** The Bonds shall be executed by and in the name of the Trust Administrator, at the written direction of either the City or the Authority, by the manual or facsimile signature of an authorized signatory of the Trust Administrator.

**Section 2.07. Transfer and Exchange.** The following shall apply to transfers and exchanges of Bonds, provided that no transfer or exchange of Bonds shall be required to be made during the fifteen (15) days prior to the date of selection of Bonds for prepayment, or of any Bond selected for prepayment:

(a) **Transfer of Bonds.** Any Bond may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 2.11 hereof by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trust Administrator, duly executed. Whenever any Bond shall be surrendered for transfer, the Trust Administrator shall deliver a new Bond or Bonds of the same maturity, interest rate and aggregate principal amount in authorized denominations to the transferee thereof. The Trust Administrator may require the payment by the Bond Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

(b) **Exchange of Bonds.** Any Bond may be exchanged at the Trust Office, for a like aggregate principal amount of Bonds of other authorized denominations of the same maturity. The Trust Administrator may require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

**Section 2.08. Bond Mutilated, Lost, Destroyed or Stolen.** If any Bond shall become mutilated, the Trust Administrator, at the expense of the Owner of said Bond, shall execute and deliver a new Bond of like maturity and principal amount in authorized denominations in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trust Administrator of the Bond so mutilated. Every mutilated Bond so surrendered to the Trust Administrator shall be canceled by it and destroyed in accordance with Section 14.07 hereof, and the Trust Administrator shall deliver a certificate of destruction to the City. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trust Administrator and, if such evidence is satisfactory to the Trust Administrator and if an indemnity satisfactory to the Trust Administrator and the Authority shall be given, the Trust Administrator, at the expense of the Bond Owner, shall execute and deliver a new Bond of like tenor and maturity and numbered as the Trust Administrator shall determine in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trust Administrator may require payment of an appropriate fee for each new Bond delivered under this Section 2.08 and of the expenses which may be incurred by the Trust Administrator in carrying out the duties under this Section 2.08. Any Bond delivered under the provisions of this Section 2.08 in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Bond secured by this Trust Agreement. The Trust Administrator shall not be required to treat both the original Bond and any substitute Bond as being Outstanding for the purpose of determining the principal amount of Bond which may be executed and delivered hereunder or for the purpose of determining any percentage of Bond Outstanding hereunder; the Trust Administrator shall consider only the substitute Bond as Outstanding for such purpose. Notwithstanding any other provision of this Section 2.08, in lieu of delivering a new Bond which has been mutilated, lost, destroyed or stolen, and which has matured, the Trust Administrator may make payment with respect to such Bond upon receipt of indemnity satisfactory to the Trust Administrator.

**Section 2.09. Payment.** Except as otherwise provided herein, payment of interest due with respect to any Bond on any Interest Payment Date shall be made to the person appearing on the Bond Register as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his address as it appears on the Bond Register as of such Regular Record Date. The principal and prepayment price with respect to a Bond at maturity or upon prior prepayment shall be payable by check denominated in lawful money of the United States of America upon surrender of the Bond at the Trust Office. If the Government is the Owner of the single, fully-registered Bond, surrender shall not be required for payment, except for final payment, and payment of principal shall be made on each Principal Payment Date and payment of interest shall be made on each Interest Payment Date to the Registered Owner, unless otherwise requested by the Registered Owner, by the Pre-Authorized Debit (PAD) payment process (i.e., the City's payments shall be electronically debited from the Installment Payment Fund on each Interest Payment Date in accordance with the PAD process established by Form SF-5510 and Form RD 3550-28, both entitled "Authorization Agreement for Pre-Authorized Payments").

**Section 2.10. Execution of Documents and Proof of Ownership.** Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Trust Agreement to be

signed or executed by Bond Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Bond. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the holding and ownership of Bonds shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or such Owner's attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged before such notary or officer the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of the authority of such officer or member.

(b) The fact of the holding of a Bond by any Owner and the amount, the maturity and the numbers of such Bond and the date of the Owner's holding the same may be proved by reference to the Bond Register maintained by the Trust Administrator provided for in Section 2.11 hereof. The Trust Administrator may conclusively assume that such ownership continues until transfer as provided in Section 2.07(a) hereof.

(c) Nothing contained in this Article II shall be construed as limiting the Trust Administrator to such proof, it being intended that the Trust Administrator may accept any other evidence of the matters herein stated which the Trust Administrator may deem sufficient. Any request or consent of the Owner of any Bond shall bind every future Owner of the same Bond in respect of anything done or suffered to be done by the Trust Administrator in pursuance of such request or consent.

**Section 2.11. Bond Register.** The Trust Administrator will keep or cause to be kept, at the Trust Office, sufficient books for the registration and transfer of the Bonds which shall be open at all reasonable times with reasonable prior notice during normal business hours of the Trust Administrator to inspection by the City and the Authority; and, upon presentation for such purpose, the Trust Administrator shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as hereinbefore provided.

**Section 2.12. CUSIP Numbers.** The Trust Administrator, the City and the Authority shall not be liable for any defect or inaccuracy in any CUSIP number that appears on any Bond or in any prepayment notice. The Trust Administrator may, in its discretion, include in any prepayment notice a statement to the effect that any CUSIP numbers on the Bond have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Trust Administrator, the City nor the Authority shall be liable for any inaccuracies in such numbers. CUSIP numbers shall not be required if the Government is the Original Purchaser of a single, fully registered Bond.

**ARTICLE III  
APPLICATION OF BOND PROCEEDS; PREPAYMENT OF 2013 NOTES**

**Section 3.01. Bond Proceeds Fund.** The Trust Administrator shall establish the Bond Proceeds Fund and shall keep such fund separate and apart from all other funds and moneys held by the Trust Administrator; and shall administer such fund and account as provided herein.

**Section 3.02. Payment of Project Costs.**

(a) Except as provided in Section 3.03, amounts in the Bond Proceeds Fund shall be disbursed for Project Costs.

(b) The Trust Administrator shall be responsible for the safekeeping and investment (in accordance with Section 8.02 hereof) of the moneys held in the Bond Proceeds Fund and the payment thereof in accordance with this Section 3.02 and Section 3.03.

**Section 3.03. Payment of Delivery Costs.**

(a) Amounts in the Bond Proceeds Fund shall also be disbursed by the Trust Administrator to pay the Delivery Costs.

(b) The Trust Administrator shall disburse moneys in the Bond Proceeds Fund to pay the Delivery Costs only upon a receipt of a sequentially numbered requisition, with bills, invoices or statements attached, signed by a City Representative (and, if required, by the Government as the Bond Owner) setting forth the amounts to be disbursed for payment or reimbursement of Delivery Costs and the name and address of the person or persons to whom said amounts are to be disbursed, stating that the amounts to be disbursed are for Delivery Costs properly chargeable to the Bond Proceeds Fund as Delivery Costs.

**Section 3.04. Transfers of Unexpended Proceeds.** The Trust Administrator is hereby directed that all unexpended moneys remaining in the Bond Proceeds Fund and not identified in writing by a City Representative and by the Owner to be required for payment of Project Costs or other capital improvements (the "Unexpended Proceeds") shall, on the date of completion of the Project or as soon thereafter as the Trust Administrator is so notified, be transferred to the Installment Payment Fund and applied to the payment of the Bonds.

**ARTICLE IV  
PREPAYMENT OF BONDS**

**Section 4.01. Prepayment.**

(a) **Generally.** The Bonds shall not be subject to prepayment prior to maturity, except in the manner, at the times and in all respects in accordance with the provisions of this Article IV.

(b) **Prepayment from Net Proceeds of Insurance and Condemnation and from Unexpended Proceeds.** The Bonds are subject to prepayment in whole on any date and in part on

any Interest Payment Date from the (i) Net Proceeds of any insurance or condemnation award and (ii) Unexpended Proceeds, which are, in either case deposited in the Installment Payment Fund and credited towards the prepayment made by the City pursuant to Section 4.03 of the Installment Sale Agreement, at a prepayment price equal to the principal amount thereof, together with accrued interest to the date fixed for prepayment, without premium.

**(c) Optional Prepayment.** In addition, the Bonds are subject to prepayment in whole or in part at any time, at the principal amount with respect thereto, without premium, and with accrued interest to the date fixed for prepayment from the proceeds of optional prepayments made by the City pursuant to the Installment Sale Agreement.

**Section 4.02. Selection of Bonds for Prepayment.** Whenever provision is made in this Trust Agreement for the prepayment of Bonds and less than all Outstanding Bonds are called for prepayment, the Trust Administrator shall select Bonds for prepayment in inverse order of maturity, unless otherwise requested by City and agreed to by Original Purchaser in its reasonable discretion. The Trust Administrator shall promptly notify the City and the Authority in writing of the Bonds so selected for prepayment, and the City or the Authority shall immediately thereafter revise Exhibit B of the Installment Sale Agreement to reflect such prepayment and shall be and become for all purposes thereafter the “Amended Exhibit B to the Installment Sale Agreement.”

#### **Section 4.03. Notice of Prepayment.**

**(a) General.** Notice of any such prepayment shall be given by the Trust Administrator on behalf and at the expense of the City by mailing a copy of a prepayment notice by first class mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for prepayment to such Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register maintained by the Trust Administrator; provided, however, that neither the failure to receive such notice nor any defect in any notice shall affect the sufficiency of the proceedings for the prepayment of the Bonds.

**(b) Contents.** All notices of prepayment shall be dated and shall state: (i) the prepayment date, (ii) the prepayment price, (iii) if less than all Outstanding Bonds are to be prepaid, the identification (and, in the case of partial prepayment, the respective principal amounts) of the Bonds to be prepaid, (iv) that on the prepayment date the prepayment price will become due and payable with respect to each such Bond or portion thereof called for prepayment, and that interest with respect thereto shall cease to accrue from and after said date, (v) the place where such Bonds are to be surrendered for payment of the prepayment price, which place of payment shall be the Trust Office.

**(c) Deposit.** Prior to the mailing of any prepayment notice (other than a prepayment notice relating to Bonds that are to be refunded with the proceeds of refunding bonds or other refunding obligations), the City shall deposit, or cause to be deposited, with the Trust Administrator an amount of money sufficient to pay the prepayment price of all the Bonds or portions of Bonds which are to be prepaid on the applicable prepayment date. In the case of a prepayment notice relating to Bonds that are to be refunded, the City shall deposit, or cause to be deposited, with the Trust Administrator on or prior to the applicable prepayment date, an amount of money sufficient to pay

the prepayment price of all the Bonds or portions of Bonds which are to be prepaid on such prepayment date.

**(d) Prepayment.** Notice of prepayment having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the prepayment date, become due and payable at the prepayment price therein specified, and from and after such date (unless the City shall default in the payment of the prepayment price) interest with respect to such Bonds or portions of Bonds shall cease to be payable. Upon surrender of such Bonds for prepayment in accordance with said notice, such Bonds shall be paid by the Trust Administrator at the prepayment price. Installments of interest due on or prior to the prepayment date shall be payable as herein provided for payment of interest. Upon surrender for any partial prepayment of any Bond, there shall be executed and delivered for the Owner a new Bond or Bonds of the same maturity in the amount of the unprepaid principal. All Bonds which have been prepaid shall be canceled by the Trust Administrator, shall not be reissued and shall be destroyed pursuant to Section 14.07. If the Government is the Owner, prepayment shall be endorsed on the single, fully registered Bond registered to the Government.

**(e) CUSIP.** The Trust Administrator shall have no responsibility for a defect in any CUSIP number that appears on any Bond or in the prepayment notice. The prepayment notice may provide that the CUSIP numbers have been assigned by an independent service and are included in the notice solely for the convenience of Bond Owners and that the Trust Administrator and the City shall not be liable in any way for inaccuracies in said numbers.

**Section 4.04. Partial Prepayment of Bonds.** Upon surrender of any Bond prepaid in part only, the Trust Administrator shall execute and deliver to the Owner thereof, at the expense of the City, a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unprepaid portion of the Bond surrendered and of the same interest rate and the same maturity.

**Section 4.05. Effect of Notice of Prepayment.** After notice has been given and the moneys for the prepayment, including interest to the applicable Interest Payment Date and premium, if any, having been set aside in the Installment Payment Fund, the Bond to be redeemed shall become due and payable on the Interest Payment Date, and, upon presentation and surrender thereof at the Trust Office specified in such notice, such Bond shall be paid at the unpaid principal amount with respect thereto, and any unpaid and accrued interest to the Interest Payment Date.

If, on the Interest Payment Date, moneys for the prepayment of all of the principal of the Bond to be prepaid, together with interest to such Interest Payment Date, shall be held by the Trust Administrator so as to be available therefor on such Interest Payment Date, and, if notice of prepayment thereof shall have been given, then, from and after such Interest Payment Date, interest with respect to the Bond to be prepaid shall cease to accrue and become payable. If such moneys shall not be so available on the Interest Payment Date, interest with respect to such Bond shall continue to be payable at the same rates as it would have been payable had the Bond not been called for prepayment. All moneys held by or on behalf of the Trust Administrator for the prepayment of a particular Bond shall be held in trust for the account of the Owner of the Bond so to be prepaid. The Trust Administrator shall not be liable for any interest earned on the amounts so held.

**Section 4.06. Purchase of Bonds.** In lieu of prepayment of Bonds as provided in this Article IV, amounts held by the Trust Administrator for such prepayment may also be used on any Interest Payment Date,

upon receipt by the Trust Administrator at least ninety (90) days prior to the next scheduled Interest Payment Date of the written request of a City Representative, for the purchase of Bonds at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the City may in its discretion direct, but not to exceed the prepayment price which would be payable if such Bonds were prepaid; *provided, however*, that no Bond shall be purchased in lieu of prepayment with a trade settlement date less than seventy-five (75) days prior to the relevant prepayment date. The aggregate principal amount of Bonds of the same maturity purchased in lieu of prepayment pursuant to this Section 4.06 shall not exceed the aggregate principal amount of Bonds of such maturity which would otherwise be subject to such prepayment. Remaining moneys, if any, shall be deposited in the Installment Payment Fund.

## ARTICLE V INSTALLMENT PAYMENTS; INSTALLMENT PAYMENT FUND

**Section 5.01. Assignment of Rights in Installment Sale Agreement.** The Authority has, pursuant to the Assignment Agreement, transferred, assigned and set over to the Trust Administrator all of its rights, title and interest in the Installment Sale Agreement (excepting only its rights under Sections 5.08, 6.03 and 7.04 thereof), including but not limited to all of the Authority's rights to receive and collect all of the Installment Payments, any Prepayment and all other amounts required to be deposited in the Installment Payment Fund pursuant to the Installment Sale Agreement or pursuant hereto.

All Installment Payments, any Prepayment and such other amounts which the Authority may at any time be entitled, shall be paid directly to the Trust Administrator and, in the event of the receipt or collection of Installment Payments by the Authority, such payments shall be deemed to be held or to have been collected or received by the Authority as agent of the Trust Administrator.

**Section 5.02. Establishment of Installment Payment Fund.** The Trust Administrator shall establish the Installment Payment Fund. All moneys at any time deposited by the Trust Administrator in the Installment Payment Fund shall be held by the Trust Administrator in trust for the benefit of the Owners of the Bonds. So long as any Bonds are Outstanding, neither the City nor the Authority shall have any beneficial right or interest in the Installment Payment Fund or the moneys deposited therein, except only as provided in this Trust Agreement, and such moneys shall be used and applied by the Trust Administrator as hereinafter set forth.

**Section 5.03. Deposits.** There shall be deposited in the Installment Payment Fund all Installment Payments, Reserve Installment Payments and Prepayments received by the Trust Administrator, including any moneys received by the Trust Administrator for deposit therein pursuant to Sections 4.01, 5.05, 6.02, hereof or Article IV of the Installment Sale Agreement, and any other moneys required to be deposited therein pursuant to the Installment Sale Agreement or pursuant to this Trust Agreement.

**Section 5.04. Application of Moneys in the Installment Payment Fund.** All amounts in the Installment Payment Fund shall be used and withdrawn by the Trust Administrator for deposit in the following respective funds (each of which is hereby created and each of which the Trust Administrator or the City hereby covenants and agrees to cause to be maintained so long as any Bonds are Outstanding) at the following times and in the following order of priority (the Trust Administrator shall not withdraw from the Installment Payment Fund an amount in excess of the debt service scheduled to be paid by the Installment Payments

deposited therein) and the moneys in each of such funds shall be applied, used and withdrawn only for the purposes and uses hereinafter authorized.

(a) **Interest Fund.** The Trust Administrator shall transfer from the Installment Payment Fund and deposit in the Interest Fund for receipt before June 1 and December 1 of each year, beginning on December 1, 2019, an amount of money from the Installment Payment Fund which is equal to the aggregate amount of the interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date. No deposit need be made into the Interest Fund if the amount contained therein is at least equal to the amount of the interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date. All money in the Interest Fund shall be used and withdrawn by the Trust Administrator solely for the purpose of paying the interest on the Outstanding Bonds; provided that any earnings on deposit in the Interest Fund after payment of interest on Bonds on an Interest Payment Date shall be transferred to the Installment Payment Fund.

(b) **Principal Fund.** The Trust Administrator shall deposit in the Principal Fund before June 1 of each year, an amount of money from the Installment Payment Fund equal to the Principal Component Payment payable on such Principal Payment Date. All money in the Principal Fund shall be used by the Trust Administrator to pay or purchase the Bonds in accordance with Article IV hereof; provided that any earnings on deposit in the Principal Fund after payment of Principal Component Payment of the Bonds on a Principal Payment Date shall be transferred to the Installment Payment Fund.

(c) **Reserve Fund.** All moneys at any time on deposit in the Reserve Fund shall be held by the Trust Administrator in trust for the benefit of the Owners of the Bonds, and applied solely as provided in Article IV herein.

(d) **Short-Lived Assets Reserve Fund.** All moneys at any time on deposit in the Short-Lived Assets Reserve Fund shall be held by the Trust Administrator, and applied solely as provided in Article VI herein.

**Section 5.05. Surplus.** Any surplus remaining in the Installment Payment Fund, after payment of all Bonds after each Principal Payment Date, and accrued interest (if any) and payment of any applicable fees, costs and expenses to the Trust Administrator, or provision for such prepayment or payment having been made to the satisfaction of the Trust Administrator, shall be withdrawn by the Trust Administrator and remitted to the City.

## ARTICLE VI RESERVE FUNDS

**Section 6.01. Establishment of Reserve Fund.** The Trust Administrator shall establish the Reserve Fund and shall keep such fund separate and apart from all other funds and moneys held by the Trust Administrator. All moneys at any time on deposit in the Reserve Fund shall be held by the Trust Administrator in trust for the benefit of the Owners of the Bonds, and applied solely as provided herein.

**Section 6.02. Deposits.** There shall be deposited in the Reserve Fund the amounts specified in Section 3.11 of the Installment Sale Agreement.

**Section 6.03. Transfers.** The Trust Administrator shall, on or before each June 1 and December 1, transfer any moneys in the Reserve Fund in excess of the Reserve Requirement as provided in Section 8.03 hereof.

**Section 6.04. Application in Event of Deficiency in the Installment Payment Fund.** If, on any Interest Payment Date, the moneys available in the Installment Payment Fund do not equal the amount of the principal, interest and prepayment premium (if any) with respect to the Bonds then coming due and payable, the Trust Administrator shall apply the moneys available in the Reserve Fund to make delinquent Installment Payments on behalf of the City and transfer the amount necessary for this purpose to the Installment Payment Fund. Upon receipt of any delinquent Installment Payment with respect to which moneys have been advanced from the Reserve Fund such Installment Payment shall be deposited in the Reserve Fund to the extent of such advance.

**Section 6.05. Transfer to Make All Installment Payments.** If on any Installment Payment Date, the moneys on hand in the Reserve Fund and the Installment Payment Fund are sufficient to pay all Outstanding Bonds, including all principal and interest the Trust Administrator shall, upon the written direction of a City Representative, accompanied by all amounts then on hand in the Reserve Fund, deposit such funds in the Installment Payment Fund to be applied to the payment of the Installment Payments or Prepayments on behalf of the City, and such moneys shall be distributed to the Owners of the Bonds in accordance with Article II and Article IV of this Trust Agreement.

**Section 6.06. Replenishment of Reserve Fund.** The City shall maintain or cause to be maintained in the Reserve Fund an amount equal to the amounts required to be deposited therein pursuant to Section 3.11 of the Installment Sale Agreement, and thereafter the amount of the Reserve Requirement. If, on any date of computation, amounts on hand in the Reserve Fund are less than such required amounts because of a transfer therefrom made in accordance with Section 6.04 hereof, the City shall pay to the Trust Administrator, within one (1) year from the date of such deficiency if caused by a deficiency in Net Revenues, an amount necessary to bring the amounts on deposit in the Reserve Fund to the amount required to be maintained therein; provided, however, that the period of time permitted herein for the replenishment of the Reserve Fund by the City shall not affect any other provision of this Trust Agreement.

**Section 6.07. Establishment and Application of Short-Lived Assets Reserve Fund.** The Trust Administrator shall establish and maintain a separate “Short-Lived Assets Reserve Fund” as a special reserve fund for repair and/or replacement of short-lived assets of the Wastewater System, and shall keep such fund separate and apart from all other funds and moneys held by the Trust Administrator.

In accordance with Section 3.12 of the Installment Sale Agreement, the Trust Administrator shall deposit an initial amount of \$ \_\_\_\_\_ into the Short-Lived Assets Reserve Fund on or before the Closing Date, and shall annually thereafter deposit \$ \_\_\_\_\_ into the Short-Lived Assets Reserve Fund by not later than June 30 of each year, starting with fiscal year ending June 30, 2020, and continuing for as long as any of the Bonds remain outstanding.

The City may withdraw amounts on deposit in the Short-Lived Assets Reserve Fund from time to time to pay for timely replacement of “short-lived assets” of the Wastewater System, which for purposes of this Section shall mean any component or assets of the Wastewater System, including, without limitation,

pumps, paint and small equipment, that will need to be repaired or replaced over a one to fifteen-year period, the cost of which is not included within the definition of Operation and Maintenance Costs.

Notwithstanding the foregoing, before each June 30 the City shall evaluate the status and condition of short-lived assets of the Wastewater System and, if such evaluation suggests that a lesser or greater deposit is required in order to provide for the timely replacement of any short-lived assets, the City may upon consultation by the City with the Government decrease the amount of the annual deposit into the Short-Lived Assets Reserve Fund if a lesser amount is indicated, but shall increase the amount of the annual deposit in to the Short-Lived Assets Reserve Fund if a greater amount is indicated.

Upon the redemption in full of all outstanding Bonds, the City shall close the Short-Lived Assets Reserve Fund and the balance therein shall be released to the City and used for any legally permissible purpose of the Wastewater System.

## **ARTICLE VII INSURANCE AND CONDEMNATION FUND; INSURANCE; EMINENT DOMAIN**

**Section 7.01. Establishment of Insurance and Condemnation Fund; Application of Net Proceeds of Insurance Award.** Any Net Proceeds of insurance against accident to or destruction of any structure constituting any part of the Project collected by the City in the event of any such accident or destruction shall be transferred by the City to the Trust Administrator pursuant to Section 5.07 of the Installment Sale Agreement and the Trust Administrator shall deposit such moneys in a special fund designated as the “Insurance and Condemnation Fund” to be applied and disbursed by the Trust Administrator as provided in Section 5.07(a) of the Installment Sale Agreement.

**Section 7.02. Application of Net Proceeds of Eminent Domain Award.** If all or any part of the Project shall be taken by eminent domain (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be transferred by the City to the Trust Administrator for deposit in the Insurance and Condemnation Fund pursuant to Section 5.07(b) of the Installment Sale Agreement and shall be applied and disbursed by the Trust Administrator as follows:

**(a)** If the City determines that such eminent domain proceedings have not materially affected the operation of the Project, or the ability of the City to meet any of its obligations under the Installment Sale Agreement, and if the City determines that such proceeds are: (i) not needed for repair, replacement or rehabilitation of the Project, upon receipt of a Written Certificate from the City the Trust Administrator shall transfer such proceeds to the Installment Payment Fund to be credited towards the prepayments required to be paid pursuant to Section 4.03 of the Installment Sale Agreement and applied to the prepayment of Bonds in the manner provided in Article IV hereof, or (ii) needed for repair or rehabilitation of the Project, upon receipt of a Written Certificate from the City the Trust Administrator shall pay to the City, or to its order, from said proceeds such amounts as the City may expend for such repair or rehabilitation, upon the filing of requisitions of the City Representative, substantially in the form described in Section 3.02 in connection with the payment of Project Costs.

**(b)** If (i) less than all of the Project shall have been taken in such eminent domain proceedings, and if the City determines that such eminent domain proceedings have materially

affected the operation of the Project or the ability of the City to meet any of its obligations under the Installment Sale Agreement or (ii) all of the Project shall have been taken in such eminent domain proceedings, then upon receipt of written instruction from the City the Trust Administrator shall transfer such proceeds to the Installment Payment Fund to be credited toward the prepayment required to be paid pursuant to Section 4.03 of the Installment Sale Agreement and applied to the prepayment of Bonds in the manner provided in Article IV hereof.

**Section 7.03. Excess Net Proceeds.** After all of the Bonds have been retired and the entire amount of principal and interest with respect to the Bonds and any remaining fees and expenses of the Trust Administrator have been paid in full, the Trust Administrator shall transfer any remaining funds to the City.

**Section 7.04. Cooperation.** The Authority shall cooperate with the City at the expense of the City in filing any proof of loss with respect to any insurance policy maintained pursuant to Article V of the Installment Sale Agreement and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Project or any part thereof.

## **ARTICLE VIII MONEYS IN FUNDS; INVESTMENT**

**Section 8.01. Held in Trust.** The moneys and investments held by the Trust Administrator under this Trust Agreement, except for those held in the Bond Proceeds Fund, are irrevocably held in trust for the benefit of the Owner(s) of the Bonds, and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Trust Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of either the Authority, the Trust Administrator or the City or any Owner of a Bond, or any of them until after the Bonds have been paid in full.

**Section 8.02. Investments Authorized.** Moneys held by the Trust Administrator hereunder shall be invested and reinvested by the Trust Administrator, to the maximum extent practicable, in Permitted Investments. Unless otherwise directed, the Trust Administrator shall invest the affected moneys in Permitted Investments described in paragraph (f) of the definition thereof. A City Representative may, by written order filed with the Trust Administrator, direct investment of moneys held by the Trust Administrator in specific Permitted Investments. Investments purchased with moneys on deposit in the Reserve Fund shall have a term not greater than five years. Investments, if registrable, shall be registered in the name of and held by the Trust Administrator or the Trust Administrator's nominee. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trust Administrator may act as principal or agent in the making or disposing of any investment. The Trust Administrator shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Article VIII. The Trust Administrator shall be entitled to rely conclusively upon the written instructions of a City Representative directing investments as to the fact that each investment is permitted by the laws of the State and constitutes a Permitted Investment hereunder, and the Trust Administrator shall not be required to make further investigation with respect thereto. To the extent that any of the requirements concerning any Permitted Investment embodies a legal conclusion, the Trust Administrator shall be entitled to conclusively rely upon a Written Certificate or certificate from the appropriate party or an opinion of counsel to such party that such requirement has been met.

**Section 8.03. Allocation of Earnings.** All interest or income received by the Trust Administrator on investment of the Bond Proceeds Fund and Installment Payment Fund shall, as received, be retained in the applicable fund. Amounts retained in the Installment Payment Fund pursuant to this Section 8.03 shall be applied as a credit against the Installment Payment due by the City pursuant to the Installment Sale Agreement on the Installment Payment Date following the date of deposit. All interest or income received by the Trust Administrator on investment of the Reserve Fund shall be retained in the Reserve Fund in the event that amounts on deposit in the Reserve Fund are less than the Reserve Requirement. Pursuant to Section 6.03 hereof, in the event that amounts then on deposit in the Reserve Fund equal or exceed the Reserve Requirement, such excess shall be transferred to the Installment Payment Fund and shall be applied as a credit against the Installment Payment due by the City pursuant to the Installment Sale Agreement on the Installment Payment Date following the date of deposit. Transfers to the Installment Payment Fund from the Reserve Fund shall be made by the Trust Administrator on or prior to each Installment Payment Date.

**Section 8.04. Accounting.** The Trust Administrator shall furnish to the City a semi-annual accounting of all investments, transactions and disbursements made by the Trust Administrator. The Trust Administrator may commingle, at its sole discretion, any of the funds held by it pursuant to this Trust Agreement into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trust Administrator hereunder shall be accounted for separately notwithstanding such commingling by the Trust Administrator.

**Section 8.05. Acquisition, Disposition and Valuation of Investments.**

(a) Except as otherwise provided in subsection (b) of this Section 8.05, the City covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Trust Agreement, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Tax Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Trust Agreement or the Tax Code) at Fair Market Value.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code and (unless valuation is undertaken at least annually) investments in the Reserve Fund shall be valued at their present value (within the meaning of section 148 of the Tax Code).

**ARTICLE IX  
THE TRUST ADMINISTRATOR**

**Section 9.01. Appointment of Trust Administrator.** The Trust Administrator is hereby appointed by the Authority and the City for the purpose of receiving all moneys required to be deposited with the Trust Administrator hereunder and to allocate, use and apply the same as provided in this Trust Agreement.

(a) **General.** The Trust Administrator is hereby authorized to pay or redeem the Bonds when duly presented for payment at maturity, or on prepayment, and to cancel all Bonds upon payment thereof. The Trust Administrator shall keep accurate records of all funds administered by it and of all Bonds paid and discharged. The Trust Administrator shall be compensated for its services rendered pursuant to the provisions of this Trust Agreement and shall be reimbursed for costs and

expenses, including attorney's fees, incurred in connection therewith, subject to the provisions of any written agreement between the Trust Administrator and the City.

**(b) Successor.** So long as no Event of Default shall have occurred and be continuing, the City may, with the written consent of the Owners, remove the Trust Administrator initially appointed, and any successor thereto, on thirty (30) days written notice and may appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company which shall be a corporation organized and doing business under the laws of any state, the City or the United States of America, authorized under such laws to exercise corporate trust powers, which shall have (or, in the case of a corporation included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or state authority, so long as any Bonds are Outstanding. If such corporation publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section 9.01 the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal of the Trust Administrator shall not be effective until written acceptance of appointment by the successor Trust Administrator.

**(c) Resignation.** The Trust Administrator may at any time resign by giving written notice to Authority and the City and by providing notice by first class mail, postage prepaid, to the Owners at their addresses as shown on the Bond Register maintained by the Trust Administrator. Said mailing shall be made prior to the proposed effective date of resignation. Upon receiving such notice of resignation, the City, with the written consent of the Owners, shall promptly appoint a successor Trust Administrator by an instrument in writing; *provided, however*, that in the event that the City does not appoint a successor Trust Administrator within thirty (30) days following receipt of such notice of resignation, the Authority may appoint a successor Trust Administrator and in the event that Authority does not appoint such successor Trust Administrator, the resigning Trust Administrator, at the expense of the City, may petition any appropriate court having jurisdiction to appoint a successor Trust Administrator. Any resignation or removal of the Trust Administrator and appointment of a successor Trust Administrator shall become effective upon acceptance of appointment by the successor Trust Administrator and receipt by the Trust Administrator of any fees and expenses due and payable to it.

**Section 9.02. Liability of Trust Administrator.** The recitals of facts, covenants and agreements herein and in the Bonds contained shall be taken as statements, covenants and agreements of Authority and the City, and the Trust Administrator neither assumes any responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Trust Agreement or of the Bonds nor shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Bonds assigned to or imposed upon the Trust Administrator.

**Section 9.03. Merger or Consolidation.** Any company into which the Trust Administrator may be merged or converted or with which any of them may be consolidated or any company resulting from any merger, conversion or consolidation to which any of them shall be a party or any company to which the Trust Administrator may sell or transfer all or substantially all of its corporate trust business, provided that such

company shall be eligible under Section 9.01, shall be the successor to the Trust Administrator without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

**Section 9.04. Protection and Rights of the Trust Administrator.** The following provisions shall apply to the Trust Administrator in the event the Trust Administrator is not then an officer or employee of the City and shall also apply to the Trust Administrator in the event the Trust Administrator is then an officer or employee of the City, but only to the extent that such provisions do not conflict with such Trust Administrator's duties as a City officer or employee.

(a) **Good Faith.** The Trust Administrator shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificates, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Trust Agreement, and the Trust Administrator shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements.

(b) **Ownership Claims.** The Trust Administrator shall not be bound to recognize any person as an Owner of any Bond or to take any action at such Owner's request unless such Bond shall be deposited with the Trust Administrator or satisfactory evidence of the ownership of such Bond shall be furnished to the Trust Administrator.

(c) **Counsel.** The Trust Administrator may consult with counsel, who may be counsel to the City, 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 in accordance therewith.

(d) **Proof.** Whenever in the administration of its duties under this Trust Agreement, the Trust Administrator shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) shall be deemed to be conclusively proved and established by the Written Certificate of the City Representative or Authority Representative and such Written Certificate shall be full warranty to the Trust Administrator for any action taken or suffered under the provisions of this Trust Agreement upon the faith thereof, but in its discretion the Trust Administrator may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

(e) **Owner.** The Trust Administrator may become the Owner of Bonds with the same rights it would have if it were not Trust Administrator; may acquire and dispose of other bonds or evidence of indebtedness of the City with the same rights it would have if it were not the Trust Administrator; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee shall represent the Owners of the majority in principal amount of the Bond then Outstanding.

**(f) Powers and Liability.** The Trust Administrator may execute any of the powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of its duty hereunder, and the Trust Administrator shall not be liable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care. The Trust Administrator shall not be liable for the exercise of any discretion or power under this Trust Agreement or for anything whatever in connection with the funds and accounts established hereunder, except only for its own willful misconduct or negligence.

**(g) Limits of Liability.** The Trust Administrator undertakes to perform such duties, and only such duties as are specifically set forth in this Trust Agreement and no implied duties or obligations shall be read into this Trust Agreement against the Trust Administrator. No provision in this Trust Agreement shall require the Trust Administrator to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it. In accepting the duties hereby enumerated, the Trust Administrator acts solely as Trust Administrator for the Owners and not in its individual capacity and all persons, including without limitation the Owners and the City or Authority having any claim against the Trust Administrator arising from this Trust Agreement shall look only to the funds and accounts held by the Trust Administrator hereunder for payment except as otherwise provided herein. Under no circumstances shall the Trust Administrator be liable in its individual capacity for the obligations evidenced by the Bonds. The Trust Administrator shall not be liable in its individual capacity with respect to any action taken or omitted to be taken by the Trust Administrator in good faith in accordance with the written request of the Owners of the Bonds.

**(h) No Representations.** The Trust Administrator makes no representation or warranty, express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City of the Project. In no event shall the Trust Administrator be liable for incidental, indirect, special or consequential damages in connection with or arising from the Installment Sale Agreement or Trust Agreement for the existence, furnishing or use of the Project.

**(i) Enforcement; Knowledge.** The Trust Administrator shall not be responsible for the sufficiency or enforceability of the Installment Sale Agreement or the assignment under the Assignment Agreement of its rights to receive Installment Payments. The Trust Administrator shall not be deemed to have knowledge of any Event of Default hereunder or under the Installment Sale Agreement except failure by the City to make Installment Payments unless the Trust Administrator shall be specifically notified in writing of such Event of Default.

**(j) Released and Unclaimed Funds.** The Trust Administrator shall not be accountable for the use or application by the City or any other party of any funds which the Trust Administrator has released under this Trust Agreement. Subject to applicable escheat laws, any amounts unclaimed two (2) years after the final prepayment or maturity date of the Bond, whichever occurs first, shall be paid by the Trust Administrator to the City, and thereafter, the Owner of any Bond remaining unpaid shall look to the City for the payment of such Bond.

**Section 9.05. Appointment of Trust Administrator.** In the event that an Event of Default shall occur or if it shall otherwise be necessary for the Trust Administrator to enforce payment of the Installment Payments, Prepayments or any other amount required to be deposited into the Installment Payment Fund or

the Insurance and Condemnation Fund, or to exercise any of the remedies set forth in Article XIII hereof, or if it is determined that the Trust Administrator is unable to perform any of the other duties hereunder, the City, with the written consent of the Government as the Owner, shall appoint a bank or trust company as Trust Administrator hereunder (the "Trust Administrator") to succeed to the duties and responsibilities of the Trust Administrator hereunder, such appointment to be effective immediately upon written notice thereof to the Trust Administrator. Any Trust Administrator appointed in such circumstances shall meet the requirements of Section 9.01(b) hereof. Upon such appointment, the term "Trust Administrator" in this Agreement shall also refer to such Trust Administrator.

## **ARTICLE X MODIFICATION OR AMENDMENT OF AGREEMENTS**

### **Section 10.01. Amendments Permitted.**

**(a) With Consent.** This Trust Agreement and the rights and obligations of the Owners of the Bonds and the Installment Sale Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 10.03, shall have been filed with the Trust Administrator. No such modification or amendment shall (1) extend or have the effect of extending the fixed maturity of any Bond or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, without the express consent of the Owner of such Bond, or (2) reduce or have the effect of reducing the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification of the Installment Sale Agreement, or (3) modify any of the rights or obligations of the Trust Administrator without its written assent thereto. Any such supplemental agreement shall become effective as provided in Section 10.02.

**(b) Without Consent.** This Trust Agreement and the rights and obligations of the Owners of the Bonds and the Installment Sale Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only to the extent permitted by law and only (1) to cure, correct or supplement any ambiguous or defective provision contained herein or therein, or (2) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not, in the opinion of nationally recognized bond counsel, materially adversely affect the interest of the Owners of the Bonds, or (3) if and to the extent specified in an opinion of nationally recognized bond counsel filed with the City, the Authority and the Trust Administrator, to make such additions, deletions or modifications as may be necessary to assure compliance with section 148(f) of the Tax Code or otherwise as may be necessary to assure exclusion from gross income for purposes of federal income taxation of the interest component of Installment Payments. Any such supplemental agreement shall become effective upon its execution and delivery by the parties hereto or thereto as the case may be.

**(c) Counsel.** The Trust Administrator may obtain an opinion of Independent Counsel that any amendment entered into hereunder complies with the provisions of this Article X and the Trust Administrator may rely conclusively on such opinion.

## **Section 10.02. Procedure for Amendment with Written Consent of Bond Owners.**

(a) **General.** This Trust Agreement or the Installment Sale Agreement may be amended by supplemental agreement as provided in this Section 10.02 in the event the consent of the Owners of the Bonds is required pursuant to Section 10.01. A copy of such supplemental agreement, together with a request to the Bond Owners for their consent thereto, shall be mailed by the Trust Administrator to the Owner of each Bond at his address as set forth in the Bond Register, but failure to mail copies of such supplemental agreement and request shall not affect the validity of the supplemental agreement when assented to as provided in this Section 10.02.

(b) **Effective.** Such supplemental agreement shall not become effective unless there shall be filed with the Trust Administrator the written consent of the Owners of at least sixty percent (60%) in aggregate principal amount of the Bonds then Outstanding (exclusive of Bonds disqualified as provided in Section 10.03) and a notice shall have been mailed as hereinafter provided in this Section 10.02. Each such consent shall be effective only if accompanied by proof of ownership of the Bond for which such consent is given, which proof shall be such as is permitted by Section 2.11. Any such consent shall be binding upon the Owner of the Bond giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trust Administrator within five (5) Business Days of the date when the notice of consent hereinafter in this Section 10.02 provided for has been mailed. Any revocation received by the Trust Administrator later than five (5) Business Days after such notice has been mailed shall be of no force and effect.

(c) **Notice.** After the Owners of the required percentage of Bonds shall have filed their consents to such supplemental agreement, the Trust Administrator shall mail a notice to the Owners of the Bonds in the manner hereinbefore provided in this Section 10.02 for the mailing of such supplemental agreement at the notice of adoption thereof, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Bonds and will be effective as provided in this Section 10.02 (but failure to mail copies of said notice shall not affect the validity of such supplemental agreement or consents thereto). A record, consisting of the papers required by this Section 10.02 to be filed with the Trust Administrator, shall be conclusive proof of the matters therein stated until the contrary is proved. Such supplemental agreement shall be deemed conclusively binding upon the parties hereto and the Owners of all Bonds at the expiration of sixty (60) days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such sixty (60) day period.

**Section 10.03. Disqualified Bonds.** Bonds owned or held by or for the account of the City or by any person directly or indirectly controlled or controlled by, or under direct or indirect common control with the City (except any Bond held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Bonds provided for in this Trust Agreement, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Trust Agreement.

**Section 10.04. Effect of Supplemental Agreement.** From and after the time any supplemental agreement becomes effective pursuant to this Article X, this Trust Agreement or the Installment Sale Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement shall be deemed to be part of the terms and conditions of this Trust Agreement or the Installment Sale Agreement, as the case may be, for any and all purposes.

The City may adopt appropriate regulations to require each Bond Owner, before such Owner's consent provided for in this Article X shall be deemed effective, to reveal whether the Bond as to which such consent is given is disqualified as provided in Section 10.03.

**Section 10.05. Endorsement or Replacement of Bonds Delivered After Amendments.** The City may determine that Bonds delivered after the effective date of any action taken as provided in this Article X shall bear a notation, by endorsement or otherwise, in form approved by the Trust Administrator, as to such action. In that case, upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his or her Bond for the purpose at the Trust Office, a suitable notation shall be made on such Bond. The City may determine that new Bond, so modified as in the opinion of the City is necessary to conform to such Bond Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Bond then Outstanding, such new Bond shall be exchanged at the Trust Office, without cost to such Owner, for a Bond of the same character then Outstanding, upon surrender of such Bond.

**Section 10.06. Amendatory Endorsement of Bond.** The provisions of this Article X shall not prevent any Bond Owner from accepting any amendment as to the particular Bond held by him, provided that due notification thereof is made on such Bond.

## **ARTICLE XI COVENANTS**

**Section 11.01. Compliance with and Enforcement of Installment Sale Agreement.** The City and the Authority covenant and agree with the Owners of the Bonds to perform all obligations and duties imposed on them under the Installment Sale Agreement and this Trust Agreement. The City or the Authority, immediately upon receiving or giving any notice or communication or other document in any way relating to or affecting their respective interests in the Project which may or can in any manner affect such interest, will deliver the same, or a copy thereof, to the Trust Administrator. The City will not do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Installment Sale Agreement by the Authority thereunder.

**Section 11.02. Payment of Taxes.** The City will, subject to any right of challenge thereof, pay or cause to be paid all taxes, assessments and other governmental charges, if any, that may be levied, assessed or charged upon the Project or any part thereof, promptly as and when the same shall become due and payable; and the City will keep the Trust Administrator advised in writing of such payments. The City will not suffer

the Project, or any part thereof, to be sold for any taxes, assessments or other charges whatsoever, or to be forfeited therefor.

**Section 11.03. Observance of Laws and Regulations.** The City will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it with respect to the Wastewater System by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the City with respect to the Wastewater System to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

**Section 11.04. Prosecution and Defense of Suits.** The City shall promptly, upon request of the Trust Administrator or any Bond Owner holding at least 25% in principal amount of the Bonds from time to time, take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Project, whether now existing or hereafter developing and shall, to the extent permitted by law, prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trust Administrator and every Bond Owner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

**Section 11.05. Further Assurances.** The Authority, the City and the Trust Administrator (at the cost and request of the City or the Authority) will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Trust Agreement, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided herein.

**Section 11.06. Filing.** The City shall be responsible for the filing of any supplemental instruments or documents of further assurance as may be required by law in order to perfect or renew the security interests created by this Trust Agreement. Neither the Trust Administrator nor the Authority shall be responsible for such filing.

**Section 11.07. Private Activity Bond Limitation.** The City shall assure that proceeds of the Bonds are not so used as to cause the Bonds or the Installment Sale Agreement to satisfy the private business tests of section 141(b) of the Tax Code or the private loan financing test of section 141(c) of the Tax Code.

**Section 11.08. Federal Guarantee Prohibition.** The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Bonds or the Installment Sale Agreement to be "federally guaranteed" within the meaning of section 149(b) of the Tax Code.

**Section 11.09. Rebate Requirement.** The City shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds and the Installment Sale Agreement.

**Section 11.10. No Arbitrage.** The City shall not take, or permit or suffer to be taken by the Trust Administrator or otherwise, any action with respect to the proceeds of the Bonds which, if such action had

been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Bonds or the Installment Sale Agreement to be “arbitrage bonds” within the meaning of section 148 of the Tax Code.

**Section 11.11. Maintenance of Tax-Exemption.** The City shall take all actions necessary to assure the exclusion of interest with respect to the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

**Section 11.12. Small Issuer Exemption from Bank Nondeductibility Restriction.** The City and Authority hereby designate the Installment Sale Agreement and Bonds for purposes of paragraph (3) of section 265(b) of the Tax Code and represents that not more than \$10,000,000 aggregate principal amount of obligations the interest on which is excludable (under section 103(a) of the Code) from gross income for federal income tax purposes (excluding (i) private activity bonds, as defined in section 141 of the Code, except certain qualified 501(c)(3) bonds as defined in section 145 of the Code and (ii) current refunding obligations to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation), including the Installment Sale Agreement, has been or will be issued by the City and Authority, including all subordinate entities of the City, during the calendar year 2019.

**Section 11.13. Graduation.** The City and the Authority covenant to use best efforts to refinance the unpaid balance of the Bonds, in whole or in part, upon the written request of the Government, if at any time it shall appear to the Government that either the City or the Authority is able to refinance the Bonds for savings by obtaining a loan for such purposes from responsible cooperative or private sources at reasonable rates and terms for loans for similar purposes and periods of time as required by section 333(c) of said Consolidated Farm and Rural Development Act (7 U.S.C. 1983(c)).

## **ARTICLE XII LIMITATION OF LIABILITY**

**Section 12.01. Limited Liability of City.** Except for the payment of Installment Payments and Prepayments when due in accordance with the Installment Sale Agreement and the performance of the other covenants and agreements of the City contained in said Agreement, the City shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the Bonds with respect to this Trust Agreement or the terms, execution, delivery or transfer of the Bonds, or the distribution of Installment Payments to the Owners by the Trust Administrator except as expressly set forth herein.

**Section 12.02. No Liability of the Authority for Trust Administrator Performance.** In the event that a Trust Administrator shall be appointed pursuant to Section 9.05 to perform the duties of Trust Administrator hereunder, neither the City nor the Authority shall have any obligation or liability to the other party or to the Owners of the Bonds with respect to the performance by such Trust Administrator of any duty imposed upon such Trust Administrator under this Trust Agreement.

**Section 12.03. Indemnification of Trust Administrator.** In the event that a Trust Administrator shall be appointed pursuant to Section 9.05 to perform the duties of Trust Administrator hereunder, the City shall to the extent permitted by law indemnify and save such Trust Administrator, its officers, employees,

directors and agents harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of:

- (a) the use, maintenance, condition or management of, or from any work or thing done on, the Project by the Authority or the City;
- (b) any breach or default on the part of the Authority or the City in the performance of any of their respective obligations under the Installment Sale Agreement, this Trust Agreement and any other agreement made and entered into for purposes of the Project;
- (c) any act of the Authority or the City or of any of their respective agents, contractors, servants, employees or licensees with respect to the Project;
- (d) any act of any assignee of, or purchaser from the Authority or the City or of any of its or their respective agents, contractors, servants, employees or licensees with respect to the Project;
- (e) the Acquisition and Construction, installation and equipping of the Project or the authorization of payment of Project Costs or Delivery Costs;
- (f) the actions of any other party, including but not limited to (i) the ownership, operation or use of the Project by the Authority or the City, (ii) the Trust Administrator's exercise and performance of its powers and duties hereunder, or (iii) the offering and sale of the Bonds. No indemnification will be made under this Section 12.03 or elsewhere in this Trust Agreement for willful misconduct or negligence under this Trust Agreement by such Trust Administrator, its officers or employees. The City's obligations hereunder shall remain valid and binding notwithstanding maturity and payment of the Bonds or resignation or removal of such Trust Administrator.

**Section 12.04. Limitation of Rights to Parties and Bond Owners.** Nothing in this Trust Agreement or in the Bonds expressed or implied is intended or shall be construed to give any person other than the City, the Authority, the Trust Administrator and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision hereof; and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the City, the Authority, the Trust Administrator and said Owners.

### ARTICLE XIII EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

**Section 13.01. Assignment of Rights.** Pursuant to the Assignment Agreement, the Authority transfers, assigns and sets over to the Trust Administrator all of the Authority's rights under the Installment Sale Agreement (excepting only the Authority's rights under Sections 5.08, 6.03 and 7.04 thereof), including without limitation the Authority's rights to exercise such rights and remedies conferred on the Authority pursuant to the Installment Sale Agreement as may be necessary or convenient (i) to enforce payment of the Installment Payments, Prepayments and any other amounts required to be deposited in the Installment Payment Fund or the Insurance and Condemnation Fund, and (ii) otherwise to exercise the Authority's rights

and take any action to protect the interests of the Trust Administrator or the Bond Owners in an Event of Default.

**Section 13.02. Remedies.** If an Event of Default shall happen, then and in each and every such case during the continuance of such Event of Default, the Trust Administrator may exercise any and all remedies available hereunder pursuant to law or granted pursuant to the Installment Sale Agreement.

Upon the occurrence of an Event of Default, the Trust Administrator may, and shall, at the written direction of the Owners of a majority of the principal amount of Bonds then Outstanding, by written notice to the City, declare the principal of the Installment Payments to be immediately due and payable, whereupon that portion of the principal of the Installment Sale Agreement thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Trust Agreement or in the Installment Payments to the contrary notwithstanding.

Remedies shall be cumulative with respect to the Trust Administrator and the Owners. If any remedial action is discontinued or abandoned, the Trust Administrator and the Owners shall be restored to their former positions.

**Section 13.03. Application of Funds.** All moneys received by the Trust Administrator pursuant to any right given or action taken under the provisions of this Article XIII or of Article VII of the Installment Sale Agreement, shall be applied by the Trust Administrator in the order following upon presentation of the several Bonds and the stamping thereon of the payment if only partially paid or upon the surrender thereof if fully paid:

(a) **First**, to the payment of the costs and expenses of the Trust Administrator hereunder (including, but not limited to, the costs and expenses of itself and its counsel) and, after such payment to the Trust Administrator, of the Bond Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel, together with interest on all such amounts advanced as provided in the Installment Sale Agreement;

(b) **Second**, to the payment of the whole amount then owing and unpaid with respect to the Bonds for principal and interest, with interest on the overdue principal and installments of interest at the rate or rates specified in the respective Bonds (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Bonds, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

**Section 13.04. Institution of Legal Proceedings.** If one or more Events of Default shall happen and be continuing, the Trust Administrator in its discretion may, and upon the written request of the Owners of a majority in 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 the Owners of Bonds by a suit in equity or action at law, for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement

of any other legal or equitable remedy as the Trust Administrator shall deem most effectual to enforce any of its rights or duties hereunder.

**Section 13.05. Non-waiver.** Nothing in this Article XIII or in any other provision of this Trust Agreement, or in the Bonds, shall affect or impair the obligation of the City, which is absolute and unconditional subject to Section 3.06 of the Installment Sale Agreement, to pay or prepay the Installment Payments as provided in the Installment Sale Agreement, or affect or impair the right of action, which is also absolute and unconditional, of the Bond Owners to institute suit to enforce such payment. No delay or omission of the Trust Administrator or of any Owner of any of the Bonds to exercise any right or power arising upon the happening 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, and every power and remedy given by this Article XIII to the Trust Administrator or to the Owners of Bonds may be exercised from time to time and as often as shall be deemed expedient by the Trust Administrator or the Bond Owners.

**Section 13.06. Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Trust Administrator or to the Bond Owners is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

**Section 13.07. Power of Trust Administrator to Control Proceedings.** In the event that the Trust Administrator, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trust Administrator shall not, unless there no longer continues an Event of Default hereunder, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of at least a majority in principal amount of the Bonds Outstanding hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

**Section 13.08. Limitation on Bond Owners' Right to Sue.** No Owner of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless (a) such Owner shall have previously given to the Trust Administrator written notice of the occurrence of an Event of Default hereunder; (b) the Owners of at least a majority in aggregate principal amount of all the Bond then Outstanding shall have made written request upon the Trust Administrator to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trust Administrator reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trust Administrator shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trust Administrator.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder; it being understood and intended that no one or more Owners of Bond shall have any right in any manner whatever

by his or their action to enforce any right under this Trust Agreement, except in the manner herein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of said Owner's proportionate interest in the Installment Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this Section 13.08 or any other provision of this Trust Agreement.

**Section 13.09. Parties Interested Herein.** Nothing in this Trust Agreement expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the City, the Authority, the Trust Administrator and the Owners any right, remedy or claim under or by reason of this Trust Agreement, or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Trust Agreement contained by and on behalf of the City shall be for the sole and exclusive benefit of the City, the Authority, the Trust Administrator and the Owners.

#### **ARTICLE XIV MISCELLANEOUS**

**Section 14.01. Defeasance.** If all Outstanding Bonds shall be paid and discharged in any one or more of the following ways:

(a) **Payment.** By paying or causing to be paid the principal with respect to and interest with respect to all Bonds Outstanding, as and when the same become due and payable;

(b) **Deposit.** By depositing with the Trust Administrator, in trust, at or before maturity, money which, together with the amounts then on deposit in the Installment Payment Fund and the Reserve Fund, is fully sufficient to pay all Bonds Outstanding, including all principal and interest;

(c) **Escrow.** By irrevocably depositing with the Trust Administrator or an escrow agent, in trust, cash or Defeasance Obligations in such amount as an independent nationally recognized certified public accountant shall determine in a written report delivered to the Trust Administrator or escrow agent will, together with the interest to accrue thereon and moneys then on deposit in the Installment Payment Fund and the Reserve Fund, if required, together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds (including all principal and interest) at or before their respective maturity dates; or

(d) **Security Deposit.** By depositing with the Trust Administrator, under an escrow deposit and trust agreement, security for the payment of Installment Payments as more particularly described in Section 4.05 of the Installment Sale Agreement, said security to be held by the Trust Administrator, as agent for City, and to be applied by the Trust Administrator to Installment Payments representing the obligation of the City under the Installment Sale Agreement, as described in Section 4.05 of the Installment Sale Agreement;

(e) **Effect.** Notwithstanding that any Bonds shall not have been surrendered for payment, all rights hereunder of the Owners of the Bonds and all obligations of the Authority, the Trust Administrator and the City under this Trust Agreement with respect to all Outstanding Bonds shall cease and terminate, except only the obligation of the Trust Administrator to pay or cause to be paid, from Installment Payments paid by or on behalf of the City from deposits pursuant to paragraphs (b) through (d) of this Section 14.01, to the Owners of the Bonds not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (b) through (d) of this Section 14.01, the Bonds shall continue to represent direct, undivided and fractional interests of the Owners thereof in Installment Payments under the Installment Sale Agreement.

(f) **Payment Date.** All monies held or deposited pursuant to subsections (b) through (d), above, shall be used to pay and prepay Bonds on the earliest possible date.

(g) **Surplus Funds.** Any funds held by the Trust Administrator, at the time of one of the events described above in subsections (a) through (d) above, which are not required for the payment to be made to Owners, or for payments to be made to the Trust Administrator by the City (including attorneys' fees), shall be paid over to the City.

**Section 14.02. Records.** The Trust Administrator shall keep complete and accurate records of all moneys received and disbursed under this Trust Agreement, which shall be available for inspection by the City, the Authority, and the Owners of not less than 10% in aggregate principal amount of the Bonds Outstanding, or the agent of any of them, upon reasonable prior notice and during regular business hours.

**Section 14.03. Notices.** All written notices to be given under this Trust Agreement shall be given by mail first class, postage prepaid, to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other parties in writing from time to time. Any such notice shall be deemed to have been received 48 hours after deposit in the United States mail, with postage fully prepaid.

If to the City:	City of Mount Shasta 305 N. Mt. Shasta Boulevard Mt. Shasta, California 96067 Attention: City Manager
If to the Authority:	Mount Shasta Public Financing Authority 305 N. Mt. Shasta Boulevard Mt. Shasta, California 96067 Attention: Executive Director
If to the Trust Administrator:	Finance Director City of Mount Shasta 305 N. Mt. Shasta Boulevard Mt. Shasta, California 96067 Attention: Finance Director
If to the Government:	Rural Development, United States Department of Agriculture

430 G Street  
Suite 4169  
Davis, CA 95616  
Attention: Community Programs Specialist

**Section 14.04. Governing Law.** This Trust Agreement shall be construed and governed in accordance with the laws of the State.

**Section 14.05. Binding Effect; Successors.** This Trust Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Whenever in this Trust Agreement the Authority, the City or the Trust Administrator is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Trust Agreement contained by or on behalf of the Authority, the City or the Trust Administrator shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

**Section 14.06. Destruction of Canceled Bond.** Whenever in this Trust Agreement provision is made for the surrender to or cancellation by the Trust Administrator and the delivery to the City of any Bond, the Trust Administrator may, in lieu of such cancellation and delivery, destroy such Bond and deliver a certificate of such destruction to the City.

**Section 14.07. Headings.** The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Trust Agreement. All references herein to "Articles," "Sections," and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement; and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

**Section 14.08. Limitation of Rights to Parties and Bond Owners.** Nothing in this Trust Agreement or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the City, the Trust Administrator and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement 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 City, the Trust Administrator and the Owners of the Bonds delivered hereunder.

**Section 14.09. Waiver of Notice.** Whenever in this Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any 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.

**Section 14.10. Payments Due on Other than Business Day.** If the date for making any payment as provided in this Trust Agreement is not a Business Day, such payment must be made on the previous Business Day.

**Section 14.11. Payment of Unclaimed Moneys.** Notwithstanding any provisions of this Trust Agreement, any moneys held by the Trust Administrator in trust for the payment of the principal or interest

due with respect to any Bond and remaining unclaimed two years from the date of payment or prepayment of such Bond, or if the law shall have been changed and the City has notified the Trust Administrator of such change or the Trust Administrator notifies the City, then on the date thirty (30) days prior to the then applicable escheat provision of State law, shall, on such date, be repaid to the City free from the trusts created by this Trust Agreement, and all liability of the Trust Administrator with respect to such moneys shall thereupon cease; *provided, however*, that before the repayment of such moneys to the City as aforesaid, the Trust Administrator may (at the cost and request of the City) first mail to the Owners to whom such amounts have not yet been paid, at the addresses shown on the Bond Register, a notice, in such form as may be deemed appropriate by the Trust Administrator with respect to the amounts so payable and with respect to the provisions relating to the repayment to the City of the moneys held for the payment thereof. The Trust Administrator shall not be liable for any interest on funds held by it. The City shall not be liable for any interest on the sums paid to it pursuant to this Section 14.12 and shall not be regarded as a Trust Administrator of such money.

**Section 14.12. Separability of Invalid Provisions.** In case any one or more of the provisions contained in this Trust Agreement or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

**Section 14.13. Execution in Counterparts.** This Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

\* \* \* \* \*

**IN WITNESS WHEREOF**, the parties have executed this Trust Agreement as of the date and year first above written.

FINANCE DIRECTOR OF THE CITY OF MOUNT  
SHASTA  
*as Trust Administrator*

By \_\_\_\_\_  
Finance Director

MOUNT SHASTA PUBLIC FINANCING  
AUTHORITY

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

CITY OF MOUNT SHASTA, CALIFORNIA

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

Attest

By \_\_\_\_\_  
City Clerk

**EXHIBIT A**

**FORM OF REVENUE BOND**

No. R-1

\*\*\*\$ \_\_\_\_\_ .00\*\*\*

**UNITED STATES OF AMERICA  
STATE OF CALIFORNIA**

**MOUNT SHASTA PUBLIC FINANCING AUTHORITY  
(City of Mount Shasta, California)  
SERIES 2019 WASTEWATER ENTERPRISE REVENUE BONDS  
(Downtown Sewer Collection System Improvement Project)  
BANK QUALIFIED**

<b>INTEREST PAYMENT DATES</b>	<b>RATE OF INTEREST</b>	<b>DATED DATE</b>
<b>June 1 and December 1 as described below</b>	<b>-.____%</b>	<b>June __, 2019</b>

REGISTERED OWNER: UNITED STATES OF AMERICA, ACTING THROUGH RURAL UTILITIES SERVICE, UNITED STATES DEPARTMENT OF AGRICULTURE

PRINCIPAL AMOUNT:

THIS IS TO CERTIFY THAT the Registered Owner identified above, or registered assigns, as the registered owner (the "Registered Owner") of this Series 2019 Wastewater Enterprise Revenue Bond (the "Bond") is the owner of a direct, undivided fractional interest in installment payments (the "Installment Payments") payable under the Installment Sale Agreement dated as of June 1, 2019 (the "Installment Sale Agreement") by and between the MOUNT SHASTA PUBLIC FINANCING AUTHORITY, a California joint powers authority duly organized and existing pursuant to the laws of the State of California (the "Authority"), and the CITY OF MOUNT SHASTA (the "City"), a general law city and public agency duly organized and validly existing under the laws of the State of California. The Installment Payments and certain other rights and interests under the Installment Sale Agreement have been assigned to the Finance Director of the City, as trust administrator (the "Trust Administrator"), having an office in the location described in the Trust Agreement referred to below.

The Registered Owner of this Bond is entitled to receive, subject to the terms of the Installment Sale Agreement, on the Maturity Dates identified below, or any earlier prepayment date, the Principal Amounts identified below representing a direct, undivided fractional share of the portion of the Installment Payments designated as principal as follows:

<b><u>Maturity</u></b>		<b><u>Annual</u></b>	<b><u>Maturity</u></b>		<b><u>Annual</u></b>
<b><u>Date</u></b>	<b><u>Principal</u></b>	<b><u>Interest Rate</u></b>	<b><u>Date</u></b>	<b><u>Principal</u></b>	<b><u>Interest Rate</u></b>

and to receive on December 1, 2019, and semiannually thereafter on June 1 and December 1 of each year (each an “Interest Payment Date”) until payment in full of said principal the Registered Owner’s direct, undivided fractional share of the Installment Payments designated as interest coming due during the interest period immediately preceding each of the Interest Payment Dates. Interest represented hereby shall be payable at the above stated Rate of Interest from the Dated Date identified above. The Registered Owner’s share of the portion of the Installment Payments designated as interest is the result of the multiplication of the share of the portion of the Installment Payments designated as principal as shown and endorsed on the attached Certificate of Advances of Payment from the United States of America, by the Rate of Interest per annum identified above, calculated on the basis of a 365-day year, actual days elapsed.

Principal represented hereby is payable in lawful money of the United States of America upon surrender hereof at the Office of the Trust Administrator, and interest represented hereby is payable by check or draft mailed by first class mail by the Trust Administrator on each Interest Payment Date to the Registered Owner at such Owner’s address as it appears on the bond register of the Trust Administrator as of the preceding Record Date; provided, however, that so long as the United States of America remains the Registered Owner of the Bonds, payment of principal shall be made on each Principal Payment Date and payment of interest shall be made on each Interest Payment Date to the Registered Owner, unless otherwise requested by the Registered Owner, by the Pre-Authorized Debit (PAD) payment process (i.e., the City’s payments shall be electronically debited from the Installment Payment Fund on each Interest Payment Date in accordance with the PAD process established by Form SF-5510 and Form RD 3550-28, both entitled “Authorization Agreement for Pre-Authorized Payments”).

This Bond has been executed and delivered by the Trust Administrator pursuant to the terms of a Trust Agreement by and among the Trust Administrator, the Authority and the City, dated as of June 1, 2019 (the "Trust Agreement"). The City has certified that it is authorized to enter into the Installment Sale Agreement and this Trust Agreement under the laws of the State of California, for the purpose of paying the costs of certain public capital improvements.

Reference is hereby made to the Installment Sale Agreement and the Trust Agreement (copies of which are on file at the Office of the Trust Administrator) for a description of the terms on which the Bonds are delivered, the rights thereunder of the owners of the Bonds, the rights, duties and immunities of the Trust Administrator and the rights and obligations of the City under the Installment Sale Agreement, to all of the provisions of the Installment Sale Agreement and the Trust Agreement the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

This single Bond is issued by the Authority and represents the \$ \_\_\_\_\_ aggregate principal amount of Series 2019 Wastewater Enterprise Revenue Bonds (Downtown Sewer Collection System Improvement Project), Bank Qualified, all of like, date, tenor and effect, but differing in amounts and maturities, authorized to be executed and delivered pursuant to the Trust Agreement.

This Bond is transferable only to a Qualified Institutional Buyer (as such term is defined by Rule 144A of the Securities Act of 1933) or other persons with the consent of the City and the Authority, by the Registered Owner thereof in person or by his attorney duly authorized in writing, at the Trust Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement, and upon surrender of this Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer in the form appearing hereon. Upon such transfer, a new Bond or Bonds of the same Maturity Date representing the same principal amount will be issued to the transferee in exchange herefor.

The City is obligated under the Installment Sale Agreement to pay the Installment Payments from Net Revenues (as such term is defined in the Trust Agreement) and any Parity Debt (as such term is defined in the Trust Agreement) issued or incurred within the meaning of the Trust Agreement.

The obligation of the City to pay the Installment Payments does not constitute an obligation of the City 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 pay Installment Payments does not constitute a debt of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The Bond is subject to optional prepayment in whole, or in part among maturities in any manner as directed by the City and by lot within a maturity, on any Business Day, from prepayments of the Installment Payments made at the option of the City pursuant to the Installment Sale Agreement, at a prepayment price equal to the aggregate principal components of the Installment Payments to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

The Bond is subject to mandatory prepayment on any date, in whole, or in part, from unexpended proceeds of the Bond Proceeds Fund established under this Trust Agreement and from the net proceeds of insurance or eminent domain proceedings, in either case deposited with the Trust Administrator, which are credited towards the prepayment of the Installment Payments pursuant to the Installment Sale Agreement, at

a prepayment price equal to one hundred percent (100%) of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

As provided in this Trust Agreement, notice of prepayment shall be mailed by the Trust Administrator by first class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days before the prepayment date, to the Registered Owner of the Bond, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for prepayment or the cessation of accrual of interest represented thereby. If this Bond is called for prepayment and payment is duly provided herefor as specified in this Trust Agreement, interest represented hereby shall cease to accrue from and after the date fixed for prepayment.

The City has designated its obligations under the Installment Sale Agreement represented by this Bond to be a “qualified tax-exempt obligation” under Section 265(b)(3) of the Internal Revenue Code of 1986.

This Bond is transferable by the Registered Owner hereof, in person or by his or her attorney duly authorized in writing, at the Trust Office of the Trust Administrator, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in this Trust Agreement and upon surrender and cancellation of this Bond.

Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, representing the same aggregate principal amount and representing the same rate of interest and maturity date, will be delivered to the transferee in exchange herefor. The City, the Authority and the Trust Administrator may treat the Registered Owner hereof as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and the City, the Authority and the Trust Administrator shall not be affected by any notice to the contrary.

To the extent and in the manner permitted by the terms of this Trust Agreement, the provisions of this Trust Agreement may be amended by the parties thereto with the written consent of the owners of a majority in aggregate principal amount of the Bonds then outstanding, and may be amended without such consent under certain circumstances; provided that no such amendment shall extend the fixed maturity of any Bond or reduce the interest or principal represented thereby, without the express consent of the owner of such Bond.

The Trust Administrator has no obligation or liability to the registered owners of the Bonds to make payments of principal, or interest with respect to the Bonds except from amounts on deposit for such purposes with the Trust Administrator. The Trust Administrator’s sole obligations are to administer for the benefit of the registered owners of the Bonds the various funds and accounts established under this Trust Agreement and to perform the other duties expressly imposed upon it under this Trust Agreement.

The City has certified, recited and declared that all things, conditions and acts required by the laws of the State of California, the Installment Sale Agreement and this Trust Agreement to exist, to have happened and to have been performed precedent to and in the delivery of the Bonds, do exist, have happened and have been performed in due time, form and manner as required by law.

This Bond is given as evidence of a loan to the City made by the United States of America, acting through Rural Utilities Service, United States Department of Agriculture, pursuant to the Consolidated Farm and Rural Development Act, and shall be subject to the present regulations of the Rural Utilities Service or any successor agency thereto and to its future regulations not inconsistent with the express provisions hereof.

IN WITNESS WHEREOF, this Bond has been authenticated, executed and delivered by the Trust Administrator, acting pursuant to this Trust Agreement.

AUTHENTICATED, EXECUTED AND DELIVERED, as of the Dated Date first written above.

TRUST ADMINISTRATOR

By: \_\_\_\_\_  
Finance Director,  
City of Mount Shasta

**ABBREVIATIONS**

The following abbreviations, when used in the inscription on the face hereof, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common

UNIF GIFT MIN ACT \_\_\_\_ Custodian

TEN ENT -- as tenants by the Entireties

(Cust) \_\_\_\_ (Minor) \_\_\_\_  
under Uniform Gifts to Minors

JT TEN -- as joint tenants with \_\_\_\_ right of survivorship  
\_\_\_\_ and not as tenants in \_\_\_\_ common

Act \_\_\_\_\_  
(State)

ADDITIONAL ABBREVIATIONS MAY ALSO BE USED  
THOUGH NOT IN THE LIST ABOVE

**ASSIGNMENT**

For value received the undersigned do(es) hereby sell, assign and transfer 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 Bond Register of the Trust Administrator with full power of substitution in the premises.

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

Signature Guaranteed:

\_\_\_\_\_  
Note: Signature(s) must be guaranteed by an eligible guarantor.

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

Certificate of Advances of Payment from United States of America, acting through Rural Utilities Service,  
United States Department of Agriculture

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The following advances have been paid to and received by the City in the amount and on the date(s) set forth below, as evidenced by the Trust Administrator's signature set forth below, as evidenced by said Trust Administrator's signature set forth opposite "Date of Advance" and "Amount of Advance."

<u>Date of Advance</u>	<u>Amount of Advance</u>	<u>Signature of the Trust Administrator</u>
06/ __ /2019	\$ _____ .00	_____

Total principal sum of the within Bond as advanced as of June \_\_, 2019 is \$ \_\_\_\_\_ .00.



**EXHIBIT B**

**§ \_\_\_\_\_  
CITY OF MOUNT SHASTA  
(SISKIYOU COUNTY, CALIFORNIA)  
SERIES 2019 WASTEWATER ENTERPRISE REVENUE BONDS  
(DOWNTOWN SEWER COLLECTION SYSTEM IMPROVEMENT PROJECT)  
BANK QUALIFIED**

**WRITTEN REQUISITION NO. \_\_ FOR  
DISBURSEMENT FROM BOND PROCEEDS FUND**

The undersigned hereby states and certifies that:

1. the undersigned is the duly appointed, qualified and acting City Manager of the City of Mount Shasta, a general law city and public agency duly organized and validly existing under the laws of the State of California (the "City"), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

2. the undersigned is a duly designated "City Representative," as such term is defined in that certain Trust Agreement, dated as of June 1, 2019 (the "Trust Agreement"), by and among the Finance Director of the City of Mount Shasta, as trust administrator (the "Trust Administrator"), the Mount Shasta Public Financing Authority (the "Authority"), and the City;

3. pursuant to the Trust Agreement, the Trust Administrator is hereby requested to disburse this date, from the Bond Proceeds Fund established under this Trust Agreement, to the payees set forth on Attachment I attached hereto and by this reference incorporated herein, at the addresses identified thereon, the amount set forth opposite such payee for payment of Project or Delivery Costs;

4. the amounts to be disbursed constitute Project or Delivery Costs, that said amounts are required to be disbursed pursuant to a contract entered into therefor by or on behalf of the Authority or the City, or were necessarily and reasonably incurred, and that said amounts are not being paid in advance of the time, if any, fixed for payment;

5. no amount set forth in this requisition was included in any requisition requesting disbursement previously filed with the Trust Administrator pursuant to the Trust Agreement;

6. insofar as such requisition relates to payment for work, materials, equipment or supplies, such work was actually performed, or such materials, equipment or supplies were actually installed in furtherance of the Project or delivered to the appropriate site for such purpose, or delivered for storage or fabrication at a place approved by the City; and

7. if such requisition relates to payment to a contractor, that no liens have been imposed on the Project as a result of said construction except liens that have not yet ripened or that would attach by operation of law; and

8. any capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in the Trust Agreement.

Dated: \_\_\_\_\_, 2019

CITY OF MOUNT SHASTA

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

Title: \_\_\_\_\_

ATTACHMENT I

Payee Name and Address

Purpose of Obligation

Amount

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**ASSIGNMENT AGREEMENT**

**Dated as of June 1, 2019**

**by and between the**

**MOUNT SHASTA PUBLIC FINANCING AUTHORITY,  
as Assignor**

**and the**

**FINANCE DIRECTOR OF THE CITY OF MOUNT SHASTA,  
as Trust Administrator**

**Relating to**

**§ \_\_\_\_\_  
MOUNT SHASTA PUBLIC FINANCING AUTHORITY  
(City of Mount Shasta, California)  
SERIES 2019 WASTEWATER ENTERPRISE REVENUE BONDS  
(Downtown Sewer Collection System Improvement Project)  
BANK QUALIFIED**

## ASSIGNMENT AGREEMENT

This ASSIGNMENT AGREEMENT, made and entered into as of June 1, 2019, by and between the MOUNT SHASTA PUBLIC FINANCING AUTHORITY, a California joint powers authority duly organized and existing pursuant to the laws of the State of California, as assignor (the “Authority”), and the FINANCE DIRECTOR OF THE CITY OF MOUNT SHASTA, as trust administrator (the “Trust Administrator”) under the hereinafter-defined Trust Agreement;

### *WITNESSETH:*

WHEREAS, the Authority and the City of Mount Shasta (the “City”), have entered into an installment sale agreement, by and between the Authority and the City, dated as of June 1, 2019 (together with any amendments or supplements thereto, the “Installment Sale Agreement”), whereby the Authority has agreed to sell to the City, and the City has agreed to purchase from the Authority, certain improvements to the City’s Wastewater System, as more particularly described in the Installment Sale Agreement (as amended or modified from time to time, the “Project”), in the manner and on the terms set forth in the Installment Sale Agreement; and

WHEREAS, under the Installment Sale Agreement, the Authority is required to deposit or cause to be deposited with the Trust Administrator certain moneys to be credited, held and applied in accordance with a trust agreement by and among the Trust Administrator, the Authority and the City, dated as of June 1, 2019, together with any amendments or supplements thereto (the “Trust Agreement”); and

WHEREAS, upon delivery of the Installment Sale Agreement and the deposit of moneys by the Authority with respect thereto, the City is obligated to pay certain installment payments to the Authority or its assignee. For the purpose of obtaining the moneys required to be deposited with the Trust Administrator, the Authority is willing to assign and transfer its right, title and interest under the Installment Sale Agreement to the Trust Administrator for the benefit of the owners of the Series 2019 Wastewater Enterprise Revenue Bonds (the “Bonds”) to be executed and delivered under the Trust Agreement, and in consideration of such assignment, the Trust Administrator is executing and delivering the Bonds to the Government as the purchaser thereof, the proceeds of which sale are anticipated by the Authority to be sufficient to provide the moneys required to be deposited by the Authority pursuant to the Installment Sale Agreement; and

WHEREAS, each of the parties hereto has authority to enter into this Assignment Agreement and has taken all actions necessary to authorize its officers to enter into it; and

WHEREAS, the capitalized terms used but not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement;

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

**Section 1. Assignment.** The Authority, for good and valuable consideration, does hereby irrevocably assign and transfer to the Trust Administrator, for the benefit of the Owners of the Bonds, all of its rights and interest in the Installment Sale Agreement (excepting only its rights under Sections 5.08, 6.03

and 7.04 thereof), including, without limitation, its rights to receive and collect Installment Payments from the City under the Installment Sale Agreement, its rights to the pledge of Net Revenues, the right to receive and collect any proceeds of any insurance maintained thereunder, or of any condemnation award rendered with respect to the Project and the right to exercise such rights and remedies as are conferred on the Authority by the Installment Sale Agreement as may be necessary to enforce payment of the Installment Payments when due or otherwise to protect its interests in the event of a default by the City. The Installment Payments shall be applied, and the rights so assigned shall be exercised, by the Trust Administrator as provided in the Trust Agreement for the benefit of the Owners of the Bonds.

**Section 2. Acceptance.** The Trust Administrator hereby accepts such assignment in trust for the purpose of securing, equally and proportionately, such payments and rights to the Owners of the Bonds delivered pursuant to the Trust Agreement, all subject to the provisions of the Trust Agreement.

**Section 3. Conditions.** This Assignment Agreement shall confer no rights and impose no duties upon the Trust Administrator beyond those expressly provided in the Trust Agreement.

\* \* \* \* \*

**IN WITNESS WHEREOF**, the parties hereto have executed this Assignment Agreement by their officers thereunto duly authorized as of the date in the first paragraph above.

MOUNT SHASTA PUBLIC FINANCING  
AUTHORITY,  
*as Assignor*

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

FINANCE DIRECTOR OF  
THE CITY OF MOUNT SHASTA,  
*as Trust Administrator*

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

**Water and Waste System Grant Agreement**

**United States Department of Agriculture**

**Rural Utilities Service**

THIS AGREEMENT dated \_\_\_\_\_, between

\_\_\_\_\_

a public corporation organized and operating under

\_\_\_\_\_

(Authorizing Statute)

herein called "Grantee," and the United States of America acting through the Rural Utilities Service, Department of Agriculture, herein called "Grantor," WITNESSETH:

**WHEREAS**

Grantee has determined to undertake a project of acquisition, construction, enlargement, or capital improvement of a (water) (waste) system to serve the area under its jurisdiction at an estimated cost of \$ \_\_\_\_\_ and has duly authorized the undertaking of such project.

Grantee is able to finance not more than \$ \_\_\_\_\_ of the development costs through revenues, charges, taxes or assessments, or funds otherwise available to Grantee resulting in a reasonable user charge.

Said sum of \$ \_\_\_\_\_ has been committed to and by Grantee for such project development costs.

Grantor has agreed to grant the Grantee a sum not to exceed \$ \_\_\_\_\_ or \_\_\_\_\_ percent of said project development costs, whichever is the lesser, subject to the terms and conditions established by the Grantor. Provided, however, that the proportionate share of any grant funds actually advanced and not needed for grant purposes shall be returned immediately to the Grantor. The Grantor may terminate the grant in whole, or in part, at any time before the date of completion, whenever it is determined that the Grantee has failed to comply with the Conditions of the grant.

As a condition of this grant agreement, the Grantee assures and certifies that it is in compliance with and will comply in the course of the agreement with all applicable laws, regulations, Executive orders and other generally applicable requirements, including those set out in 7 CFR 3015.205(b), which hereby are incorporated into this agreement by reference, and such other statutory provisions as are specifically set forth herein.

NOW, THEREFORE, In consideration of said grant by Grantor to Grantee, to be made pursuant to Section 306(a) of The Consolidated Farm and Rural Development Act for the purpose only of defraying a part not to exceed \_\_\_\_\_ percent of the project development costs, as defined by applicable Rural Utilities Service instructions.

**Grantee Agrees That Grantee Will:**

A. Cause said project to be constructed within the total sums available to it, including said grant, in accordance with the project plans and specifications and any modifications thereof prepared by Grantee and approved by Grantor.

B. Permit periodic inspection of the construction by a representative of Grantor during construction.

C. Manage, operate and maintain the system, including this project if less than the whole of said system, continuously in an efficient and economical manner.

D. Make the services of said system available within its capacity to all persons in Grantee's service area without discrimination as to race, color, religion, sex, national origin, age, marital status, or physical or mental handicap (possess capacity to enter into legal contract for services) at reasonable charges, including assessments, taxes, or fees in accordance with a schedule of such charges, whether for one or more classes of service, adopted by resolution dated \_\_\_\_\_, as may be modified from time to time by Grantee. The initial rate schedule must be approved by Grantor. Thereafter, Grantee may make such modifications to the rate system as long as the rate schedule remains reasonable and nondiscriminatory.

E. Adjust its operating costs and service charges from time to time to provide for adequate operation and maintenance, emergency repair reserves, obsolescence reserves, debt service and debt service reserves.

F. Expand its system from time to time to meet reasonably anticipated growth or service requirements in the area within its jurisdiction.

G. Provide Grantor with such periodic reports as it may require and permit periodic inspection of its operations by a representative of the Grantor.

H. To execute any agreements required by Grantor which Grantee is legally authorized to execute. If any such agreement has been executed by Grantee as a result of a loan being made to Grantee by Grantor contemporaneously with the making of this grant, another agreement of the same type need not be executed in connection with this grant.

I. Upon any default under its representations or agreements set forth in this instrument, Grantee, at the option and demand of Grantor, will repay to Grantor forthwith the original principal amount of the grant stated herein above with the interest at the rate of 5 percentum per annum from the date of the default. Default by the Grantee will constitute termination of the grant thereby causing cancellation of Federal assistance under the grant. The provisions of this Grant Agreement may be enforced by Grantor, at its option and without regard to prior waivers by it previous defaults of Grantee, by judicial proceedings to require specific performance of the terms of this Grant Agreement or by such other proceedings in law or equity, in either Federal or State courts, as may be deemed necessary by Grantor to assure compliance with the provisions of this Grant Agreement and the laws and regulations under which this grant is made.

J. Return immediately to Grantor, as required by the regulations of Grantor, any grant funds actually advanced and not needed by Grantee for approved purposes.

K. Use the real property including land, land improvements, structures, and appurtenances thereto, for authorized purposes of the grant as long as needed.

1. Title to real property shall vest in the recipient subject to the condition that the Grantee shall use the real property for the authorized purpose of the original grant as long as needed.

2. The Grantee shall obtain approval by the Grantor agency for the use of the real property in other projects when the Grantee determines that the property is no longer needed for the original grant purposes. Use in other projects shall be limited to those under other Federal grant programs or programs that have purposes consistent with those authorized for support by the Grantor.

3. When the real property is no longer needed as provided in 1 and 2 above, the Grantee shall request disposition instructions from the Grantor agency or its successor Federal agency. The Grantor agency shall observe the following rules in the disposition instructions:

(a) The Grantee may be permitted to retain title after it compensates the Federal Government in an amount computed by applying the Federal percentage of participation in the cost of the original project to the fair market value of the property.

(b) The Grantee may be directed to sell the property under guidelines provided by the Grantor agency. When the Grantee is authorized or required to sell the property, proper sales procedures shall be established that provide for competition to the extent practicable and result in the highest possible return.

**[Revision 1, 04/17/1998]**

(c) The Grantee may be directed to transfer title to the property to the Federal Government provided that in such cases the Grantee shall be entitled to compensation computed by applying the Grantee's percentage of participation in the cost of the program or project to the current fair market value of the property.

**This Grant Agreement covers the following described real property (use continuation sheets as necessary).**

L. Abide by the following conditions pertaining to equipment which is furnished by the Grantor or acquired wholly or in part with grant funds. Equipment means tangible, non-expendable, personal property having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. A grantee may use its own definition of equipment provided that such definition would at least include all equipment defined above.

**[Revision 1, 04/17/1998]**

1. Use of equipment.

(a) The Grantee shall use the equipment in the project for which it was acquired as long as needed. When no longer needed for the original project, the Grantee shall use the equipment in connection with its other Federally sponsored activities, if any, in the following order of priority:

1) Activities sponsored by the Grantor.

(2) Activities sponsored by other Federal agencies.

(b) During the time that equipment is held for use on the property for which it was acquired, the Grantee shall make it available for use on other projects if such other use will not interfere with the work on the project for which the equipment was originally acquired. First preference for such other use shall be given to Grantor sponsored projects. Second preference will be given to other Federally sponsored projects.

2. Disposition of equipment. When the Grantee no longer needs the equipment as provided in paragraph (a) above, the equipment may be used for other activities in accordance with the following standards:

(a) Equipment with a current per unit fair market value of less than \$5,000. The Grantee may use the equipment for other activities without reimbursement to the Federal Government or sell the equipment and retain the proceeds.

(b) Equipment with a current per unit fair market value of \$5,000 or more. The Grantee may retain the equipment for other uses provided that compensation is made to the original Grantor agency or its successor. The amount of compensation shall be computed by applying the percentage of Federal participation in the cost of the original project or program to the current fair market value or proceeds from sale of the equipment. If the Grantee has no need for the equipment and the equipment has further use value, the Grantee shall request disposition instructions from the original Grantor agency.

The Grantor agency shall determine whether the equipment can be used to meet the agency's requirements. If no requirement exists within that agency, the availability of the equipment shall be reported, in accordance with the guidelines of the Federal Property Management Regulations (FPMR), to the General Services Administration by the Grantor agency to determine whether a requirement for the equipment exists in other Federal agencies. The Grantor agency shall issue instructions to the Grantee no later than 120 days after the Grantee requests and the following procedures shall govern:

(1) If so instructed or if disposition instructions are not issued within 120 calendar days after the Grantee's request, the Grantee shall sell the equipment and reimburse the Grantor agency an amount computed by applying to the sales proceeds the percentage of Federal participation in the cost of the original project or program. However, the Grantee shall be permitted to deduct and retain from the Federal share ten percent of the proceeds for Grantee's selling and handling expenses.

(2) If the Grantee is instructed to ship the equipment elsewhere the Grantee shall be reimbursed by the benefiting Federal agency with an amount which is computed by applying the percentage of the Grantee participation in the cost of the original grant project or program to the current fair market value of the equipment, plus any reasonable shipping or interim storage costs incurred.

(3) If the Grantee is instructed to otherwise dispose of the equipment, the Grantee shall be reimbursed by the Grantor agency for such costs incurred in its disposition.

3. The Grantee's property management standards for equipment shall also include:

(a) Records which accurately provide for: a description of the equipment; manufacturer's serial number or other identification number; acquisition date and cost; source of the equipment; percentage (at the end of budget year) of Federal participation in the cost of the project for which the equipment was acquired; location, use and condition of the equipment and the date the information was reported; and ultimate disposition data including sales price or the method used to determine current fair market value if the Grantee reimburses the Grantor for its share.

(b) A physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years to verify the existence, current utilization, and continued need for the equipment.

(c) A control system shall be in effect to insure adequate safeguards to prevent loss, damage, or theft of the equipment. Any loss, damage, or theft of equipment shall be investigated and fully documented.

(d) Adequate maintenance procedures shall be implemented to keep the equipment in good condition.

(e) Proper sales procedures shall be established for unneeded equipment which would provide for competition to the extent practicable and result in the highest possible return.

**This Grant Agreement covers the following described equipment(use continuation sheets as necessary).**

M. Provide Financial Management Systems which will include:

1. Accurate, current, and complete disclosure of the financial results of each grant. Financial reporting will be on an accrual basis.
2. Records which identify adequately the source and application of funds for grant-supported activities. Those records shall contain information pertaining to grant awards and authorizations, obligations, unobligated balances, assets, liabilities, outlays, and income.
3. Effective control over and accountability for all funds, property and other assets. Grantees shall adequately safeguard all such assets and shall assure that they are used solely for authorized purposes.
4. Accounting records supported by source documentation.

N. Retain financial records, supporting documents, statistical records, and all other records pertinent to the grant for a period of at least three years after grant closing except that the records shall be retained beyond the three-year period if audit findings have not been resolved. Microfilm or photo copies or similar methods may be substituted in lieu of original records. The Grantor and the Comptroller General of the United States, or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the Grantee's government which are pertinent to the specific grant program for the purpose of making audits, examinations, excerpts and transcripts.

O. Provide information as requested by the Grantor to determine the need for and complete any necessary Environmental Impact Statements.

P. Provide an audit report prepared in accordance with Grantor regulations to allow the Grantor to determine that funds have been used in compliance with the proposal, any applicable laws and regulations and this Agreement.

Q. Agree to account for and to return to Grantor interest earned on grant funds pending their disbursement for program purposes when the Grantee is a unit of local government. States and agencies or instrumentality's of states shall not be held accountable for interest earned on grant funds pending their disbursement.

R. Not encumber, transfer or dispose of the property or any part thereof, furnished by the Grantor or acquired wholly or in part with Grantor funds without the written consent of the Grantor except as provided in item K above.

S. To include in all contracts for construction or repair a provision for compliance with the Copeland "Anti-Kick Back" Act (18 U.S.C. 874) as supplemented in Department of Labor regulations (29 CFR, Part 3). The Grantee shall report all suspected or reported violations to the Grantor.

T. To include in all contracts in excess of \$100,000 a provision that the contractor agrees to comply with all the requirements of the Clean Air Act (42 U.S.C. §7414 ) and Section 308 of the Water Pollution Control Act (33 U.S.C. §1318) relating to inspection, monitoring, entry, reports, and information, as well as all other requirements specified in Section 114 of the Clean Air Act and Section 308 of the Water Pollution Control Act and all regulations and guidelines issued thereunder after the award of the contract. In so doing the Contractor further agrees:

**[Revision 1, 11/20/1997]**

1. As a condition for the award of contract, to notify the Owner of the receipt of any communication from the Environmental Protection Agency (EPA) indicating that a facility to be utilized in the performance of the contract is under consideration to be listed on the EPA list of Violating Facilities. Prompt notification is required prior to contract award.

2. To certify that any facility to be utilized in the performance of any nonexempt contractor subcontract is not listed on the EPA list of Violating Facilities pursuant to 40 CFR Part 32 as of the date of contract award.

**[Revision 1, 11/20/1997]**

3. To include or cause to be included the above criteria and the requirements in every nonexempt subcontract and that the Contractor will take such action as the Government may direct as a means of enforcing such provisions.

As used in these paragraphs the term "facility" means any building, plan, installation, structure, mine, vessel or other floating craft, location, or site of operations, owned, leased, or supervised by a Grantee, cooperator, contractor, or subcontractor, to be utilized in the performance of a grant, agreement, contract, subgrant, or subcontract. Where a location or site of operation contains or includes more than one building, plant, installation, or structure, the entire location shall be deemed to be a facility except where the Director, Office of Federal Activities, Environmental Protection Agency, determines that independent facilities are co-located in one geographical area.

Grantor Agrees That It:

A. Will make available to Grantee for the purpose of this Agreement not to exceed \$\_\_\_\_\_ which it will advance to Grantee to meet not to exceed \_\_\_\_\_ percent of the project development costs of the project in accordance with the actual needs of Grantee as determined by Grantor.

B. Will assist Grantee, within available appropriations, with such technical assistance as Grantor deems appropriate in planning the project and coordinating the plan with local official comprehensive plans for sewer and water and with any State or area plans for the area in which the project is located.

C. At its sole discretion and at any time may give any consent, deferment, subordination, release, satisfaction, or termination of any or all of Grantee's grant obligations, with or without valuable consideration, upon such terms and conditions as Grantor may determine to be (1) advisable to further the purpose of the grant or to protect Grantor's financial interest therein and (2) consistent with both the statutory purposes of the grant and the limitations of the statutory authority under which it is made.

Termination of This Agreement

This Agreement may be terminated for cause in the event of default on the part of the Grantee as provided in paragraph I above or for convenience of the Grantor and Grantee prior to the date of completion of the grant purpose. Termination for convenience will occur when both the Grantee and Grantor agree that the continuation of the project will not produce beneficial results commensurate with the further expenditure of funds.

In witness whereof Grantee on the date first above written has caused these presence to be executed by its duly authorized

\_\_\_\_\_  
attested and its corporate seal affixed by its duly authorized

\_\_\_\_\_  
Attest:

\_\_\_\_\_  
By \_\_\_\_\_

(Title) \_\_\_\_\_

By \_\_\_\_\_

(Title) \_\_\_\_\_

UNITED STATES OF AMERICA

RURAL UTILITIES SERVICE

By \_\_\_\_\_  
(Title)

**UNITED STATES DEPARTMENT OF AGRICULTURE**

**RURAL DEVELOPMENT**

**RURAL UTILITY SERVICE**

**OFFER**

Subject to the Bond Specifications attached hereto as Exhibit A, the General Conditions attached hereto as Exhibit B, the Special Conditions attached hereto as Exhibit C, and the adoption of Form RD 1780-27, "Loan Resolution," the United States of America, hereinafter referred to as "the Government", hereby offers to make a loan in the sum of \$\_\_\_\_\_ to the Mount Shasta Public Financing Authority, in Lake County, in the state of California (hereinafter called "Agency") in order to aid in the construction of the new Wastewater Facilities Project.

The loan herein provided for shall be made by purchase at par value of the Bonds in the sum of \$\_\_\_\_\_ and bearing interest at the rate of \_\_\_\_% per annum. In the event any other bidder offers to purchase any of the issue at a net interest rate of not more than \_\_\_\_% per annum, that portion of the issue will not be purchased by the Government, and it will purchase the balance of said issue. In such event, it is understood that the obligations of the Agency set forth in the Installment Sale Agreement and Trust Agreement would apply as fully and to the same extent as if the entire issue were sold to the Government. In the event that no bid is received from any bidders within the terms herein specified, the entire issue will be purchased by the Government, subject to the conditions aforesaid.

Upon acceptance, this offer, together with all of the Exhibits attached hereto and Form RD 1780-27, "Loan Resolution," shall become the Agreement.

This offer must be accepted within 60 days from the date hereof.

Dated this \_\_th day of \_\_\_\_\_, 2019.

UNITED STATES OF AMERICA

by: \_\_\_\_\_  
Acting Community Programs Director  
USDA Rural Development  
for the Rural Utility Service

**FORM OF REVENUE BOND**

No. R-1

\*\*\*\$\_\_\_\_\_00\*\*\*

**UNITED STATES OF AMERICA  
STATE OF CALIFORNIA**

**MOUNT SHASTA PUBLIC FINANCING AUTHORITY  
(City of Mount Shasta, California)  
SERIES 2019 WASTEWATER ENTERPRISE REVENUE BONDS  
(Downtown Sewer Collection System Improvement Project)  
BANK QUALIFIED**

<b>INTEREST PAYMENT DATES</b>	<b>RATE OF INTEREST</b>	<b>DATED DATE</b>
<b>June 1 and December 1 as described below</b>	<b>_.__%</b>	<b>June __, 2019</b>

REGISTERED OWNER: UNITED STATES OF AMERICA, ACTING THROUGH RURAL UTILITIES SERVICE, UNITED STATES DEPARTMENT OF AGRICULTURE

PRINCIPAL AMOUNT:

THIS IS TO CERTIFY THAT the Registered Owner identified above, or registered assigns, as the registered owner (the "Registered Owner") of this Series 2019 Wastewater Enterprise Revenue Bond (the "Bond") is the owner of a direct, undivided fractional interest in installment payments (the "Installment Payments") payable under the Installment Sale Agreement dated as of June 1, 2019 (the "Installment Sale Agreement") by and between the MOUNT SHASTA PUBLIC FINANCING AUTHORITY, a California joint powers authority duly organized and existing pursuant to the laws of the State of California (the "Authority"), and the CITY OF MOUNT SHASTA (the "City"), a general law city and public agency duly organized and validly existing under the laws of the State of California. The Installment Payments and certain other rights and interests under the Installment Sale Agreement have been assigned to the Finance Director of the City, as trust administrator (the "Trust Administrator"), having an office in the location described in the Trust Agreement referred to below.

The Registered Owner of this Bond is entitled to receive, subject to the terms of the Installment Sale Agreement, on the Maturity Dates identified below, or any earlier prepayment date, the Principal Amounts identified below representing a direct, undivided fractional share of the portion of the Installment Payments designated as principal as follows:

<b><u>Maturity</u></b> <b><u>Date</u></b>	<b><u>Principal</u></b>	<b><u>Annual</u></b> <b><u>Interest Rate</u></b>	<b><u>Maturity</u></b> <b><u>Date</u></b>	<b><u>Principal</u></b>	<b><u>Annual</u></b> <b><u>Interest Rate</u></b>
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and to receive on December 1, 2019, and semiannually thereafter on June 1 and December 1 of each year (each an “Interest Payment Date”) until payment in full of said principal the Registered Owner’s direct, undivided fractional share of the Installment Payments designated as interest coming due during the interest period immediately preceding each of the Interest Payment Dates. Interest represented hereby shall be payable at the above stated Rate of Interest from the Dated Date identified above. The Registered Owner’s share of the portion of the Installment Payments designated as interest is the result of the multiplication of the share of the portion of the Installment Payments designated as principal as shown and endorsed on the attached Certificate of Advances of Payment from the United States of America, by the Rate of Interest per annum identified above, calculated on the basis of a 365-day year, actual days elapsed.

Principal represented hereby is payable in lawful money of the United States of America upon surrender hereof at the Office of the Trust Administrator, and interest represented hereby is payable by check or draft mailed by first class mail by the Trust Administrator on each Interest Payment Date to the Registered Owner at such Owner’s address as it appears on the bond register of the Trust Administrator as of the preceding Record Date; provided, however, that so long as the United States of America remains the Registered Owner of the Bonds, payment of principal shall be made on each Principal Payment Date and payment of interest shall be made on each Interest Payment Date to the Registered Owner, unless otherwise requested by the Registered Owner, by the Pre-Authorized Debit (PAD) payment process (i.e., the City’s payments shall be electronically debited from the Installment Payment Fund on each Interest Payment Date in accordance with the PAD process established by Form SF-5510 and Form RD 3550-28, both entitled “Authorization Agreement for Pre-Authorized Payments”).

This Bond has been executed and delivered by the Trust Administrator pursuant to the terms of a Trust Agreement by and among the Trust Administrator, the Authority and the City, dated as of June 1, 2019 (the "Trust Agreement"). The City has certified that it is authorized to enter into the Installment Sale Agreement and this Trust Agreement under the laws of the State of California, for the purpose of paying the costs of certain public capital improvements.

Reference is hereby made to the Installment Sale Agreement and the Trust Agreement (copies of which are on file at the Office of the Trust Administrator) for a description of the terms on which the Bonds are delivered, the rights thereunder of the owners of the Bonds, the rights, duties and immunities of the Trust Administrator and the rights and obligations of the City under the Installment Sale Agreement, to all of the provisions of the Installment Sale Agreement and the Trust Agreement the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

This single Bond is issued by the Authority and represents the \$ \_\_\_\_\_ aggregate principal amount of Series 2019 Wastewater Enterprise Revenue Bonds (Downtown Sewer Collection System Improvement Project), Bank Qualified, all of like, date, tenor and effect, but differing in amounts and maturities, authorized to be executed and delivered pursuant to the Trust Agreement.

This Bond is transferable only to a Qualified Institutional Buyer (as such term is defined by Rule 144A of the Securities Act of 1933) or other persons with the consent of the City and the Authority, by the Registered Owner thereof in person or by his attorney duly authorized in writing, at the Trust Office, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement, and upon surrender of this Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer in the form appearing hereon. Upon such transfer, a new Bond or Bonds of the same Maturity Date representing the same principal amount will be issued to the transferee in exchange herefor.

The City is obligated under the Installment Sale Agreement to pay the Installment Payments from Net Revenues (as such term is defined in the Trust Agreement) and any Parity Debt (as such term is defined in the Trust Agreement) issued or incurred within the meaning of the Trust Agreement.

The obligation of the City to pay the Installment Payments does not constitute an obligation of the City 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 pay Installment Payments does not constitute a debt of the City, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The Bond is subject to optional prepayment in whole, or in part among maturities in any manner as directed by the City and by lot within a maturity, on any Business Day, from prepayments of the Installment Payments made at the option of the City pursuant to the Installment Sale Agreement, at a prepayment price equal to the aggregate principal components of the Installment Payments to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

The Bond is subject to mandatory prepayment on any date, in whole, or in part, from unexpended proceeds of the Bond Proceeds Fund established under this Trust Agreement and from the net proceeds of insurance or eminent domain proceedings, in either case deposited with the Trust Administrator, which are credited towards the prepayment of the Installment Payments pursuant to the Installment Sale Agreement, at

a prepayment price equal to one hundred percent (100%) of the principal amount to be prepaid, together with accrued interest represented thereby to the date fixed for prepayment, without premium.

As provided in this Trust Agreement, notice of prepayment shall be mailed by the Trust Administrator by first class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days before the prepayment date, to the Registered Owner of the Bond, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for prepayment or the cessation of accrual of interest represented thereby. If this Bond is called for prepayment and payment is duly provided herefor as specified in this Trust Agreement, interest represented hereby shall cease to accrue from and after the date fixed for prepayment.

The City has designated its obligations under the Installment Sale Agreement represented by this Bond to be a “qualified tax-exempt obligation” under Section 265(b)(3) of the Internal Revenue Code of 1986.

This Bond is transferable by the Registered Owner hereof, in person or by his or her attorney duly authorized in writing, at the Trust Office of the Trust Administrator, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in this Trust Agreement and upon surrender and cancellation of this Bond.

Upon such transfer a new Bond or Bonds, of authorized denomination or denominations, representing the same aggregate principal amount and representing the same rate of interest and maturity date, will be delivered to the transferee in exchange herefor. The City, the Authority and the Trust Administrator may treat the Registered Owner hereof as the absolute owner hereof for all purposes, whether or not this Bond shall be overdue, and the City, the Authority and the Trust Administrator shall not be affected by any notice to the contrary.

To the extent and in the manner permitted by the terms of this Trust Agreement, the provisions of this Trust Agreement may be amended by the parties thereto with the written consent of the owners of a majority in aggregate principal amount of the Bonds then outstanding, and may be amended without such consent under certain circumstances; provided that no such amendment shall extend the fixed maturity of any Bond or reduce the interest or principal represented thereby, without the express consent of the owner of such Bond.

The Trust Administrator has no obligation or liability to the registered owners of the Bonds to make payments of principal, or interest with respect to the Bonds except from amounts on deposit for such purposes with the Trust Administrator. The Trust Administrator’s sole obligations are to administer for the benefit of the registered owners of the Bonds the various funds and accounts established under this Trust Agreement and to perform the other duties expressly imposed upon it under this Trust Agreement.

The City has certified, recited and declared that all things, conditions and acts required by the laws of the State of California, the Installment Sale Agreement and this Trust Agreement to exist, to have happened and to have been performed precedent to and in the delivery of the Bonds, do exist, have happened and have been performed in due time, form and manner as required by law.

This Bond is given as evidence of a loan to the City made by the United States of America, acting through Rural Utilities Service, United States Department of Agriculture, pursuant to the Consolidated Farm and Rural Development Act, and shall be subject to the present regulations of the Rural Utilities Service or any successor agency thereto and to its future regulations not inconsistent with the express provisions hereof.

IN WITNESS WHEREOF, this Bond has been authenticated, executed and delivered by the Trust Administrator, acting pursuant to this Trust Agreement.

AUTHENTICATED, EXECUTED AND DELIVERED, as of the Dated Date first written above.

TRUST ADMINISTRATOR

By: \_\_\_\_\_  
Finance Director,  
City of Mount Shasta

**ABBREVIATIONS**

The following abbreviations, when used in the inscription on the face hereof, shall be construed as though they were written out in full according to applicable laws or regulations:

TEN COM -- as tenants in common

UNIF GIFT MIN ACT \_\_\_\_ Custodian

TEN ENT -- as tenants by the Entireties

(Cust) \_\_\_\_ (Minor) \_\_\_\_  
under Uniform Gifts to Minors

JT TEN -- as joint tenants with \_\_\_\_ right of survivorship  
\_\_\_\_ and not as tenants in \_\_\_\_ common

Act \_\_\_\_\_  
(State)

ADDITIONAL ABBREVIATIONS MAY ALSO BE USED  
THOUGH NOT IN THE LIST ABOVE

**ASSIGNMENT**

For value received the undersigned do(es) hereby sell, assign and transfer 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 Bond Register of the Trust Administrator with full power of substitution in the premises.

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

Signature Guaranteed:

\_\_\_\_\_  
Note: Signature(s) must be guaranteed by an eligible guarantor.

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

Certificate of Advances of Payment from United States of America, acting through Rural Utilities Service,  
United States Department of Agriculture

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The following advances have been paid to and received by the City in the amount and on the date(s) set forth below, as evidenced by the Trust Administrator's signature set forth below, as evidenced by said Trust Administrator's signature set forth opposite "Date of Advance" and "Amount of Advance."

<u>Date of Advance</u>	<u>Amount of Advance</u>	<u>Signature of the Trust Administrator</u>
__ / __ /2019	\$ _____ .00	_____

Total principal sum of the within Bond as advanced as of \_\_\_\_ \_\_, 2019 is \$ \_\_\_\_\_ .00.



**EXHIBIT B**

**Mount Shasta Public Financing Authority**

**Series 2019 Wastewater Enterprise Revenue Bond**

**GENERAL CONDITIONS**

**(To Be Provided by USDA Prior to Closing)**

**EXHIBIT C**

**Mount Shasta Public Financing Authority**

**Series 2019 Wastewater Enterprise Revenue Bond**

**SPECIAL CONDITIONS**

**(To Be Provided by USDA Prior to Closing)**