

---

## **INSTALLMENT SALE AGREEMENT**

by and between the

**CITY OF REDLANDS,**  
as Purchaser

and the

**CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK (“IBank”),**  
as Seller

---

Dated as of March 2, 2015

Agreement No. 14-105

## INSTALLMENT SALE AGREEMENT

THIS INSTALLMENT SALE AGREEMENT, is made and entered into as of March 2, 2015 (the "Agreement"), by and between the City of Redlands, a municipal corporation duly organized and existing under the laws of the State of California, as purchaser (the "Purchaser"), and the CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK ("IBank"), duly organized and validly existing pursuant to the Bergeson-Peace Infrastructure and Economic Development Bank Act, constituting Division 1 of Title 6.7 of the California Government Code (commencing at section 63000 thereof) as now in effect and as it may from time to time hereafter be amended (the "Act"), as Seller.

### W I T N E S S E T H:

WHEREAS, on or about April 1, 2014, the Purchaser adopted Resolution No. 7372, in substantially the same form as set forth in Exhibit A attached hereto, authorizing the purchase from IBank of a Facility, as defined herein, evidenced by this Installment Sale Agreement (the "Agreement");

WHEREAS, IBank has issued tax-exempt bonds ("Proceeds Bonds" as defined in Section 1.01), the proceeds of which may be used to provide all or a portion of the Facility Funds, as defined herein;

WHEREAS, on September 18, 2012, TKE Engineering, Inc. provided a Pavement Deterioration Analysis Report to the Purchaser which found that solid waste vehicles account for the highest vehicle loading factor on city streets and, as such, are a major contributor to street deterioration estimated at an annual, citywide cost of \$3.6 million;

WHEREAS, Purchaser's staff issued Proposition 218 notices necessary for the rate and charge increases required to support the PARIS Project, as defined herein, which notices attributed more than 38% of damage done to city streets each year to solid waste vehicles;

WHEREAS, not having received written protests against the proposed increases from a majority of parcels subject to the revised schedule of rates and charges, the Redlands City Council adopted the revised schedule of rates and charges pursuant to the terms of Ordinance No. 2787 effective February 1, 2013;

WHEREAS, IBank may pledge its rights, including the rights to receive payments, under this Agreement to secure bonds that it intends to issue for the benefit of its programs ("Secured Bonds" as defined in Section 1.01), and Purchaser acknowledges that the issuance or existence of both the Proceeds Bonds and the Secured Bonds impacts its rights and obligations as described herein;

WHEREAS, IBank has issued Proceeds Bonds (as defined in Section 1.01), the proceeds of which may be used to provide all or a portion of the Facility Funds, as defined herein; and

NOW, THEREFORE, in consideration of the promises and the mutual agreements herein contained, the parties do hereby agree as follows:

## ARTICLE I

### DEFINITIONS

SECTION 1.01. Definitions. Unless the context clearly otherwise requires, the capitalized terms in this Agreement shall have the respective meanings set forth below.

“2013A Bonds” means the obligations evidenced by that certain 2013 Solid Waste Installment Sale Agreement by and between the Purchaser and the Redlands Financing Authority dated October 1, 2013 (the “2013 ISA”), under which the Purchaser is obligated to make installment sale payments solely from Net Solid Waste Revenues (as that term is defined in the 2013 ISA) and which are secured by a pledge of revenues of the Purchaser’s Solid Waste Enterprise Fund that is on parity with the obligations created under this Agreement.

“Act” means the Bergeson-Peace Infrastructure and Economic Development Bank Act, constituting Division 1 of Title 6.7 of the California Government Code (commencing at section 63000 thereof) as now in effect and as it may from time to time hereafter be amended.

“Additional Payments” means the payments made pursuant to Section 2.06.

“Agreement” means this Installment Sale Agreement, between IBank and the Purchaser, as originally entered into and as amended from time to time pursuant to the provisions hereof.

“Business Day” means any day, Monday through Friday, which is not a legal holiday of the State or the trustee of the Secured Bonds.

“Certificate of the Purchaser” means a request or certificate, in writing, signed by a duly authorized representative of the Purchaser.

“Code” means the Internal Revenue Code of 1986, as amended, or any successor statute thereto, and any regulations promulgated thereunder.

“Current Revenues” means revenues which are both received by the Purchaser and utilized for the payment of Purchase Price under this Agreement within a six month period.

“Debt Service” means, for any Fiscal Year, the sum of interest, and principal due and payable under this Agreement during such Fiscal Year, the IBank Annual Fee for such Fiscal Year and any Parity Debt Service for such Fiscal Year.

“Effective Date” means March 2, 2015, the date on which this Agreement becomes effective and binding on the Purchaser and IBank.

“Enterprise Fund” means the enterprise fund in which all System Revenues are deposited and maintained by the Purchaser pursuant to Section 3.02 and in which IBank has a security interest pursuant to the terms of this Agreement. The solid waste enterprise fund is composed of the funds received from providing solid waste services to city customers.

“Event of Default” means any of the events described in Section 7.01.

“Facility” means that a portion of the street resurfacing project financed with the Facility Funds provided by and to be sold by IBank to the Purchaser pursuant to terms and conditions of this Agreement as further described in Exhibit B, hereto.

“Facility Delivery” shall have the meaning set forth in Section 2.02 hereof.

“Facility Funds” mean the moneys provided by IBank to the Purchaser, as agent for IBank, pursuant to this Agreement to purchase and/or construct the Facility as set forth in Section 2.06.

“Fiscal Year” means any twelve month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve month period selected and designated by the Purchaser as its official fiscal year period.

“IBank” means the California Infrastructure and Economic Development Bank.

“IBank Annual Fee” means the fee payable to IBank pursuant to Section 2.06.

“Independent Accountant” means any certified public accountant or firm of certified public accountants duly licensed or registered or entitled to practice and practicing as such under the laws of the State, appointed by the Purchaser who, or each of whom:

- (a) Is in fact independent and not under the control of the Purchaser or IBank;
- (b) Does not have any substantial interest, direct or indirect, in the Purchaser IBank or the Project; and
- (c) Is not connected with the Purchaser or IBank as an officer or employee of the Purchaser or IBank, but who may be regularly retained to make reports to the Purchaser or IBank.

“Independent Consultant” means any consultant or firm of such consultants judged by the Purchaser to have experience in matters relating to the collection of System Revenues or other experience with respect to the financing of System projects, as appropriate, appointed and paid by the Purchaser who, or each of whom:

- (a) Is in fact independent and not under the control of the Purchaser or IBank;
- (b) Does not have any substantial interest, direct or indirect, in the Purchaser or IBank; and
- (c) Is not connected with the Purchaser or IBank as a member, officer or employee of the Purchaser, but who may be regularly retained to make reports to the Purchaser or IBank.

“Installment Payments” means the principal and interest payments to be made by the Purchaser to IBank in payment of the Purchase Price hereunder.

“Interest Payment Date” means February 1 and August 1 of every year in which the Purchase Price remains unpaid.

“Investment Property” means any security or obligation, any annuity contract, or any other investment-type property, but does not include any Tax-Exempt Bond unless such obligation is a “specified private activity bond” within the meaning of section 57(a)(5)(C) of the Code.

“Maximum Annual Debt Service” means as of the date of calculation, the greatest total Debt Service payable in any Fiscal Year during which this Agreement is in effect.

“Net System Revenues” means, for any Fiscal Year, all System Revenues received by the Purchaser for such Fiscal Year less the Operations and Maintenance Costs for such Fiscal Year.

“Nongovernmental Persons” means any person or entity other than any state, or political subdivision of a state, but excludes the United States and its agencies or instrumentalities.

“Operations and Maintenance Costs” means the reasonable and necessary costs paid or incurred by the Purchaser for maintaining and operating the 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 System in good repair and working order, and including all administrative costs of the Purchaser that are charged directly or apportioned to the operation of the System, such as salaries and wages of employees, overhead, taxes (if any), the cost of permits and licenses to operate the System and insurance premiums, and including all other reasonable and necessary costs of the Purchaser or charges required to be paid by it to comply with the terms hereof; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles.

“Origination Fee” means a payment in the amount of thirty thousand five hundred dollars (\$30,500.00) that shall be due and payable by the Purchaser on the Effective Date and shall be deducted by IBank from the Facility Funds upon execution of this Agreement.

“Parity Debt” means any loan, bond, note, advance, installment sale agreement, capital lease or other evidence of indebtedness payable from and secured by a first lien on the Net System Revenues on parity with the Installment Payments and Additional Payments, issued or incurred pursuant to and in accordance with the provisions of Section 2.11.

“Parity Debt Instrument” means any instrument evidencing Parity Debt, including without limitation the indenture and official statement relating to such Parity Debt, as applicable.

“Parity Debt Service” means, for any Fiscal Year, the sum of: (1) the principal and interest due and payable during such Fiscal Year for all outstanding Parity Debt, and (2) annual fees, if any, under Parity Debt.

“Payment Account” means the funds or accounts (or any portions of any funds or accounts), established pursuant to Section 2.03(c) hereof, that will hold monies that the Purchaser expects to use to pay the Purchase Price under this Agreement.

“Preliminary Costs” means architectural, engineering, survey or soil testing costs, reports such as an environmental impact reports, feasibility studies, rate studies and CEQA reports, as well as other costs incident to the start of construction, but not land acquisition, site preparation or similar costs.

“Project” means the Purchaser’s Pavement Accelerated Repair Implementation Strategy (the PARIS project) as more fully described in Exhibit B.

“Proceeds Bonds” means bonds issued by IBank the proceeds of which may be used, in whole or part, to provide the Facility Funds.

“Purchase Price” means the principal amount plus the interest thereon owed by the Purchaser to IBank under the conditions and terms hereof for the payment of the costs of the Facility, and the incidental costs and expenses related thereto paid by IBank.

“Purchaser Representative” shall have the meaning set forth in Section 8.13 hereto.

“Report” means a document in writing signed by an Independent Consultant or an Independent Accountant, and including:

(a) A statement that the person or firm making or giving such Report has read the pertinent provisions of this Agreement to which such Report relates;

(b) A brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and

(c) A statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

“Secured Bonds” means bonds of one or more series issued by IBank to which certain rights of IBank under this Agreement, including the right to receive the Installment Payments, may be from time to time pledged or assigned directly or indirectly as security for such bonds.

“State” means the State of California.

“Subordinate Debt” means any loan, bond, note, advance, installment sale agreement, or other indebtedness or capital lease of the Purchaser payable from and secured by a lien on Net Systems Revenues which is subordinate to the lien established by this Agreement.

“Subordinate Debt Instruments” means any instrument evidencing Subordinate Debt.

“System” means the entire solid waste collection, processing and disposal system owned or operated by the Purchaser, including but not limited to all facilities, properties, works and improvement at any time owned, operated or determined to be part of the System by the Purchaser for the collection, processing and disposal of solid waste within the service area of the Purchaser, together with any necessary lands, rights, entitlements and other property useful in

connection therewith, together with all extensions thereof and improvements or additions thereto hereafter acquired, constructed or installed by the Purchaser.

“System Revenues” means, for each Fiscal Year, all gross income and revenue received or receivable by the Purchaser from the ownership or operation of the System, determined in accordance with generally accepted accounting principles, including all rates, fees and charges (including connection fees and charges) received by the Purchaser for the services of the System, and all other income and revenue howsoever derived by the Purchaser from the ownership or operation of the System or arising from the System, and also including all income from the deposit or investment of any money in the Enterprise Fund or any rate stabilization fund, and the proceeds of any taxes, but excluding in all cases any refundable deposits made to establish credit, and advances or contributions in aid of construction.

“Tax Exempt Bond” means any obligation the interest on which is excluded from gross income for federal income tax purposes pursuant to section 103 of the Code or section 103 of the Internal Revenue Code of 1954, as amended, and Title XIII of the Tax Reform Act of 1986, as amended, as well as stock in a regulated investment company to the extent at least ninety-five percent (95%) of income to the stockholder is treated as interest that is excludable from gross income under section 103 of the Code.

#### SECTION 1.02. Rules of Construction.

Except where the context otherwise requires, words imparting the singular number shall include the plural number and vice versa, and pronouns inferring the masculine gender shall include the feminine gender and vice versa. All references herein to particular articles or sections are references to articles or sections of this Agreement. The headings, subheadings and Table of Contents herein are solely for convenience of reference and shall not constitute a part of this Agreement, nor shall they affect its meanings, construction or effect.

### ARTICLE II

#### TERMS OF SALE

##### SECTION 2.01. Purchase and Sale.

IBank hereby agrees to sell to the Purchaser and the Purchaser hereby agrees to purchase from IBank the Facility under and subject to the terms of this Agreement. This Agreement constitutes a continuing agreement between the Purchaser and IBank to secure the full and final payment of the Purchase Price, subject to the covenants, agreements, provisions and conditions herein contained.

##### SECTION 2.02. Design, Acquisition, Construction and Sale of the Facility.

IBank hereby agrees to perform all necessary acts, including but not limited to acquisition, installation, design, remediation and improvement, to construct and deliver an operational Facility (“Facility Delivery”) for the benefit of, and to sell the Facility to, the Purchaser. In order to implement this provision, IBank hereby appoints the Purchaser as its agent for the purpose of performing all of the foregoing acts in connection with the construction

and delivery of an operational Facility; and the Purchaser hereby accepts such appointment and agrees to perform all acts necessary to achieve Facility Delivery, including, but not limited to, entry into such engineering, design and construction contracts and purchase orders as may be necessary, as agent for IBank, to achieve Facility Delivery. The Purchaser hereby agrees that as such agent it will cause the Facility Delivery to be diligently completed. IBank hereby agrees to sell, and hereby sells, the Facility to the Purchaser. The Purchaser hereby agrees to purchase, and hereby purchases, the Facility from IBank. Notwithstanding the foregoing, it is hereby expressly understood and agreed that IBank shall have no obligations whatsoever for Facility Delivery and shall be, except for providing the Facility Funds, under no liability of any kind or character whatsoever for the payment of any costs or expenses incurred by the Purchaser (whether as agent for IBank or otherwise) for any of the actions associated with the Facility Delivery and that all such costs and expenses shall be paid by the Purchaser, regardless of whether Facility Funds are sufficient to cover all such costs.

SECTION 2.03. Payment of Purchase Price; Term; Interest Rates.

(a) The Purchase Price to be paid by the Purchaser to IBank hereunder is the sum of the principal amount of the Purchaser's obligation hereunder plus interest, subject to prepayment as provided in Section 2.08. Interest shall accrue on the entire principal balance, whether or not disbursed, as set forth in the amortization schedule of Exhibit E hereto.

(b) For purposes of this Agreement:

(1) The principal amount of the Purchase Price to be paid by the Purchaser to IBank hereunder is **Three Million Fifty Thousand dollars (\$3,050,000)**.

(2) The term of this Agreement is **twenty (20) years** from the Effective Date.

(3) The interest rate is **3.01%** per annum.

(c) For purposes of compliance with Federal Tax laws applicable to IBank's Proceeds Bonds, Purchaser hereby establishes a "Payment Account" within the Enterprise Fund and agrees to deposit monies intended for paying such Installment Payments in the Payment Account until the time that such Installment Payments become due and payable whereupon Purchaser would take steps to pay Installment Payments as provided herein.

(d) Installment Payments of principal and interest shall be as set forth in the amortization schedule of Exhibit E hereto.

(1) The first principal payment shall be due August 1, 2015.

(2) Interest only payments will be based upon the total principal component of the Purchase Price, including the amounts not disbursed, using an interest rate of 3.01% per annum.



(3) Purchaser shall receive a credit against interest owed based upon the actual interest earned by IBank on the undisbursed Facility Funds or the interest rate on the Agreement, whichever is lower.

(e) Commencing on the day following the end of the interest only period, the principal component of the Purchase Price shall be fully amortized over the remaining term of this Agreement. If any portion of the principal of the Purchase Price is prepaid in part pursuant to Section 2.05 hereof, the schedule of the principal payments shall be modified to reflect such partial prepayment.

(f) The obligation of the Purchaser to pay the Purchase Price by paying the Installment Payments and Additional Payments is, subject to Section 5.10, absolute and unconditional; and until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made as provided in Section 8.05), the Purchaser shall not discontinue or suspend any Installment Payments or Additional Payments required to be paid by it under this Agreement when due, whether or not the Project or the Facility or any part thereof is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part; and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

#### SECTION 2.04. Payment on Business Days.

Whenever in this Agreement any amount is required to be paid on a day that is not a Business Day, such payment shall be required to be made on the Business Day immediately following such day and no further interest shall accrue.

#### SECTION 2.05. Disbursement of Facility Funds.

(a) Upon compliance with disbursement conditions set forth herein and receipt of a written request for disbursement, IBank will disburse Facility Funds to the Purchaser in amounts of at least five thousand dollars (\$5,000). All requests for payment shall be accompanied by information and documentation as may be requested by IBank to determine the amount of Facility Funds to be disbursed.

(b) Each disbursement request shall specify one or more of the following for costs included in the disbursement request:

- (1) Purchaser previously paid the costs and is requesting reimbursement;
- (2) Purchaser will pay the costs directly upon receipt of funds from IBank; or
- (3) IBank is requested to pay the disbursement directly to the party owed the funds instead of Purchaser.

(c) No Facility Funds shall be disbursed unless and until IBank receives documentation, satisfactory to IBank, demonstrating that the Purchaser has incurred costs that constitute both reasonable and necessary components of the Facility and which are consistent with the cost categories, amounts and requirements described in this Agreement.

(d) Unless otherwise consented to in writing by IBank, Purchaser must both: (1) begin Project construction no later than six months after the Effective Date; and (2) submit invoices to IBank for the entire amount of the Facility Funds no later than 35 months after the Effective Date. If the Purchaser fails to meet either of these conditions, IBank may elect to withhold any and all undisbursed Facility Funds pursuant to Section 2.14 herein.

(e) Notwithstanding any contrary provisions of this Agreement or any related documents, under no circumstances will IBank be obligated to make disbursements in excess of the lesser of (i) actual Facility costs incurred in connection with the completion of the Facility or (ii) the amount of the Facility Funds.

(f) Not more than ninety-five percent (95%) of each invoice payable from Facility Funds designated for construction shall be disbursed until IBank receives a recorded notice of completion for the Facility or other evidence of completion satisfactory to IBank and the Purchaser has met all conditions precedent to final disbursement set forth herein.

#### SECTION 2.06. Additional Payments.

(a) The Purchaser shall pay Additional Payments to IBank as follows:

(1) A payment of the IBank Annual Fee on August 1st of each year during the term of this Agreement in an amount equal to three tenths of one percent (0.3%) of the outstanding principal component of the remaining Installment Payments as set forth in Exhibit E; and

(2) Amounts in each year as shall be required by IBank for the payment of extraordinary expenses of IBank in connection with an Event of Default, the enforcement of this Agreement or any amendments hereto requested by the Purchaser, including all expenses, fees of accountants, trustees, attorneys, litigation costs, insurance premiums and all other extraordinary costs of IBank. Extraordinary expenses and extraordinary costs are those expenses and costs related to this Agreement in excess of ordinary and customary expenses and costs incurred as part of the IBank Annual Fee pursuant to this Section 2.06. Such Additional Payments shall be billed by IBank from time to time, together with any appropriate supporting documents for such extraordinary costs or expenses; and

(3) Purchaser shall deposit the IBank Annual Fee with IBank not later than August 1st of each year and Purchaser shall pay to IBank the amount billed pursuant to subsection (2) within thirty (30) days from the date of the invoice. Any amounts not promptly paid shall accrue interest at the lesser of twelve percent (12%) per annum or the maximum rate permitted by law.

SECTION 2.07     Reserved.

SECTION 2.08.     No Early Prepayment of Purchase Price; Authorized Prepayment.

(a)     Unless otherwise consented to in writing by IBank, the Purchaser may not prepay all or a portion of the principal component of the Purchase Price during the period commencing with the Effective Date and ending with the date that is ten (10) years after the Effective Date (the “Early Prepayment Period”). Upon satisfaction of the conditions set forth in this Section 2.08 Purchaser may at any time, after ten (10) years from the Effective Date prepay all or a portion of the principal component of Purchase Price (the “Authorized Prepayment Period”).

(b)     If IBank provides Purchaser with a written consent to a prepayment during the Early Prepayment Period (“Early Prepayment Consent”), Purchaser shall pay the amount representing the outstanding principal component of the Purchase Price, plus a prepayment premium (“Prepayment Premium”). The amount of the Prepayment Premium shall be determined, at the time of the Early Prepayment Consent, by IBank at its discretion.

(c)     During the Authorized Prepayment Period, Purchaser is permitted to prepay all or a portion of the principal amount of the Purchase Price as follows: (i) if the prepayment date is on or after ten (10) years after the Effective Date but prior to eleven (11) years after the Effective Date, the prepayment amount shall be one hundred two percent (102%) of the outstanding principal amount; (ii) if the prepayment date is on or after eleven (11) years after the Effective Date but prior to twelve (12) years after the Effective Date, the prepayment amount shall be one hundred one percent (101%) of the outstanding principal amount; and (iii) if the prepayment date is on or after twelve (12) years after the Effective Date, the prepayment amount shall be one hundred percent (100%) of the outstanding principal amount.

(d)     Regardless of the prepayment period then in effect, the Purchaser must provide IBank with a written request at least ninety (90) days prior to the requested prepayment date (the “Prepayment Request”). Upon receipt of the Prepayment Request, IBank shall provide the Purchaser with a written acknowledgement of its receipt of the Prepayment Request (the “IBank Acknowledgement”). IBank will not accept a prepayment unless and until the requirements of this Section 2.08 have been met.

(e)     Depending on the requirements associated with the Proceeds Bonds, IBank will provide a written response approving the prepayment request and detailing the conditions of the prepayment, including the principal balance to be paid, the interest accrued and the amount of any Additional Payments owed hereunder.

SECTION 2.09.     Validity of Pledge and First Lien.

The pledge of the Net System Revenues and all amounts in the Enterprise Fund constitute a valid pledge of and lien on all of the Net System Revenues and all amounts in the Enterprise Fund on parity with the lien securing the 2013A Bonds.

SECTION 2.10. Limited Obligation.

The Purchaser's obligation to make Installment Payments is a special obligation of the Purchaser payable solely from Net System Revenues as provided herein and does not constitute a debt of the Purchaser or the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limit or restriction.

SECTION 2.11. Permitted Additional Parity Debt.

(a) The Purchaser may, after the Effective Date, issue or incur Parity Debt in such principal amount as shall be determined by the Purchaser subject to the requirements for additional obligations as set forth in all existing Parity Debt Instruments and the following specific conditions, which are hereby made conditions precedent to the Purchaser's issuance and delivery of such Parity Debt, provided that to the extent that an existing Parity Debt Instrument conflicts with any of the requirements set forth in this Section 2.11, the more restrictive provision shall prevail:

(1) No Event of Default hereunder or under any other instrument secured by System Revenues shall have occurred and be continuing, and the Purchaser shall otherwise be in compliance with all covenants set forth in this Agreement; and

(2) Net System Revenues calculated on generally accepted accounting principles, and excluding any balances in any fund (other than the rate stabilization fund) at the beginning of the period of the computation, as shown by the books of the Purchaser for the latest Fiscal Year, or any more recent twelve month period selected by the Purchaser ending not more than sixty (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 Purchaser, plus, at the option of the Purchaser, either or both of the items below designated in subsections (b)(1) and (b)(2), shall have amounted to at least **1.25 times** the Maximum Annual Debt Service taking into consideration the maximum annual debt service payable in any Fiscal Year on the proposed Parity Debt, as set forth in the Report of an Independent Accountant or Independent Consultant delivered to IBank.

(b) Either or both of the following allowances may be added to Net System Revenues for the purpose of meeting the condition contained in subsection (a)(2) above:

(1) An allowance for increased System Revenues from any additions to or improvements or extensions of the System to be made with the proceeds of such proposed Parity Debt, and also for System Revenues from any such additions, improvements, or extensions which have been made from moneys from any source but which, during all or any part of such Fiscal Year or any more recent twelve month period, were not in service, all in an amount equal to ninety percent (90%) of the estimated additional average annual System Revenues to be derived from such additions, improvements, and extensions for the first thirty six (36) month period following closing of the proposed Parity Debt, all as shown in the Report of an Independent Accountant or Independent Consultant delivered to IBank; and/or

(2) An allowance for increased System Revenues arising from any increase in the charges made for service from the System which has become effective prior to the incurring of such proposed Parity Debt but which, during all or any part of such Fiscal Year or any more recent twelve (12) month period, was not in effect in an amount equal to one hundred percent (100%) of the amount by which System Revenues would have been increased if such increase to charges had been in effect during the whole of such time period and any period prior to the incurring of such proposed Parity Debt, as shown in the Report of an Independent Accountant or Independent Consultant delivered to IBank.

(c) For purposes of making the calculations set forth in subsection (a)(2):

(1) If any Parity Debt includes capital appreciation bonds, then the accreted value payment thereof shall be deemed a principal payment and interest that is compounded and paid as accreted value shall be deemed due on the scheduled redemption or payment date of such capital appreciation bond;

(2) If any Parity Debt includes interest payable pursuant to a variable interest rate formula, the variable interest rate portion of such Parity Debt for periods when the actual interest rate cannot yet be determined, shall be assumed to be the maximum interest rate under the Parity Debt.

(d) The Purchaser shall deliver to IBank, prior to incurring or issuing such proposed Parity Debt, a copy of the proposed Parity Debt Instrument and Certificate of the Purchaser certifying that the conditions precedent to the issuance of such Parity Debt set forth in subsections (a) and (b) above have been satisfied and, as applicable, the Report required by subsections (a) and (b) above have been delivered.

(e) Notwithstanding subsections (a)(2), (b), (c), and (d) above, proposed Parity Debt to be issued for the purpose of refunding outstanding Parity Debt may be issued without compliance with subsections (a)(2), (b), (c) and (d) above, so long as such refunding results in lower Parity Debt Service in each Fiscal Year after such refunding and the final maturity date of the refunding Parity Debt is no later than the final maturity date of the refunded Parity Debt. Purchaser shall deliver to IBank the Parity Debt Instrument for such refunding within 30 days of such Parity Debt issuance.

(f) Notwithstanding subsections (a)(2), (b), (c), and (d) above, proposed Parity Debt to be issued for the purpose of refunding outstanding Parity Debt may be issued without compliance with subsections (a)(2), (b), (c) and (d) above, so long as such refunding results in lower Parity Debt Service in each Fiscal Year after such refunding and the final maturity date of the refunding Parity Debt is no later than the final maturity date of the refunded Parity Debt.

#### SECTION 2.12. Purchaser's Obligation for Other Project Costs.

The Purchaser acknowledges and agrees that the amount of IBank's obligations under this Agreement is limited to the amount of the Facility Funds. As such, it is the Purchaser's obligation to pay all other costs associated with or needed for completion of the Project in excess the Facility Funds amount.

SECTION 2.13. Project and Facility Descriptions.

For the purposes of this Agreement, the description of each of the Project and the Facility shall be as set forth in Exhibit B hereto.

SECTION 2.14. Withholding of Facility Funds.

(a) IBank may withhold all or any portion of the Facility Funds in the event that:

(1) The Purchaser has violated any of the material terms, provisions, conditions or commitments of this Agreement determined by IBank in its discretion, or if an Event of Default has occurred; or

(2) The Purchaser is unable to demonstrate, to the satisfaction of IBank, the ability to complete the Facility or to maintain adequate progress toward completion thereof.

(b) In the event that Facility Funds are withheld from the Purchaser, IBank shall notify the Purchaser of the reasons, identify any additional conditions to be met in order to resume disbursements and advise the Purchaser of the time in which to remedy the failure or violation or satisfy the applicable conditions.

(c) If Facility Funds are withheld pursuant to this section, the Purchaser remains obligated to repay the entire amount of the Purchase Price but to the extent applicable, the Purchaser may request that the withheld amount be applied as a prepayment pursuant to Section 2.08.

SECTION 2.15. Reserve Account.

In the event that (i) Purchaser incurs Parity Debt in accordance with the requirements of Section 2.11; and (ii) such Parity Debt requires the Purchaser to establish a reserve fund or account, the Purchaser shall establish, fund, and maintain an IBank Reserve Account in an amount equal to the reserve requirement of such Parity Debt.

ARTICLE III

PLEDGE OF REVENUES; APPLICATION OF FUNDS

SECTION 3.01. Pledge of Net System Revenues.

The Installment Payments and Additional Payments and all Parity Debt shall be equally secured by a pledge of and first lien on all of the Net System Revenues and all amounts in the Enterprise Fund, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. The Net System Revenues and all amounts in the Enterprise Fund are hereby pledged in their entirety to the payment of Installment Payments and Additional Payments. The Net System Revenues and all amounts in the Enterprise Fund shall be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien

of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Purchaser. Neither the Installment Payments, the Additional Payments nor this Agreement is a debt of IBank, the State or any of its political subdivisions (other than the Purchaser) and neither IBank, the State nor any of its political subdivisions (other than the Purchaser) is liable thereon.

SECTION 3.02. System Revenues to be Deposited in the Enterprise Fund.

In order to carry out its obligation to pay the Installment Payments and Additional Payments, the Purchaser agrees and covenants that it shall maintain the Enterprise Fund as a distinct fund separate and apart from Purchaser's other funds. All System Revenues received by it shall be deposited when and as received in trust in the Enterprise Fund and shall be applied and used only as and in the order provided herein: the Purchaser shall pay all Operations and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operations and Maintenance Costs the payment of which is not then immediately required) from the Enterprise Fund as they become due and payable, and all remaining money on deposit in the Enterprise Fund shall then be used to pay Section 3.03 amounts. After making all the set asides and payments hereinabove required to be made in each Fiscal Year, the Purchaser may expend in such Fiscal Year any remaining money in the Enterprise Fund for any lawful purpose of the Purchaser. The Purchaser agrees and covenants to maintain the Enterprise Fund so long as any portion of the Purchase Price remains unpaid.

SECTION 3.03. Priority of Payments Made from the Enterprise Fund.

The Purchaser shall promptly pay to IBank the following amounts at the following times:

(a) Installment Payments and Additional Payments.

(1) The principal portion of the Installment Payments is due at IBank by August 1st of each year, as set forth on the Exhibit E amortization schedule. The interest portions of Installment Payments are due at IBank by each Interest Payment Date.

(2) The Purchaser shall promptly pay to IBank Additional Payments due pursuant to Section 2.06.

(b) Approved Parity Debt Payments.

Payment of Parity Debt Service as it becomes due and payable on Parity Debt acknowledged by IBank as of the date hereof or pursuant to Parity Debt issued or incurred in accordance with Section 2.11 hereof.

## ARTICLE IV

### REPRESENTATIONS AND WARRANTIES OF THE PURCHASER

#### SECTION 4.01. Organization; Authority.

The Purchaser is duly organized and existing as a municipal corporation under the laws of the State and has all necessary power and authority to enter into and perform its duties (including, but not limited to, the authority to set rents, fees, rates and charges without the approval of any other governing body and to pledge the Net System Revenues) under this Agreement.

#### SECTION 4.02. Agreement Valid and Binding.

This Agreement has been duly authorized, executed and delivered by the Purchaser and constitutes the legal, valid and binding obligation of the Purchaser, enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally.

#### SECTION 4.03. No Conflict in Execution of Agreement.

The execution and delivery by the Purchaser of this Agreement and compliance with the provisions hereof will not conflict with or constitute a breach of or default by the Purchaser under any law, administrative regulation, court decree, resolution, charter, by-law, or any agreement to which the Purchaser is subject or by which it is bound or by which its properties may be affected.

#### SECTION 4.04. No Litigation.

There is no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the Purchaser to restrain or enjoin the execution or delivery of this Agreement, or in any way contesting or affecting the validity of this Agreement, or contesting the powers of the Purchaser to enter into or perform its obligations under this Agreement, including, but not limited to, the pledge of Net System Revenues.

#### SECTION 4.05. No Breach or Default.

The Purchaser is not in breach of or in default under any applicable law or administrative regulation of the State or the United States, the Constitution of the State (including article XVI, section 18 thereof), any applicable judgment or decree, any agreement, indenture, bond, note, resolution, agreement or other instrument to which the Purchaser is a party or is otherwise subject which, if not resolved in favor of the Purchaser, would have a material adverse impact on the Purchaser's ability to perform its obligations under this Agreement and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument.



SECTION 4.06. No Consent, Approval, or Permission Necessary.

No consent or approval of any trustee or holder of any indebtedness of the Purchaser, and no consent, permission, authorization, order or licenses of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Agreement or the consummation of any transaction contemplated herein, except as have been obtained or made and as are in full force and effect.

SECTION 4.07. Accuracy and Completeness of Information Submitted to IBank. The information relating to the Purchaser and its System submitted by the Purchaser to IBank, including, but not limited to, all information in the application for Facility Funds was true at the time submitted to IBank and, as of the Effective Date, remains true and correct in all material respects; and such information did not and does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein not misleading in light of the circumstances under which they were made.

SECTION 4.08. Financial Statements of the Purchaser.

The Purchaser's financial statements that have been furnished to IBank were prepared in conformity with generally accepted accounting principles and fairly present in all material respects the financial condition of the Purchaser as of the date thereof and the results of its operations for the period covered thereby. There has been no material adverse change in the business, condition (financial or otherwise), or operations of the Purchaser since the date of such financial statements.

SECTION 4.09. Licenses, Permits, and Approvals for Completion of Facility.

The Purchaser has obtained or will obtain all licenses, permits and approvals from any governmental agency or authority having jurisdiction over the Purchaser now required for Facility Delivery and will obtain all licenses, permits, and approvals as required in the future.

SECTION 4.10. Authority to Operate the System.

The Purchaser has obtained or will obtain all licenses, permits, and approvals from any governmental agency or authority having jurisdiction over the Purchaser now required for the operation of the System and will obtain all licenses, permits, and approvals as required in the future.

SECTION 4.11. Valid Title; No Conflict.

(a) The Purchaser, upon completion of the Facility, will have good and valid title to the Facility sufficient to carry out the purposes of this Agreement.

(b) To the best of the Purchaser's knowledge no officer or official of IBank has any material interest whatsoever in the Facility or in the transactions contemplated by this Agreement.

(c) All applicable local governmental agency, State and federal government certificates, approvals, permits and authorizations required in order to complete construction and commence operations of the Facility have been obtained or will be obtained as soon as practicable.

SECTION 4.12. Other Liens; No Lien Senior to IBank Lien.

Except as may otherwise be described herein, as of the Effective Date, there is no other debt or obligation that places a lien on or in any way encumbers the Purchaser's Net System Revenues other than the first lien established by Section 3.01 of this Agreement.

ARTICLE V

AFFIRMATIVE COVENANTS OF THE PURCHASER

SECTION 5.01. Punctual Payment.

The Purchaser hereby covenants to punctually pay, or cause to be paid, all payments required hereunder when due and in all other respects in strict conformity with the terms of this Agreement, and to faithfully observe and perform all of the conditions, covenants, and requirements of this Agreement.

SECTION 5.02. Payment of Claims.

The Purchaser hereby covenants that, from time to time, it will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies, which, if unpaid, might become liens or charges upon the properties owned by the Purchaser, including the System, or upon the System Revenues or any part thereof, or upon any funds in the hands of IBank, or which might impair the security for the payment of the Installment Payments or Additional Payments. Nothing herein contained shall require the Purchaser to make any such payment so long as the Purchaser in good faith shall contest the validity of said claims.

SECTION 5.03. Books and Accounts; Financial Statements.

(a) The Purchaser hereby covenants that it will keep proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the System Revenues. Such books of record and accounts shall at all times during business hours be subject to the inspection of IBank or its designee.

To the extent that any continuing disclosure certificates entered into by the Purchaser in connection with other debt or obligations require the information required in subsections (b) through (e), the Purchaser may submit a copy of the information and materials required by such continuing disclosure certificate instead of providing separate statements setting forth the required information.

(b) The Purchaser shall prepare and file with IBank annually as soon as practicable, but in any event not later than two hundred forty (240) days after the close of each Fiscal Year, so long as this Agreement has not been discharged by IBank, an audited financial

statement of the Purchaser relating to the System Revenues and Enterprise Fund for the preceding Fiscal Year, prepared by an Independent Accountant; provided, however, that in the event that such audited financial statement is not available by the above-referenced filing date, an unaudited financial statement may be substituted therefore. In the event an unaudited financial statement is submitted, the Purchaser shall file the audited financial statement with IBank as soon as it becomes available. The Purchaser will furnish to IBank such reasonable number of copies of such audited financial statements as may be required by IBank for distribution (at the expense of the Purchaser).

(c) Simultaneously with the delivery of the annual financial statements, the Purchaser shall deliver to IBank a Certificate of the Purchaser stating the following:

- (1) The number of System users as of the end of the Fiscal Year;
- (2) Calculation of the coverage ratios described in Section 5.06 and a certification that adopted rates and charges comply with the requirements of that section;
- (3) Notification of the withdrawal of any System user generating four percent (4%) or more of System Revenues since the last reporting date;
- (4) Any significant System facility retirements or expansions planned or undertaken since the last reporting date;
- (5) Notification of any Parity Debt or Subordinate Debt incurred since the last reporting date and certification that there has been no default or noncompliance under any obligation secured by System Revenues;
- (6) Certification that no Event of Default has occurred or is continuing and no other event has occurred or is continuing, which, with the passing of time or the giving of notice or of both, would constitute an Event of Default;
- (7) Certification that the Purchaser is in compliance with the terms of this Agreement, including without limitation the Tax Covenants set forth in Section 5.07 hereof;
- (8) Notification of any other event or circumstance that would materially affect completion of the Facility or the Project, or the payment of the Purchase Price; and
- (9) Such other information as may be reasonably requested by IBank.

(d) The Purchaser shall, upon request, furnish to IBank, in a format provided by IBank, information concerning employment and other public benefits connected to the Facility and the Project.

(e) The Purchaser shall notify IBank forthwith upon the filing of a stop notice, litigation, or any other legal proceeding which may impact the completion of the Facility and the Project.

SECTION 5.04. Protection of IBank's Security and Rights.

The Purchaser will preserve and protect the security for payment of the Installment Payments, Additional Payments, and the rights of IBank. From and after the Effective Date, the Agreement shall be incontestable by the Purchaser.

SECTION 5.05. Payments of Taxes and Other Charges.

The Purchaser will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges, or charges in lieu thereof, which may hereafter be lawfully imposed upon the Purchaser, the System, or the System Revenue when the same shall become due. Nothing herein contained shall require the Purchaser to make any such payment so long as the Purchaser in good faith shall contest the validity of said taxes, assessments, or charges. The Purchaser will duly observe and conform to all valid requirements of any governmental authority relative to the System or any part thereof.

SECTION 5.06. Maintenance of System Revenues; Rate Covenant.

(a) The Purchaser hereby covenants that it will fix, charge, and collect, or cause to be fixed, charged, and collected, in each Fiscal Year, such rates, fees, and charges for the use of and for the service furnished by the System so that Net System Revenues realized are in an amount which will be sufficient to be at least equal to one hundred twenty five percent (125%) of annual Debt Service, and at least equal to one hundred percent (100%) of the sum of annual Debt Service and annual debt service on Subordinate Debt for such Fiscal Year.

(b) If for any reason Net System Revenues prove insufficient to comply with the requirements of subsection (a), the Purchaser first will take all actions necessary to increase System Revenues through any combination of increased rents, rates, fees, charges, or assessments and that it will do so not later than one hundred eighty (180) days following the date on which Net System Revenues first fail to meet the requirements of this Section 5.06. The Purchaser may make adjustments from time to time in such rents, rates, fees, and charges and may make such classification thereof as it deems necessary, but shall not reduce the rents, rates, fees, and charges then in effect unless the Net System Revenues from such reduced rents, rates, fees, and charges will at all times be sufficient to meet the requirements of this section.

SECTION 5.07. Tax Covenants.

The Purchaser recognizes that the Facility Funds may be derived from the proceeds of tax-exempt bonds issued by IBank. In order to maintain the tax-exempt status of the Proceeds Bonds, the Purchaser will not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of the interest on the Proceeds Bonds under the Code, and the Purchaser specifically agrees to comply with all terms and conditions contained herein and to provide annual certification of its compliance with the tax covenants set forth in this Section 5.07. The provisions of this Section 5.07 shall survive the discharge of the Purchaser's obligations hereunder and shall apply to any trustee or other successor or assignee described in Section 8.02.

(a) Eligible Uses of Facility Funds. Unless otherwise agreed to by IBank, Facility Funds shall be used exclusively for the following purposes: (i) Preliminary Costs incurred with respect to the Facility prior to the start of construction and in an aggregate amount not exceeding twenty percent (20%) of the Facility Funds; (ii) capital costs meeting the requirements of subsection (b) of this Section 5.07, (iii) capital costs originally incurred by the Purchaser on or after the commencement of construction; (iv) the Origination Fee; and (v) initial operating expenses directly associated with the Facility (in aggregate amount not exceeding five percent (5%) of the amount of the Facility Funds).

(b) Reimbursement Resolution. On April 1, 2014, the Purchaser adopted a resolution stating its official intent to be reimbursed from the proceeds of a borrowing to finance costs of the Facility (the "Reimbursement Resolution"). Absent written agreement by IBank, all expenditures of Facility Funds constituting capital costs will be for those incurred by the Purchaser no earlier than the date which is sixty (60) days prior to the date of the adoption of the Reimbursement Resolution.

(c) Change in Use. The Purchaser reasonably expects and consistent with this Section 5.07 hereof to use all Facility Funds and all of the Facility for the entire stated term to maturity of this Agreement. Absent written agreement by IBank, the Purchaser hereby agrees that it will use all Facility Funds and all of the Facility as set forth in this Section 5.07.

(d) Funds for Making Installment Payments. All amounts used to fund the Payment Account will be deemed to have been made from the Payment Account by using a last-in, first-out accounting method. Purchaser agrees that the amounts used to pay Purchase Price shall be both received by the Purchaser and utilized for the payment of Purchase Price within a thirty (30) day period. The Payment Account will be used primarily to achieve a proper matching of revenues and Purchase Price payments within each year; a matching of revenues means that revenue and Purchase Price payments come in and go out at approximately the same level and the Payment Account is cleared out to a very low balance at least one time during the year. Current Revenues in the Payment Account shall be invested without regard to yield so long as Purchaser complies with this section.

(e) No Expected Sale. Purchaser does not expect that the Facility or any part thereof will be sold or otherwise disposed of so long as the Purchaser's obligations under this Agreement are not discharged.

(f) Use of Facility Funds and the Facility. The Purchaser will not loan any of the Facility Funds to one or more Nongovernmental Persons. The Purchaser will not allow more than five percent (5%) of the Facility Funds or more than five percent (5%) of the Facility to be used directly or indirectly by any Nongovernmental Person, other than as a member of the general public. In addition, a Nongovernmental Person will be treated as "using" Facility Funds to the extent the Nongovernmental Person:

1. borrows Facility Funds, or
2. uses the Facility (e.g., as owner, lessee, service provider, operator, or manager).

(g) No Other Replacement Proceeds. The Purchaser hereby agrees that it will not use any Facility Funds to replace funds of the Purchaser which are or will be used to acquire Investment Property reasonably expected to produce a yield that is materially higher than the yield on the Installment Payments under this Agreement.

(h) Private Use. Purchaser hereby represents and covenants that no more than five percent (5%) of the Facility (determined both on the basis of space and cost) shall be used for private use. Private use includes use in the trade or business of any Nongovernmental Persons, but does not include the portion of the proceeds properly allocable to facilities expected to be used by an organization described in section 501(c)(3) of the Code in a manner that does not constitute an unrelated trade or business of such organization, as defined in section 513(a) of the Code. For purposes of this section, the federal government is considered a Nongovernmental Person.

1. For purposes of this section, private use shall include any contract for the management or operation of any portion of the Facility unless each of the following conditions is met: (i) the term of such contract (including renewal options) does not exceed five years; (ii) the manager or operator under such contract is not compensated on the basis of a share of net profits; (iii) the compensation of the manager or operator is reasonable; (iv) the Purchaser must be able to cancel such contract without penalty or cause at the end of the third year of the contract; and (v) neither the Purchaser nor the manager or operator may control more than twenty percent (20%) of the voting power of the other's governing body; and

2. The service provider's compensation for management or operation services rendered must be pursuant to one of the following four methods: (i) at least fifty percent (50%) of annual compensation is based on a periodic fixed fee; (ii) the compensation is based on a capitation fee or a combination of a capitation fee and a periodic fixed fee; (iii) in the case of certain contracts with a term not longer than three years, the compensation is based on a per-unit fee or a combination of a per-unit fee and periodic fixed fee and the contract is cancelable after two years; and (iv) in the case of certain contracts with a term not longer than two years, the compensation is based on a percentage of fees charged and the contract is cancelable after one year.

3. The term "renewal option" as used in this Section, means a provision under which the service provider has a legally enforceable right to renew the contract. Thus, for example, a provision under which a contract is automatically renewed for one year periods absent cancellation by either party is not a renewal option (even if it is expected to be renewed).

(i) Federal Guarantee. The Purchaser will not directly or indirectly use or permit the use of any Facility Funds or take or omit to take any action that would cause the Proceeds Bonds to be obligations that are "federally guaranteed" within the meaning of section 149(b) of the Code. In furtherance of this covenant, the Purchaser will not allow the payment of principal

or interest under this Agreement to be guaranteed (directly or indirectly) in whole or in part by the United States or any agency or instrumentality thereof. The Purchaser will not use five percent (5%) or more of the Facility Funds to make or finance loans the payment of principal or interest with respect to which is guaranteed in whole or in part by the United States or any agency or instrumentality thereof.

(j) No Refunding or Refinancing. Facility Funds will not be used directly or indirectly to make principal, interest, or premium payments with respect to any Tax-Exempt Bond.

(k) No Hedge Bonds. The Purchaser reasonably expects that more than eighty-five percent (85%) of the Facility Funds will be expended for the purposes of this Agreement within three years of the Effective Date.

(l) Management Contracts. Purchaser shall coordinate with IBank to ensure any extension, renewal or new operations and maintenance agreement for the Purchaser's solid waste facilities commencing after the Effective Date meets the requirements for qualified management contracts under the Code.

#### SECTION 5.08. Maintenance and Operation of System.

The Purchaser hereby covenants that, so long as any portion of the Purchase Price is unpaid, it will maintain and operate the System in good condition, repair and working order, and will operate the System in an efficient and economical manner, and will pay all Operations and Maintenance Costs as they become due and payable.

#### SECTION 5.09. Assumption of Obligations.

The obligations of the Purchaser under this Agreement may not be assumed by another entity except in connection with a transfer of the entire System by the Purchaser and only upon prior written approval of IBank and receipt by IBank of:

(1) an opinion of counsel experienced in matters relating to the tax-exempt status of interest on any obligations secured by this Agreement, and approved by IBank, to the effect that such transfer would not cause interest on the obligations to be included in gross income for federal income tax purposes;

(2) a Report signed by an Independent Consultant or Independent Certified Accountant concluding that such transfer would not materially adversely affect the security for the Installment Payments, Additional Payments, or the rights of IBank; and

(3) evidence satisfactory to IBank that the entity assuming the Purchaser's obligation hereunder is eligible pursuant to the Act.

#### SECTION 5.10. Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds.

(a) If prior to the termination of the term hereof (i) the Facility or any other improvements in or on the Facility are damaged or destroyed (each of which is hereinafter called "Damaged Improvements") by a peril covered by a policy of insurance described in Section 5.22 hereof (an "Insured Peril"); or (ii) title to, or the temporary use of, the Facility or any portion thereof or the estate of the Purchaser or IBank in the Facility or any portion thereof is defective or shall be taken under the exercise of the power of eminent domain by any governmental body or by any person or firm or corporation acting under governmental authority, then the Purchaser and IBank will cause the net proceeds of any insurance claim or condemnation award resulting from any damage or destruction to any portion of the Facility (the "Net Proceeds") to be transferred to IBank and applied as follows:

(1) Net Proceeds Exceeding Costs. Within one hundred twenty (120) days of the date of said Insured Peril, the Purchaser shall obtain written estimate(s) of the (i) cost of the repair, replacement, and reconstruction of the Damaged Improvements (collectively referred to herein as the "Reconstruction"), and (ii) Net Proceeds available to pay such costs. Copies of such estimate(s) shall be provided to IBank. If the one hundred twenty (120) day period is insufficient to obtain said estimates, the period may be reasonably extended by the Purchaser upon the approval of IBank. If the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by IBank in respect of the Facility) exceed the estimated costs of Reconstruction, the Damaged Improvements shall be repaired, replaced, and reconstructed to the same or better quality as existed before the damage occurred. The Purchaser shall commence and manage the Reconstruction and shall complete the Reconstruction as soon as reasonably possible after the occurrence of such damage. Any balance of Net Proceeds remaining after the Reconstruction has been completed shall be transferred to IBank for the payment of unpaid Purchase Price and Additional Payments. Net Proceeds remaining after payment of the amounts specified in the previous sentence shall be transferred to Purchaser.

(2) Costs Exceeding Proceeds. If the estimated costs of Reconstruction exceed the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by IBank in respect of the Facility), the Purchaser, in its sole discretion, may elect to budget and appropriate to the Reconstruction the amount of such excess, and to manage the Reconstruction as set forth in Section 5.10(a)(5). The Purchaser shall exercise this election by written notice thereof delivered to IBank within thirty (30) days after the Purchaser obtains the written estimate(s).

(3) Net Proceeds Sufficient to Prepay All Unpaid Installment Payments. If the Purchaser does not exercise the election to reconstruct pursuant to the above subsection and Net Proceeds are at least sufficient to prepay all unpaid amounts of the Purchase Price, such Net Proceeds shall be transferred to IBank to prepay such Purchase Price. If the Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by IBank in respect of the Facility) exceed the amount necessary to prepay the unpaid Purchase Price and any due and owing Additional Payments, the Purchaser shall be entitled to the amount of proceeds remaining after such prepayment.



(4) Net Proceeds Insufficient to Prepay All Unpaid Installment Payments. If the Purchaser does not exercise the election to reconstruct pursuant to Section 5.10(a)(2) and Net Proceeds are insufficient to prepay the unpaid Purchase Price hereunder, the Purchaser, in its sole discretion, may elect to budget and appropriate funds to cause the prepayment of the Purchase Price and due and owing Additional Payments and the Net Proceeds, together with such funds, shall be transferred to IBank with directions to apply the proceeds to the prepayment of the Purchase Price and due and owing Additional Payments; provided, that if the Purchaser elects not to appropriate funds for such prepayment, the Purchaser shall apply Net Proceeds (not including proceeds of any policy of title insurance or condemnation award received by IBank in respect of the Facility) to the Reconstruction. If the Purchaser, in its sole discretion, elects to budget or appropriate funds for the prepayment of the unpaid Purchase Price and due and owing Additional Payments, the Purchaser shall transfer such funds to IBank for the prepayment of Purchase Price and due and owing Additional Payments.

(5) Management of Reconstruction. If the Facility or any part thereof becomes Damaged Improvements, the Purchaser shall promptly cause, manage, and supervise the Reconstruction.

(b) The proceeds of any policy of title insurance or condemnation award received by IBank in respect of the Facility shall be applied to prepay the Purchase Price.

SECTION 5.11.      Entry into Replacement Agreement.

Purchaser acknowledges that IBank intends to issue Secured Bonds subsequent to the Effective Date of this Agreement, and that one requirement of the Secured Bonds will be the re-entry by the Purchaser into an agreement to replace this Agreement. So long as the terms of the subsequent agreement are substantially identical to the term of this Agreement, Purchaser hereby covenants and agrees to execute the new agreement and any related documents and to provide required certifications in a timely manner.

SECTION 5.12.      Further Assurances.

The Purchaser will adopt, make, execute, and deliver any and all such further resolutions, instruments, and assurances as may be reasonably required by IBank as necessary or proper to carry out the intention or to facilitate the performance of this Agreement and for the better assuring and confirming unto IBank of the rights, remedies, and benefits provided in this Agreement.

SECTION 5.13.      Agreement to Complete Facility Delivery and the Project.

(a) The Purchaser agrees that it will perform all acts necessary to complete Facility Delivery, and construct, acquire, improve or install other facilities and real and personal property deemed by the Purchaser necessary for the operation of Facility and the Project. The Purchaser may supplement or amend the Facility description with written approval from IBank from time to time, provided that no such supplement or amendment shall cause the Facility or any portion thereof to fail to constitute an eligible project under the Act.

(b) At any time, upon request of IBank, the Purchaser agrees to make available to IBank for review and copying all then current plans and specifications for the Facility. The Purchaser may identify any proprietary information in such plans and specifications and, to the extent legally permissible, IBank agrees to keep such information confidential.

(c) As soon as the Facility is completed, the Purchaser shall evidence such completion by providing a certificate to IBank stating that (i) construction of the Facility has been completed substantially in accordance with the final plans and specifications therefor and all labor, services, materials, and supplies used in construction have been paid for, and (ii) all other facilities necessary in connection with the Facility have been constructed, acquired, and installed in accordance with the final plans and specifications therefor, and all costs and expenses incurred in connection therewith have been paid. Notwithstanding the foregoing, such certificate may state that it is given without prejudice to any rights of the Purchaser against third parties for the payment of any amount not then due and payable which exist at the date of such certificate or which may subsequently exist.

(d) The Purchaser shall notify IBank forthwith upon the filing of a stop notice, litigation, or any other legal proceeding which may adversely impact the timely completion of the Project.

#### SECTION 5.14. Collection of Rates, Fees and Charges.

The Purchaser will have in effect at all times rules and regulations requiring each user of the System to pay the rates, fees, and charges applicable to the services provided by the System to each user. The Purchaser will not permit any part of the System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm, or person, or by any public agency (including the United States of America, the State, and any city, county, district, political subdivision, public corporation, or agency of any thereof); provided, that the Purchaser may without charge use the services provided by the System.

#### SECTION 5.15. Purchaser's General Responsibility.

The Purchaser is solely responsible for the Facility Delivery and the operation and maintenance of the Facility. Any review or approval of plans, specifications, bid documents, or other construction documents by IBank is solely for the purpose of proper administration of Facility Funds by IBank and shall not be deemed to relieve or restrict the Purchaser's responsibility or result in any duty, obligation, or responsibility on the part of IBank or the officers and agents thereof.

#### SECTION 5.16. Purchaser's Assurances and Commitments.

##### (a) Compliance with Laws, Regulations and IBank Policy.

The Purchaser shall at all times comply and require its contractors and subcontractors to comply with all requirements, federal and State laws, rules and regulations, and all local ordinances applicable to the Facility. This specifically includes, but is not limited to any applicable prevailing wage, environmental, procurement and safety requirements set forth in

IBank's Amended and Restated Criteria, Priorities, and Guidelines for the Selection of Projects for Financing under the Infrastructure State Revolving Fund Program. Purchaser agrees that its failure to act in accordance with the provisions of this subsection (a) will not result in any duty, obligation or responsibility on the part of IBank or the officers and agents thereof.

(b) Facility Construction Activities.

The Purchaser shall ensure that adequate supervision and inspection of Facility construction activities are maintained. IBank reserves the right to conduct an audit of Purchaser's construction expenditures during construction and for up to three years following receipt by IBank of notice of completion or other evidence of completion satisfactory to IBank. IBank, at its discretion, may require the Purchaser to conduct an interim and/or a final audit at the Purchaser's expense, such audit to be conducted by and a Report prepared by an Independent Accountant.

SECTION 5.17. Facility Access.

The Purchaser shall ensure that IBank or its designee have suitable access to the Facility site at all reasonable times so long as the Purchase Price remains unpaid and shall include provisions ensuring such access in all contracts and subcontracts relating to the Facility.

SECTION 5.18. Operation and Maintenance of the Facility and the Project.

The Purchaser agrees to commence operation of the Facility and the Project upon respective completion of each. The Purchaser covenants and agrees that it will operate and maintain the Facility and the Project in accordance with all governmental laws, ordinances, approvals, rules, regulations, and requirements including, without limitation, such zoning, sanitary, pollution and safety ordinances and laws, and such rules and regulations thereunder as may be binding upon the Purchaser. The Purchaser further covenants and agrees that it will maintain and operate the Facility and the Project and will maintain and operate the same, now or hereafter at any time constituting part of the Facility and the Project, in good repair, working order and condition, and that it will from time to time make or cause to be made all needful and proper replacements, repairs, renewals, and improvements, in each case to the extent necessary so that the efficiency and value of the Facility and the Project shall not be impaired.

SECTION 5.19. Performance and Payment Bonds.

(a) The Purchaser shall require its contractor to certify under penalty of perjury, and to provide the Purchaser with a copy of such certification, which shall be available for IBank's inspection if requested, that it has obtained a bond or bonds by one or more authorized surety companies satisfactory to the Purchaser; such surety companies must be authorized to do business in California and have an agent for service of process in California. The Purchaser shall require that IBank be named as loss payee and additional insured on the performance and payment bonds required herein and shall provide IBank with a copy of the bonds to that effect.

(b) Said bond shall be in the amounts and for the following purposes: (i) an amount not less than one hundred percent (100%) of the total estimated cost of the Facility

construction contract amount, conditioned upon the faithful performance of the terms of the Facility construction contract, including the maintenance of the work for a period of one year from the date of final acceptance of work or improvements by the Purchaser against any defective work or labor done, or defective materials furnished, and (ii) an additional amount not less than one hundred percent (100%) of the estimated cost of the Facility securing payment to the subcontractors and to persons renting equipment or furnishing labor or materials to them for the Facility.

SECTION 5.20. Continuing Disclosure.

If requested by IBank, the Purchaser hereby covenants and agrees to furnish certain financial and operating data pertaining to the Purchaser that may be required to either: (i) enable IBank to issue any Secured Bonds; or (ii) enable any underwriter of any Secured Bonds to comply with Rule 15c2-12(b)(5) of the Securities and Exchange Commission.

SECTION 5.21. Notice of Purchaser Event of Default.

The Purchaser covenants that it will deliver to IBank, immediately after the Purchaser shall have obtained knowledge of the occurrence of an Event of Default or a failure as described in Section 7.01, the written statement of an authorized officer of the Purchaser setting forth the details of such Event of Default or failure, and the action which the Purchaser proposes to take with respect thereto.

SECTION 5.22. Maintenance of Insurance.

The Purchaser will procure and maintain or cause to be maintained insurance on the System with responsible insurers, or as part of a reasonable system of self-insurance, in such amounts and against such risks (including damage to or destruction of the System) as are usually covered in connection with systems similar to the System. The Purchaser shall annually provide a Certificate of the Purchaser to IBank certifying that such insurance is in effect.

SECTION 5.23. Reserved.

SECTION 5.24. Compliance with Contracts.

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

## ARTICLE VI

### NEGATIVE COVENANTS OF THE PURCHASER

SECTION 6.01. Limitation on Additional Obligations; No Senior Debt.

The Purchaser hereby covenants that, until the Purchase Price has been paid in full and this Agreement has been discharged pursuant to Section 8.05, the Purchaser shall not after the

date of this Agreement issue any bonds, notes, or other obligations, enter into any agreement or otherwise incur any loans, advances, or obligations, which are in any case secured by a lien on all or any part of Net System Revenues that is senior to or on a parity with the lien established hereunder for the security for the payment of the Installment Payments and Additional Payments, excepting only Parity Debt meeting the requirements of Section 2.11 herein. Nothing herein is intended nor shall be construed in any way to prohibit or impose any limitations upon the issuance or incurrence by the Purchaser of Subordinate Debt.

SECTION 6.02. Disposition of Property.

The Purchaser hereby covenants that it will not authorize or effect the disposition of real or personal property constituting more than ten percent (10%) of the value of the System unless the Purchaser first obtains a Report, and provides a copy to IBank, of an Independent Consultant concluding that such disposition will not substantially adversely affect the security for the payment of the Installment Payments and Additional Payments. The Purchaser hereby covenants that it will not dispose of any portion of the Facility while the Purchase Price is unpaid except for property that is not operating or is worn out, and for the dedication of public streets and public and private utility easements.

SECTION 6.03. Reserved.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

SECTION 7.01. Events of Default and Acceleration.

(a) Each of the following events shall constitute an Event of Default hereunder:

(1) Failure by the Purchaser to pay any Installment Payment or interest or prepayment premium (if any) or any Additional Payment pursuant to Section 3.03(a) when and as the same shall become due and payable;

(2) Failure by the Purchaser to observe and perform any of the covenants, agreements or conditions on its part contained in this Agreement, other than as referred to in the preceding subsection (1), for a period of sixty (60) days after written notice has been given to the Purchaser by IBank, or to the Purchaser and IBank, specifying such failure and requesting that such failure be remedied; provided, however, that if the failure stated in such notice can be corrected, but not within such sixty (60) day period, IBank may consent to an extension of such time if corrective action is instituted by the Purchaser within such sixty (60) day period and diligently pursued until such failure is corrected;

(3) The filing by the Purchaser of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the Purchaser, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the

provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Purchaser or of the whole or any substantial part of its property;

(4) Any representation or other written statement made by the Purchaser contained in this Agreement, the application for financing or in any instrument furnished in compliance with or in reference thereto shall prove to have been incorrect in any material respect;

(5) An unexcused failure by the Purchaser to pay amounts due under any bond, note, installment sale agreement, capital lease, or other agreement or instrument to which it is a party relating to the borrowing of money, if such unpaid amount shall exceed fifty thousand dollars (\$50,000); or

(6) The occurrence of an event of default with respect to any Parity Debt or any Subordinate Debt which causes all principal of such Parity Debt or Subordinate Debt to become due and payable immediately.

(b) If an Event of Default has occurred and is continuing, IBank may (i) declare the principal of the Purchase Price, together with the accrued interest on all unpaid installments thereof, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in this Agreement to the contrary notwithstanding, and (ii) exercise any other remedies available to IBank in law or at equity. Immediately upon becoming aware of the occurrence of an Event of Default, IBank shall give notice of such Event of Default to the Purchaser by telephone, telecopier, facsimile or other telecommunication device, promptly confirmed in writing. This provision, however, is subject to the condition that if, at any time after the principal of the Purchase Price shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Purchaser shall deposit with IBank a sum sufficient to pay all installments of principal of the Purchase Price due prior to such declaration and all accrued interest thereon, with interest on such overdue Installment Payments at the rate of the lesser of twelve percent (12%) per annum or the maximum rate permitted by law, and the reasonable expenses of IBank (including but not limited to attorneys fees and costs), and any and all other defaults known to IBank (other than in the payment of principal of and interest on the Purchase Price due and payable solely by reason of such declaration), including the payment of Additional Payments due and owing, shall have been made good or cured to the satisfaction of IBank or provision deemed by IBank to be adequate shall have been made therefor, then, and in every such case, IBank may, by written notice to the Purchaser, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

#### SECTION 7.02. Remedies.

Upon the occurrence of an Event of Default IBank shall have the following rights, in addition to its rights under Section 7.01:

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

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

(c) By suit in equity to require the Purchasers and its members, officers, and employees to account as the trustee of an express trust.

#### SECTION 7.03. Application of Funds upon Default.

All amounts received by IBank pursuant to any right given or action taken by IBank under provisions of this Agreement, or otherwise held by IBank upon the occurrence of an Event of Default, shall be applied by IBank in the following order:

(a) First, to the payment of the costs and expenses of IBank, including reasonable compensation to their agents and attorneys, including IBank employees, as set forth in Section 2.06; and

(b) Second, to the payment of the whole amount of Installment Payments then due and unpaid, with interest on overdue Installment Payments at the rate of the lesser of twelve percent (12%) per annum or the maximum rate permitted by law; provided, however, that in the event such amounts shall be insufficient to pay in full the amount of such Installment Payments, then such amounts shall be applied in the following order of priority:

(1) First, to the payment of all installments of interest on the Purchase Price then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full;

(2) Second, to the payment of principal of all installments of the Purchase Price then due and unpaid, other than principal having come due and payable solely by reason of acceleration pursuant to Section 7.01, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full;

(3) Third, to the payment of principal of the Purchase Price then due and unpaid and having come due and payable solely by reason of acceleration pursuant to Section 7.01, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full; and

(c) Third, to the payment to IBank of other Additional Payments as described in Section 2.06.

SECTION 7.04. No Waiver.

Nothing in this Article VII or in any other provision of this Agreement shall affect or impair the obligation of the Purchaser, which is absolute and unconditional, to pay from the Net System Revenues and other amounts pledged hereunder, all payments due hereunder, or affect or impair the right of action, which is also absolute and unconditional, of IBank to institute suit to enforce such payment by virtue of the contract embodied in this Agreement.

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

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

SECTION 7.05. Remedies Not Exclusive.

No remedy herein conferred upon or reserved to IBank is intended to be exclusive of any other remedy. 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, and may be exercised without exhausting and without regard to any other remedy conferred by law.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Venue.

IBank and the Purchaser hereby agree that any action arising out of this Agreement shall be filed and maintained in the Superior Court in and for the County of Sacramento, California, or in the United States District Court in and for the Eastern District of California.

SECTION 8.02. Assignment of IBank's Rights.

Purchaser hereby agrees and acknowledges that IBank's rights, including but not limited to the right to receive Installment Payments and Additional Payments under this Agreement may, at IBank's discretion, be assigned by IBank to a trustee or another party for the purpose of securing the payment of any bonds, notes, or other obligations issued by IBank and secured by this Agreement and the Installment Payments and Additional Payments, without the need for consent by the Purchaser.



SECTION 8.03. Benefits Limited to Parties.

Nothing in this Agreement, expressed or implied, is intended to give to any person other than the Purchaser, IBank, and any trustee for the Proceeds Bonds or Secured Bonds, any right, remedy, or claim under or by reason of this Agreement. All covenants, stipulations, promises, or agreements contained in this Agreement by and on behalf of the Purchaser shall be for the sole and exclusive benefit of IBank.

SECTION 8.04. Successor Entities.

Whenever in this Agreement either the Purchaser or IBank 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 Agreement contained by or on behalf of the Purchaser or IBank shall bind and inure to the benefit of the respective successors and assigns thereof, whether so expressed or not. The trustee for the Proceeds Bonds will be IBank's initial assignee.

SECTION 8.05. Discharge of Agreement.

(a) If the Purchaser shall pay and discharge the entire amount of its obligation hereunder by paying or causing to be paid the principal of, interest, and prepayment premium (if any) on the Purchase Price and Additional Payments, as and when the same become due and payable, then, at the election of the Purchaser, but only if all other amounts then due and payable hereunder shall have been paid or provision for their payment made, the pledge of and lien upon the Net System Revenues and all amounts in the Enterprise Fund provided for in this Agreement and all other obligations of IBank and the Purchaser under this Agreement with respect to the Purchase Price shall cease and terminate, except only (i) the obligation of the Purchaser to pay or cause to be paid to IBank, from the amounts so deposited with IBank or such other fiduciary, all sums due with respect to this Agreement and all expenses and costs of IBank, and (ii) the obligations of the Purchaser under Sections 5.07 and 8.12. Notice of such election shall be filed with IBank.

(b) All or any portion of unpaid principal installments of the Purchase Price shall, prior to their payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in this section (except that the Purchaser shall remain liable for such Purchase Price payment, but only out of such money or securities deposited with the trustee or other fiscal agent approved by IBank for such payment), if (i) there shall have been deposited with the trustee or other fiscal agent approved by IBank either money in an amount which shall be sufficient, or federal securities (as defined below) which are not subject to redemption prior to maturity except by the holder thereof (including any such federal securities issued or held in book entry form), or tax-exempt obligations of a state or a political subdivision thereof which have been defeased under irrevocable escrow instructions with federal securities, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with IBank, shall be sufficient to pay when due the Installment Payments of such portions thereof on and prior to their payment dates or their dates of prepayment, as the case may be, and the prepayment premiums, if any, applicable thereto, and (ii) an opinion of nationally recognized bond counsel acceptable to IBank is filed with IBank to the effect that the action taken pursuant to this section will not cause the interest on the Proceeds

Bonds to be includable in gross income under the Code for federal income tax purposes. As used in this section, "federal securities" means United States of America Treasury bills, notes, bonds, or certificates of indebtedness, or obligations of, or obligations guaranteed directly or indirectly by, the United States of America, or securities evidencing ownership interests in such obligations or in specified portions of the interest on or principal of such obligations.

SECTION 8.06. Amendment.

This Agreement may be amended by the parties in writing.

SECTION 8.07. Waiver of Personal Liability.

No member, officer, agent, or employee of the Purchaser shall be individually or personally liable for the payment of the principal of, premium, if any, or the interest under this Agreement; but nothing herein contained shall relieve any such member, officer, agent, or employee from the performance of any official duty provided by law.

SECTION 8.08. Reserved.

SECTION 8.09. Notices.

All written notices to be given under this Agreement shall be given by first-class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time, except that notices from the Purchaser to IBank shall be given by registered mail, or by telecommunication confirmed in writing. Notice shall be effective forty-eight (48) hours after deposit in the United States mail, postage prepaid or, in the case of any notice to IBank, or in the case of personal delivery to any person, upon actual receipt at the address set forth below:

If to IBank:

California Infrastructure and Economic Development Bank  
Attn: ISRF Unit Manager, Agreement Number 14-105  
P.O. Box 2830  
Sacramento, CA 95812-2830

For overnight mail or personal delivery only:

California Infrastructure and Economic Development Bank  
Attn: ISRF Unit Manager, Agreement Number 14-105  
1325 J Street, Suite 1823  
Sacramento, CA 95814

Or to such other address as may be designated in writing by IBank.

If to the Purchaser:

City of Redlands  
35 Cajon Street, Suite 15A  
Redlands, CA 92373  
Attn: Chris Diggs

Or to such other address as may be designated in writing by the Purchaser.

SECTION 8.10. Partial Invalidity.

If any portion of this Agreement shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity and enforceability of the remaining portions of this Agreement.

SECTION 8.11. Governing Law.

This Agreement shall be construed and governed in accordance with the laws of the State of California.

SECTION 8.12. Indemnification.

The Purchaser shall, to the fullest extent permitted by law, indemnify, protect, hold harmless, save and keep harmless IBank and its members, directors, officers, attorneys, advisors, employees, and agents, and the Trustee and any underwriter for the Proceeds Bonds or the Secured Bonds and its respective directors, officers, and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses as incurred, penalties and interest (collectively, a "Claim"), arising out of, related to or as the result of entering into this Agreement, and the acquisition, construction, operation, use, condition, or possession of the Facility or the Project and any portion thereof, including without limitation:

(1) any accident in connection with the operation, use, condition, or possession of the Facility or the Project resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the Purchaser or IBank;

(2) patent, trademark or copyright infringement, or similar claims as a consequence of the operation of the Facility or the Project;

(3) strict liability in tort as a consequence of the operation of the Facility or the Project;

(4) any claim based upon any environmental law or regulation relating to the Facility or the Project;

(5) any claim of any nature directly arising from or related to the Facility or the Project, which claim is based upon the operation of the Facility or the Project from and after the Effective Date;

(6) the existence, placement, delivery, storage, or release of hazardous materials on or from the Facility or the Project or contamination of property, arising therefrom;

(7) either (a) the application of the Facility Funds, or other amounts treated as “gross proceeds” of the Proceeds Bonds in such manner that any portion of the Proceeds Bonds becomes an “arbitrage bond” within the meaning of Code sections 103(b)(2) and 148, with the result that interest on the Proceeds Bonds is or becomes subject to federal income taxation of the holder of the Proceeds Bonds; or (b) if as a result of any act, failure to act, or use of the proceeds of any portion of the Facility Funds, the Facility, or the Project or any misrepresentation or inaccuracy in any of the representations, warranties, or covenants contained in this Agreement or the enactment of any federal legislation or the promulgation of any federal rule or regulation after the date of this Agreement, all or any portion of the interest on any portion of the Proceeds Bonds becomes subject to federal income taxation;

(8) the Trustee’s acceptance or administration of the trusts in connection with the Proceeds Bonds or the Secured Bonds, including performance of the Trustee’s duties, to the extent provided herein and as assigned by IBank;

(9) the consummation or carrying out of any of the transactions contemplated by this Agreement or any related document; and

(10) information provided by the Purchaser which is used in connection with the Proceeds Bonds or the Secured Bonds.

The indemnification arising under this Section 8.12 shall continue in full force and effect notwithstanding the full payment of all obligations hereunder or the termination hereof for any reason or the resignation or removal of the Trustee, and shall survive the termination of this Agreement for any reason. Any party seeking indemnity hereunder shall promptly give notice to the Purchaser of any claim or liability hereby indemnified against upon learning of any circumstances giving rise to any such claim or liability.

#### SECTION 8.13. Purchaser Representative.

The Purchaser Representative for purposes of Facility Delivery shall be the Municipal Utilities and Engineering Department Director or such other person as may be designated in writing by the Purchaser. The Purchaser Representative shall represent the Purchaser for purposes of the administration of this Agreement and shall have full authority to act on behalf of the Purchaser. The Municipal Utilities and Engineering Department Director may designate in writing another person or persons authorized to request disbursement of Facility Funds. All communications given to the Purchaser Representative shall be as binding as if given to the Purchaser.


#### SECTION 8.14. Execution in Counterparts.

This Agreement shall become enforceable upon its execution and delivery. This Agreement may be executed and entered into in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

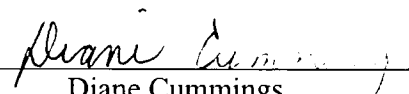
[Signatures on the following page]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be signed by the respective officers, all as of the Effective Date.

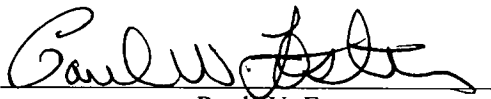
CALIFORNIA INFRASTRUCTURE AND  
ECONOMIC DEVELOPMENT BANK, as Seller

By   
Teveia Barnes  
Executive Director

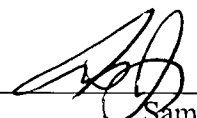
Attest

By   
Diane Cummings  
Secretary of the Board of Directors

City of Redlands, as Purchaser

By   
Paul W. Foster  
Mayor

Attest

By   
Sam Irwin  
City Clerk

## **EXHIBIT A**

### **APPROVING RESOLUTION OF THE PURCHASER**

RESOLUTION NO. 7372

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDLANDS AUTHORIZING THE SUBMISSION OF THE APPLICATION TO THE CALIFORNIA INFRASTRUCTURE AND ECONOMIC DEVELOPMENT BANK FOR FINANCING OF THE PAVEMENT ACCELERATED REHABILITATION IMPLEMENTATION STRATEGY ("PARIS"), DECLARATION OF OFFICIAL INTENT TO REIMBURSE CERTAIN EXPENDITURES FROM PROCEEDS OF OBLIGATION, AND MAKING CERTAIN FINDINGS AND CERTIFICATIONS IN CONNECTION THEREWITH, AND RESCINDING RESOLUTION NO. 7263

WHEREAS, the California Infrastructure and Economic Development Bank ("I-Bank") administers a financing program to assist local governments with the financing of public development facilities as defined in Section 63000 *et seq.* of the California Government Code (the "Act"); and

WHEREAS, the I-Bank has instituted an application process for financing under its Infrastructure State Revolving Fund Program ("ISRF Program"); and,

WHEREAS, the I-Bank's Amended and Restated Criteria, Priorities and Guidelines for the Selection of Projects for Financing under the ISRF Program, adopted on October 29, 2013 ("Criteria"), establishes requirements for the financing of projects under the ISRF Program; and

WHEREAS, the City of Redlands ("Applicant") desires to submit an application ("Financing Application") to the I-Bank for the ISRF Program for the financing of Applicant's city-wide pavement repair program, denoted as the PARIS paving program ("Project"), in an amount not to exceed \$5,050,000; and

WHEREAS, in support of the Project, on September 18, 2012, the Applicant's City Council approved by Resolution No. 7219, among other items:

1. An engineering report by TKE Engineering Inc. that determined an appropriate allocation of damage caused by vehicles using the Applicant's streets, and in that report TKE Engineering Inc. determined the Applicant's Solid Waste vehicles are a major contributor to the damage of the Applicant's streets;
2. A rate analysis performed by R3 Consulting Group Inc. that delineated an appropriate Solid Waste rate adjustment sufficient to recover the revenues necessary to make annual repairs to the Applicant's streets, equivalent to the damage caused by the Applicant's Solid Waste vehicles;
3. Directing the Applicant's staff to make annual fund transfers, as delineated in the TKE Engineering Inc. report, from the Water and Wastewater Funds sufficient to recover the revenues necessary to make annual repairs to the Applicant's streets equivalent to the damage caused by the Applicant's Water and Wastewater utilities, respectively; and
4. To commence the design of, and to implement the Project, utilizing available funds as described above; and



WHEREAS, the Act requires the Applicant to certify by resolution certain findings prior to the Project being selected for financing by the I-Bank; and

WHEREAS, the Applicant expects to pay certain expenditures ("Reimbursement Expenditures") in connection with the Project prior to incurring indebtedness for the purpose of financing costs associated with the Project on a long-term basis; and

WHEREAS, the Applicant reasonably expects that a financing arrangement ("Obligation") in an amount not expected to exceed \$5,050,000 will be entered into under a financing agreement ("Financing Agreement"), and that certain proceeds of such Obligation will be used to reimburse the Reimbursement Expenditures; and

WHEREAS, the Applicant acknowledges that the I-Bank funds the ISRF Program, in part, with the proceeds of tax exempt bonds and, as such, has certain compliance obligations that may require it to have the Applicant enter into a new financing agreement to replace the Financing Agreement ("Replacement Agreement") on terms and conditions substantially identical to the original Financing Agreement;

NOW, THEREFORE, be it resolved by the City Council of the City of Redlands as follows:

Section 1. The City Council hereby approves the filing of an ISRF Program Financing Application with the I-Bank for the Project; and in connection therewith finds and certifies:

- a. That the Project is consistent with the General Plan of the City of Redlands, and that the General Plan of the County of San Bernardino is inapplicable to the Project;
- b. The proposed financing is appropriate for the Project;
- c. The Project facilitates effective and efficient use of existing and future public resources so as to promote both economic development and conservation of natural resources;
- d. The Project develops and enhances public infrastructure in a manner that will attract, create, and sustain long-term employment opportunities;
- e. The Project is consistent with the I-Bank's Criteria for the ISRF Program; and
- f. It has considered (i) the impact of the Project on California's land resources and the need to preserve such resources; (ii) whether the Project is economically or socially desirable; and (iii) whether the Project is consistent with, and in furtherance of the State Environmental Goals and Policy Report (as defined in the Criteria).

Section 2. The Applicant hereby declares its official intent to use proceeds of the Obligation to reimburse itself for Reimbursement Expenditures. This declaration is made solely for purposes of establishing compliance with the requirements of Section 1.150-2 of the Treasury Regulations. This declaration does not bind the Applicant to make any expenditure, incur any indebtedness, or proceed with the Project.

Section 3. All of the Reimbursement Expenditures were made no earlier than sixty (60) days prior to the date of this Resolution. The Applicant will allocate proceeds of the Obligation to pay Reimbursement Expenditures within eighteen (18) months of the later of the date the original expenditure is paid or the date the Project is placed in service or abandoned, but in no event more than three (3) years after the original expenditure is paid.

Section 4. The City Manager, and his or her designees, are hereby authorized and directed to act on behalf of the Applicant in all matters pertaining to the Financing Application, including but not limited to, the authority to pledge certain Solid Waste Enterprise Fund revenues to the repayment of the Obligation and provide covenants relating to rates and charges pledged and as to any other security or collateral securing the Obligation.

Section 5. This resolution shall become effective immediately upon adoption.

Section 6. Resolution No. 7263 is hereby rescinded.

ADOPTED, SIGNED AND APPROVED this 15<sup>th</sup> day of April, 2014.

---

Peter Aguilar, Mayor

ATTEST:

---

Sam Irwin, City Clerk

STATE OF CALIFORNIA  
COUNTY OF SAN BERNARDINO  
CITY OF REDLANDS

I, Sam Irwin, City Clerk of the City of Redlands, do hereby certify that the foregoing Resolution No. 7372, was duly and regularly adopted at a regular meeting of the City Council of the City of Redlands by the following vote. The meeting was duly noticed in accordance with Government Code section 54954.2 and held on the 15<sup>th</sup> day of April, 2014.

AYES:

NOES:

ABSENT:

ABSTAIN:

By: \_\_\_\_\_  
Sam Irwin, City Clerk

## **EXHIBIT B**

### **DESCRIPTION OF FACILITY AND PROJECT**

#### **Description of the Project**

The Purchaser's Pavement Accelerated Repair Implementation Strategy (the PARIS Project) seeks to upgrade, reconstruct, and rehabilitate approximately 420 lane miles, or approximately 2/3 of all of Purchaser's streets, as prioritized by the Purchaser's Pavement Management Program (PMP). Priority is based on the age of the streets, street condition, use of streets determined by vehicle miles traveled, and proximity to school or health facilities. The Purchaser's street network includes over 292 street miles, or approximately 640 lane miles of paved streets. Funding for the Project was established by the Redlands City Council under Ordinance No. 2787, adopted on December 4, 2012, which increased the Purchaser's solid waste rates and charges, and authorized the use of certain revenues resulting from such increases for payment of PARIS Project costs.

#### **Description of the Facility**

Also known as the "City of Redlands Streets Project", the Facility will finance approximately 6.7% of the PARIS Project. The Facility will address needed improvements for approximately 40 lane miles as identified in the PARIS Project (See Attachment 1 hereto). The Facility further includes:

- i. Pavement upgrading.
- ii. Reconstruction and rehabilitation of city streets.
- iii. Street improvements that are identified in the city's Pavement Management Program (PMP).
- iv. Street improvements that are identified in the city's Pavement Accelerated Repair Implementation Strategy (PARIS).
- v. Other components necessary or desirable in connection with an infrastructure project of this type consistent with the applicable requirements of the IBank Act and the Criteria, Priorities and Guidelines for the ISRF Program (ISRF Criteria).

## Attachment 1 to Exhibit B

### I-BANK STREETS

NO	STREET NAME	FromStreet	ToStreet
1	ALABAMA ST	BARTON RD	REDLANDS BLVD
2	AMIGOS DR	PARK AVE	RANCHO DR
3	AZALEA CT	BROOKSIDE AVE	Dead End
4	BARTON RD	SAN TIMOTEO CANYON RD	LAKESIDE AVE
5	BROOKSIDE AVE	TERRACINA BLVD	LAKESIDE AVE
6	BUSINESS CENTER CT	Dead End	STATE ST
7	CALIFORNIA ST	REDLANDS BLVD	LUGONIA AVE
8	ESSEX CT	NEW JERSEY ST	Dead End
9	FERN AVE	TERRACINA BLVD	SAN TIMOTEO CANYON RD
10	INDUSTRIAL PARK AVE	ALABAMA ST	COLTON AVE
11	IOWA ST	PARK AVE	REDLANDS BLVD
12	IOWA ST	BARTON RD	ORANGE AVE
13	KANSAS ST	STATE ST	PARK AVE
14	KANSAS ST	PARKER CT	ORANGE AVE
15	NEVADA ST	BARTON RD	ORANGE AVE
16	NEVADA ST	PARK AVE	LUGONIA AVE
17	NEW JERSEY ST	PARK AVE	REDLANDS BLVD
18	NEW JERSEY ST	REDLANDS BLVD	Dead End
19	NEW YORK ST	REDLANDS BLVD	DEAD END
20	NEW YORK ST	STUART AVE	COLTON AVE
21	ORANGE AVE	NEVADA ST	KANSAS ST
22	PARK AVE	CALIFORNIA ST	NEW YORK ST
23	RANCHO DR	NEW JERSEY ST	AMIGOS DR
24	REDLANDS BLVD	CALIFORNIA ST	ALABAMA ST
25	SAN TIMOTEO CANYON RD	BEAUMONT AVE	FERN AVE
26	STATE ST	KANSAS ST	ALABAMA ST
27	STUART AVE	NEW YORK ST	TEXAS ST
28	TERRACINA BLVD	BARTON RD	BROOKSIDE AVE
29	TEXAS ST	REDLANDS BLVD	COLTON AVE

10/30/2014

## **EXHIBIT C**

### **CONDITIONS PRECEDENT TO DISBURSEMENT**

#### **A. Conditions Precedent to Initial Disbursement**

No Facility Funds shall be disbursed pursuant to this Agreement until and unless Purchaser has submitted the following to IBank:

- (1) Insurance certificates required by Section 5.22; and

#### **B. Conditions Precedent to Disbursement for Construction Costs**

No Facility Funds shall be disbursed for construction costs for the Facility until and unless Purchaser has submitted the following to IBank:

- (1) A copy of the contractor's builder's risk and liability insurance policies that name the Purchaser as loss payee and additional insured, unless specifically waived by IBank; and

- (2) A copy of a contractor's payment and performance bonds satisfying the requirements set forth in Section 5.19 of this Agreement.

#### **C. Conditions Precedent to Final Disbursement**

The final disbursement of Facility Funds shall not be made until the Purchaser has provided the following to IBank:

- (1) Recorded notice of completion for the Facility or other evidence of completion satisfactory to IBank;

- (2) Lien waivers for the Facility, or evidence of the passage of the applicable statutory time periods for filing mechanics and other similar liens; and

- (3) Certification by the Purchaser that the Facility has been completed according to its approved final plans and specifications, that the completed Facility is consistent with the definition of Facility in this Agreement and is acceptable to IBank.

## EXHIBIT D

### FORM OF OPINION OF LEGAL COUNSEL TO PURCHASER

*Attorney letterhead*

*To be signed and dated as of the Effective Date*

City of Redlands

California Infrastructure and Economic Development Bank

RE: Installment Sale Agreement, By and Between the City of Redlands, and the California Infrastructure and Economic Development Bank ("I-Bank"), dated as of \_\_\_\_\_, 2014.

Ladies and Gentlemen:

In my capacity as counsel to the City of Redlands (the "City") and in connection with the above described financing agreement (the "Financing Agreement"), I have examined the laws pertaining to the City; copies of the Financing Agreement, resolution(s) of the City adopted \_\_\_\_\_, 201\_ (the "Resolution"); and such other information and documents as I considered necessary to render this opinion.

Based upon the foregoing, it is my opinion that:

(i) the City is a municipal corporation and a public instrumentality of the State of California duly organized and validly existing pursuant to the laws of the State of California;

(ii) the Resolution and other actions of the City approving and authorizing the execution and delivery of the Financing Agreement were duly adopted at a meeting of the governing body of the City which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout;

(iii) the City has the full right and lawful authority to execute and deliver the Financing Agreement and the Financing Agreement has been duly authorized and executed on behalf of the City and the Financing Agreement is the legal, valid and binding obligations of the City enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium, or similar laws, or by legal or equitable principles relating to or limiting creditors' rights generally;

(iv) to the best of my knowledge, after due inquiry, the execution and delivery of the Financing Agreement and compliance with the provisions thereof, under the circumstances contemplated thereby, does not and will not, in any material respect, conflict with or constitute on the part of the City a breach

of or default under any agreement or other instrument to which the City is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the City is subject;

(v) to the best of my knowledge, after due inquiry, there is no action, suit, proceeding, inquiry or investigation before or by any court or public body pending or threatened against or affecting the City: 1) challenging or questioning the transactions contemplated by the Financing Agreement or any other agreement, document or certificate related to such transactions; 2) challenging or questioning the creation, organization, existence or powers of the City; 3) seeking to enjoin or restrain the execution of the Financing Agreement or the construction of the Project or the Facility, (each defined in the Financing Agreement) or the collection of any of the revenues used for making payments under the Financing Agreement; 4) in any way questioning or affecting any of the rights, powers, duties or obligations of the City with respect to the obligation to budget and appropriate funds as contemplated by the Financing Agreement; 5) in any way questioning or affecting any authority for the execution of the Financing Agreement or validity or enforceability of the Financing Agreement; or 6) in any way questioning or affecting any other agreement or instrument relating to the Financing Agreement to which the City is a party; and

(vi) the City has sole authority to operate the City's Solid Waste System (the "Solid Waste System") and to bill and collect rates and charges from ratepayers within the jurisdiction of the Solid Waste System; and

(vii) the City has all necessary authority needed to incur obligations payable from and to pledge revenues of the Solid Waste System for the repayment of such obligations.

The opinions expressed herein may be affected by actions taken or events occurring after the date hereof. The undersigned has not undertaken to determine or to inform any person whether any such subsequent actions or events are taken or occur.

Sincerely,



# EXHIBIT E

## AMORTIZATION SCHEDULE

Payment Date	Ending Principal Balance	Principal Payment	Interest Payment	Total Principal & Interest	Annual Fee	Total Payment	Total Payment Fiscal Year Ending 30-June
2-Mar-2015	\$3,050,000.00						
1-Aug-2015	\$2,936,607.50	\$113,392.50	\$37,997.07	\$151,389.56	\$9,150.00	\$160,539.56	
1-Feb-2016			\$44,195.94	\$44,195.94		\$44,195.94	\$204,735.51
1-Aug-2016	\$2,819,801.90	\$116,805.61	\$44,195.94	\$161,001.55	\$8,809.82	\$169,811.37	
1-Feb-2017			\$42,438.02	\$42,438.02		\$42,438.02	\$212,249.39
1-Aug-2017	\$2,699,480.44	\$120,321.46	\$42,438.02	\$162,759.48	\$8,459.41	\$171,218.88	
1-Feb-2018			\$40,627.18	\$40,627.18		\$40,627.18	\$211,846.06
1-Aug-2018	\$2,575,537.30	\$123,943.13	\$40,627.18	\$164,570.31	\$8,098.44	\$172,668.76	
1-Feb-2019			\$38,761.84	\$38,761.84		\$38,761.84	\$211,430.59
1-Aug-2019	\$2,447,863.48	\$127,673.82	\$38,761.84	\$166,435.66	\$7,726.61	\$174,162.27	
1-Feb-2020			\$36,840.35	\$36,840.35		\$36,840.35	\$211,002.62
1-Aug-2020	\$2,316,346.68	\$131,516.80	\$36,840.35	\$168,357.15	\$7,343.59	\$175,700.74	
1-Feb-2021			\$34,861.02	\$34,861.02		\$34,861.02	\$210,561.76
1-Aug-2021	\$2,180,871.22	\$135,475.46	\$34,861.02	\$170,336.48	\$6,949.04	\$177,285.52	
1-Feb-2022			\$32,822.11	\$32,822.11		\$32,822.11	\$210,107.63
1-Aug-2022	\$2,041,317.95	\$139,553.27	\$32,822.11	\$172,375.38	\$6,542.61	\$178,918.00	
1-Feb-2023			\$30,721.84	\$30,721.84		\$30,721.84	\$209,639.83
1-Aug-2023	\$1,897,564.12	\$143,753.82	\$30,721.84	\$174,475.66	\$6,123.95	\$180,599.61	
1-Feb-2024			\$28,558.34	\$28,558.34		\$28,558.34	\$209,157.95
1-Aug-2024	\$1,749,483.31	\$148,080.81	\$28,558.34	\$176,639.15	\$5,692.69	\$182,331.85	
1-Feb-2025			\$26,329.72	\$26,329.72		\$26,329.72	\$208,661.57
1-Aug-2025	\$1,596,945.26	\$152,538.05	\$26,329.72	\$178,867.77	\$5,248.45	\$184,116.22	
1-Feb-2026			\$24,034.03	\$24,034.03		\$24,034.03	\$208,150.25
1-Aug-2026	\$1,439,815.82	\$157,129.44	\$24,034.03	\$181,163.47	\$4,790.84	\$185,954.30	
1-Feb-2027			\$21,669.23	\$21,669.23		\$21,669.23	\$207,623.53
1-Aug-2027	\$1,277,956.78	\$161,859.04	\$21,669.23	\$183,528.27	\$4,319.45	\$187,847.71	
1-Feb-2028			\$19,233.25	\$19,233.25		\$19,233.25	\$207,080.96
1-Aug-2028	\$1,111,225.78	\$166,731.00	\$19,233.25	\$185,964.25	\$3,833.87	\$189,798.12	
1-Feb-2029			\$16,723.95	\$16,723.95		\$16,723.95	\$206,522.06
1-Aug-2029	\$939,476.18	\$171,749.60	\$16,723.95	\$188,473.55	\$3,333.68	\$191,807.22	
1-Feb-2030			\$14,139.12	\$14,139.12		\$14,139.12	\$205,946.34
1-Aug-2030	\$762,556.92	\$176,919.26	\$14,139.12	\$191,058.38	\$2,818.43	\$193,876.81	
1-Feb-2031			\$11,476.48	\$11,476.48		\$11,476.48	\$205,353.29
1-Aug-2031	\$580,312.39	\$182,244.53	\$11,476.48	\$193,721.01	\$2,287.67	\$196,008.68	
1-Feb-2032			\$8,733.70	\$8,733.70		\$8,733.70	\$204,742.39
1-Aug-2032	\$392,582.30	\$187,730.09	\$8,733.70	\$196,463.79	\$1,740.94	\$198,204.73	
1-Feb-2033			\$5,908.36	\$5,908.36		\$5,908.36	\$204,113.09
1-Aug-2033	\$199,201.53	\$193,380.77	\$5,908.36	\$199,289.13	\$1,177.75	\$200,466.88	
1-Feb-2034			\$2,997.98	\$2,997.98		\$2,997.98	\$203,464.86
1-Aug-2034		\$199,201.53	\$2,997.98	\$202,199.51	\$597.60	\$202,797.12	\$202,797.12
<b>Total Payments:</b>		<b>\$3,050,000.00</b>	<b>\$1,000,141.97</b>	<b>\$4,050,141.97</b>	<b>\$105,044.84</b>	<b>\$4,155,186.81</b>	<b>\$4,155,186.81</b>

## TABLE OF CONTENTS

	Page
ARTICLE I DEFINITIONS.....	2
SECTION 1.01. Definitions.....	2
SECTION 1.02. Rules of Construction.....	6
ARTICLE II TERMS OF SALE.....	6
SECTION 2.01. Authorization.....	6
SECTION 2.02. Design, Acquisition, Construction and Sale of the Facility.....	6
SECTION 2.03. Payment of Purchase Price; Term; Interest Rates.....	7
SECTION 2.04. Payment on Business Days.....	8
SECTION 2.05. Disbursement of Facility Funds.....	8
SECTION 2.06. Additional Payments.....	9
SECTION 2.07. Reserved.....	10
SECTION 2.08. Prepayment and Reduction in Facility Funds.....	10
SECTION 2.09. Validity of Pledge and First Lien.....	10
SECTION 2.10. Limited Obligation.....	11
SECTION 2.11. Permitted Additional Parity Debt.....	11
SECTION 2.12. Purchaser's Obligation for Other Project Costs.....	13
SECTION 2.13. Project and Facility Description.....	13
SECTION 2.14. Withholding of Facility Funds.....	13
SECTION 2.15. Reserve Account.....	13
ARTICLE III PLEDGE OF REVENUES; APPLICATION OF FUNDS.....	13
SECTION 3.01. Pledge of Net System Revenues.....	13
SECTION 3.02. Sytem Revenues to be Deposited in the Enterprise Fund.....	14
SECTION 3.03. Priority of Payments Made from the Enterprise Fund.....	14
ARTICLE IV REPRESENTATIONS AND WARRANTIES OF THE PURCHASER.....	15
SECTION 4.01. Organization; Authority.....	15
SECTION 4.02. Agreement Valid and Binding.....	15
SECTION 4.03. No Conflict in Execution of Agreement.....	15
SECTION 4.04. No Litigation.....	15
SECTION 4.05. No Breach or Default.....	15
SECTION 4.06. No Consent, Approval or Permission Necessary.....	16
SECTION 4.07. Accuracy and Completeness of Information Submitted to IBank.....	16
SECTION 4.08. Financial Statements of the Purchaser. ....Error! Bookmark not defined.	
SECTION 4.09. Licenses, Permits and Approvals for Completion of the Facility.....	16
SECTION 4.10. Authority to Operate the System.....	16
SECTION 4.11. Valid Title; No Conflict.....	16
SECTION 4.12. Other Liens; No Lien Senior to IBank Lien.....	16
ARTICLE V AFFIRMATIVE COVENANTS OF THE PURCHASER.....	17
SECTION 5.01. Punctual Payment.....	17
SECTION 5.02. Payment of Claims.....	17
SECTION 5.03. Books and Accounts; Financial Statements.....	17

# TABLE OF CONTENTS

	Page
SECTION 5.04. Protection of IBank’s Security and Rights.....	19
SECTION 5.05. Payments of Taxes and Other Charges. ....	19
SECTION 5.06. Maintenance of System Revenues; Rate Covenant.....	19
SECTION 5.07. Tax Covenants.....	19
SECTION 5.08. Maintenance and Operation of System. ....	22
SECTION 5.09. Assumption of Obligations. ....	22
SECTION 5.10. Damage, Destruction, Title Defect and Condemnation; Use of Net Proceeds.....	22
SECTION 5.11. Entry into Replacement Agreement. ....	24
SECTION 5.12. Further Assurances.....	24
SECTION 5.13. Agreement to Complete Facility Delivery and the Project.....	24
SECTION 5.14. Collection of Rates, Fees and Charges.....	25
SECTION 5.15. Purchaser’s General Responsibility. ....	25
SECTION 5.16. Purchaser’s Assurances and Commitments. ....	25
SECTION 5.17. Facility Access. ....	26
SECTION 5.18. Operation and Maintenance of the Project.....	26
SECTION 5.19. Performance and Payment Bonds. ....	26
SECTION 5.20. Continuing Disclosure.....	27
SECTION 5.21. Notice of Event of Default. ....	27
SECTION 5.22. Maintenance of Insurance. ....	27
SECTION 5.23. Reserved.....	27
SECTION 5.24. Compliance with Contracts. ....	27
ARTICLE VI NEGATIVE COVENANTS OF THE PURCHASER.....	27
SECTION 6.01. Limitation on Additional Obligations; No Senior Debt.....	27
SECTION 6.02. Disposition of Property. ....	28
SECTION 6.03. Reserved.....	28
ARTICLE VII EVENTS OF DEFAULT AND REMEDIES .....	28
SECTION 7.01. Events of Default and Acceleration. ....	28
SECTION 7.02. Remedies.....	29
SECTION 7.03. Application of Funds upon Default.....	30
SECTION 7.04. No Waiver. ....	31
SECTION 7.05. Remedies Not Exclusive. ....	31
ARTICLE V MISCELLANEOUS.....	31
SECTION 8.01. Venue. ....	31
SECTION 8.02. Assignment of IBank’s Rights. ....	31
SECTION 8.03. Benefits Limited to Parties.....	32
SECTION 8.04. Successor Entities.....	32
SECTION 8.05. Discharge of Agreement. ....	32
SECTION 8.06. Amendment.....	33
SECTION 8.07. Waiver of Personal Liability.....	33
SECTION 8.08. Reserved.....	33
SECTION 8.09. Notices.....	33

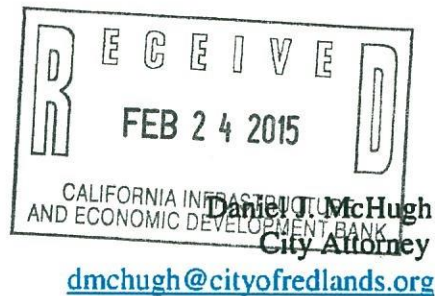
## TABLE OF CONTENTS

	<b>Page</b>
SECTION 8.10. Partial Invalidity.....	34
SECTION 8.11. Governing Law.....	34
SECTION 8.12. Indemnification. ....	34
SECTION 8.13. Purchaser Representative. ....	35
SECTION 8.14. Execution in Counterparts.....	35
<b>EXHIBIT A</b> APPROVING RESOLUTION OF THE PURCHASER.....	A-1
<b>EXHIBIT B</b> DESCRIPTION OF THE FACILITY AND PROJECT.....	B-1
<b>EXHIBIT C</b> CONDITIONS PRECEDENT TO DISBURSEMENT .....	C-1
<b>EXHIBIT D</b> FORM OF OPINION OF LEGAL COUNSEL TO PURCHASER.....	D-1
<b>EXHIBIT E</b> AMORTIZATION SCHEDULE.....	E-1





**Office of the  
City Attorney  
City of Redlands**



February 18, 2015

California Infrastructure and Economic Development Bank  
Atten: ISRF Unit Manager  
1325 J Street, Suite 1823  
Sacramento, CA 95814

**RE:** Installment Sale Agreement, By and Between the City of Redlands, and the California Infrastructure and Economic Development Bank ("I-Bank"), dated as of February 17, 2015.

Ladies and Gentlemen:

In my capacity as counsel to the City of Redlands (the "City") and in connection with the above described financing agreement (the "Financing Agreement"), I have examined the laws pertaining to the City; copies of the Financing Agreement, Resolution No. 7372 of the City adopted April 1, 2014 (the "Resolution"); and such other information and documents as I considered necessary to render this opinion.

Based upon the foregoing, it is my opinion that:

- (i) the City is a municipal corporation and a public instrumentality of the State of California duly organized and validly existing pursuant to the laws of the State of California;
- (ii) the Resolution and other actions of the City approving and authorizing the execution and delivery of the Financing Agreement were duly adopted at a meeting of the governing body of the City which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout;
- (iii) the City has the full right and lawful authority to execute and deliver the Financing Agreement and the Financing Agreement has been duly authorized and executed on behalf of the City and the Financing Agreement is the legal, valid and binding obligations of the City enforceable in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium, or similar laws, or by legal or equitable principles relating to or limiting creditors' rights generally;
- (iv) to the best of my knowledge, after due inquiry, the execution and delivery of the Financing Agreement and compliance with the provisions thereof, under the

P.O. Box 3005 • Redlands, CA 92373 • (909) 798-7595 • FAX (909) 798-7503

circumstances contemplated thereby, does not and will not, in any material respect, conflict with or constitute on the part of the City a breach of or default under any agreement or other instrument to which the City is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the City is subject;

(v) to the best of my knowledge, after due inquiry, there is no action, suit, proceeding, inquiry or investigation before or by any court or public body pending or threatened against or affecting the City: 1) challenging or questioning the transactions contemplated by the Financing Agreement or any other agreement, document or certificate related to such transactions; 2) challenging or questioning the creation, organization, existence or powers of the City; 3) seeking to enjoin or restrain the execution of the Financing Agreement or the construction of the Project or the Facility, (each defined in the Financing Agreement) or the collection of any of the revenues used for making payments under the Financing Agreement; 4) in any way questioning or affecting any of the rights, powers, duties or obligations of the City with respect to the obligation to budget and appropriate funds as contemplated by the Financing Agreement; 5) in any way questioning or affecting any authority for the execution of the Financing Agreement or validity or enforceability of the Financing Agreement; or 6) in any way questioning or affecting any other agreement or instrument relating to the Financing Agreement to which the City is a party; and

(vi) the City has sole authority to operate the City's Solid Waste System (the "Solid Waste System") and to bill and collect rates and charges from ratepayers within the jurisdiction of the Solid Waste System; and

(vii) the City has all necessary authority needed to incur obligations payable from and to pledge revenues of the Solid Waste System for the repayment of such obligations.

The opinions expressed herein may be affected by actions taken or events occurring after the date hereof. The undersigned has not undertaken to determine or to inform any person whether any such subsequent actions or events are taken or occur.

Sincerely,

A handwritten signature in blue ink, appearing to read "D. McHugh", with a stylized flourish extending to the right.

Daniel J. McHugh

cc: N. Enrique Martinez, City Manager  
Chris Diggs, Interim Municipal Utilities and Engineering Director