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2014-0886

ASSIGNMENT AGREEMENT

by and between the

CITY OF PITTSBURG PUBLIC FINANCING AUTHORITY

and

BANK OF THE WEST

Dated as of June 30, 2014

relating to the

Wastewater System Refunding Project

ASSIGNMENT AGREEMENT

(Wastewater System Improvement Project)

This Assignment Agreement is entered into as of June 30, 2014, by and between the City of Pittsburg Public Financing Authority, a joint exercise of powers authority (the "**Authority**"), and Bank of the West, a California banking corporation, and its successors and assigns (the "**Bank**") pursuant to the Trust Agreement (as hereinafter defined).

RECITALS

WHEREAS, the Authority previously issued its $11,950,000 Wastewater Revenue Refunding Bonds (the "**2004 Bonds**") pursuant to a Trust Agreement, a Master Installment Sale Agreement and a First Supplemental Installment Sale Agreement, all dated March 1, 2004; and

WHEREAS, the City of Pittsburg (the "**City**") and the Authority have determined that significant public benefits will accrue from the refunding of the 2004 Bonds in the manner described herein, and the Authority is willing to assist the City in effecting such refunding; and

WHEREAS, the Authority has determined to acquire the Wastewater System, including the site on which the existing facilities are situated and with all existing improvements constituting the Wastewater System, from the City and to then sell the Wastewater System, to the City in order to effect such refunding; and

WHEREAS, the City has determined to make installment sale payments to the Authority for the repayment of financing the costs of refunding the 2004 Bonds and the incidental costs and expenses related thereto paid by the Authority pursuant to an Installment Sale Agreement dated as of June 30, 2014 (the "**Installment Sale Agreement**"); and

WHEREAS, in consideration of the Bank providing the funds required to refund the 2004 Bonds, the Authority is willing to assign and transfer all of its rights and interests in this Installment Sale Agreement to the Bank, pursuant to this Assignment Agreement; and

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

WHEREAS, the terms capitalized in the Assignment Agreement but not defined herein shall have the meanings given to them in the Installment Sale Agreement.

NOW THEREFORE, in the joint and mutual exercise of their powers, in consideration of the mutual covenants herein contained and for other valuable consideration, the parties hereto recite and agree as follows:

Section 1. Assignment.

The Authority, for good and valuable consideration in hand received, does hereby irrevocably sell, assign and transfer to the Bank, all of its rights and interests the Installment Sale

Agreement, including, but not limited to, its rights to receive Installment Payments from the City under the Installment Sale Agreement, and the right to exercise such rights and remedies as are conferred on the Authority by the Installment Sale Agreement as may be necessary to enforce payment of such Installment Payments when due or otherwise to protect its interests upon an Event of Default thereunder by the City.

(a) The Installment Payments shall be applied, and the rights assigned herein shall be exercised, by the Bank as provided in the Installment Sale Agreement.

Section 2. Acceptance. The Bank hereby accepts the assignment set forth in Section 1 hereof.

Section 3. Retention of Indemnification Rights. With regard to the indemnification rights contained in Section 7.10 of the Installment Sale Agreement, each of which, by its terms, extends both to the Authority and to its assigns, the Authority is hereby assigning to the Bank and its successors and assigns those rights in full insofar as they pertain to the Authority's assigns.

Section 4. Conditions. This Assignment Agreement shall confer no rights and impose no duties upon the Bank beyond those expressly provided in the Installment Sale Agreement. The recitals herein contained are not those of the Bank.

Section 5. Execution in Counterparts. This Assignment Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 6. Amendments. This Assignment Agreement and each provision hereof may be amended, changed, waived, discharged or terminated only by an instrument in writing signed by the parties hereto.

Section 7. Transferability. The Bank's right, title and interest in and to this Assignment Agreement may be assigned and reassigned, in whole but not in part, without the necessity of obtaining the consent of Authority or the City; provided, that any such assignment, transfer or conveyance, in whole but not in part, shall be made only to an investor which is a "qualified institutional buyer" as defined in Rule 144A(a)(1) promulgated under the Securities Act of 1933, as amended. The Authority and the Bank hereby acknowledge and agree that the restrictions and limitations on transfer as provided in this Section 7 shall apply to the first and subsequent assignees and sub-assignees of any of the Bank's right, title and interest in, to and under this Assignment Agreement.

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

CITY OF PITTSBURG PUBLIC FINANCING AUTHORITY,
a California joint exercise of powers authority

By: _____
Salvatore Evola
Chair

ATTEST:

_____
Alice Evenson
Secretary

BANK OF THE WEST, as the Bank

By_____
Authorized Representative

2284052.3

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

CITY OF PITTSBURG PUBLIC FINANCING AUTHORITY a California joint exercise of powers authority

By_____
Salvatore Evola
Chair

ATTEST:

_____
Alice Evenson
Secretary

BANK OF THE WEST, as the Bank

By Edward C Ney
Authorized Representative

2284052.3

2014-0886

INSTALLMENT SALE AGREEMENT

by and between the

CITY OF PITTSBURG PUBLIC FINANCING AUTHORITY
and the

CITY OF PITTSBURG

Dated as of June 30, 2014

relating to the

Wastewater System Refunding Project

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INSTALLMENT SALE AGREEMENT

(Wastewater System Refunding Project)

This Installment Sale Agreement is entered into as of June 30, 2014, by and between the City of Pittsburg Public Financing Authority (the "**Authority**") and the City of Pittsburg (the "**City**"), a municipal corporation. The City and the Authority are collectively referred to herein as the "**Parties**."

RECITALS

WHEREAS, the Authority previously issued its $11,950,000 Wastewater Revenue Refunding Bonds (the "**2004 Bonds**") pursuant to a Trust Agreement, a Master Installment Sale Agreement and a First Supplemental Installment Sale Agreement, all dated March 1, 2004; and

WHEREAS, the City and the Authority have determined that significant public benefits will accrue from the refunding of the 2004 Bonds in the manner described herein, and the Authority is willing to assist the City in effecting such refunding; and

WHEREAS, the Authority has determined to acquire the Wastewater System, including the site on which the existing facilities are situated and with all existing improvements constituting the Wastewater System, from the City and to then sell the Wastewater System, to the City in order to effect such refunding; and

WHEREAS, for the purpose of assisting in obtaining moneys required to refund the 2004 Bonds, the Authority has assigned and transferred all of its rights and interests in this Installment Sale Agreement to Bank of the West ("**Bank**"), pursuant to an Assignment Agreement dated as of June 30, 2014; and

WHEREAS, the City has determined to make installment sale payments as hereinafter described to the Authority for the repayment of financing the costs of refunding the 2004 Bonds and the incidental costs and expenses related thereto paid by the Authority; and

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

NOW, THEREFORE, in consideration of the premises and of the mutual agreements and covenants contained herein and for other valuable consideration, the Parties hereto do hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section for all purposes hereof and of any amendment hereof or supplement hereto and of

any opinion or report or other document mentioned herein or therein, have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein.

"**2004 Bonds**" means the bonds issued and outstanding pursuant to that certain Trust Agreement between the City of Pittsburg Financing Corporation and BNY Western Trust Company, as trustee for the 2004 Bonds, dated March 1, 2004.

"**2004 Trustee**" means BNY-Mellon Trust Company, as successor in interest to BNY Western Trust Company.

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

"**Assignment Agreement**" means the Assignment Agreement, dated as of June 30, 2014, by and between the Authority and the Bank, as originally executed and as it may from time to time be amended or supplemented in accordance therewith.

"**Authority**" means City of Pittsburg Public Financing Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California.

"**Bank**" means Bank of the West, a California banking corporation organized and existing under the laws of the State of California, and its successors and assigns.

"**City**" means the City of Pittsburg, a California municipal corporation duly organized and existing under the laws of the State of California.

"**City Council**" means the legislative body of the City.

"**City Manager**" means the person who is the duly appointed and acting City Manager of the City.

"**Code**" means the Internal Revenue Code of 1986 and the regulations issued thereunder.

"**Default Rate**" shall have the meaning ascribed thereto in the Supplemental Agreement.

"**Environmental Laws**" means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes into the environment, including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes or the clean up or other remediation thereof.

"**Event of Default**" means an event described in Section 5.01 hereof.

"**Excess Default Interest Amount**" has the meaning ascribed thereto in Section 3.02(b)(ii) hereof.

"**Excess Interest Amount**" has the meaning ascribed thereto in Exhibit A attached hereto.

"**Finance Director**" means the person who is the duly appointed and acting Finance Director of the City.

"**Fiscal Year**" means the period beginning on July 1 of each calendar year and ending on June 30 of the following calendar year.

"**Generally Accepted Accounting Principles**" means the uniform accounting and reporting procedures set forth in publications of the Financial Accounting Standards Board or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

"**Independent Certified Public Accountant**" means any firm of certified public accountants appointed by the City which is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

"**Installment Payments**" means the Installment Payments scheduled to be paid by the City under and pursuant to this Installment Sale Agreement, as set forth in Exhibit A hereto.

"**Installment Payment Date**" means any date on which Installment Payments are scheduled to be paid by the City under this Installment Sale Agreement.

"**Installment Payment Year**" means the twelve-month period commencing on June 2 of each year and ending on June 1 of the following year; provided that the first Installment Payment Year shall be deemed to commence on the date of closing and end on June 1, 2015.

"**Installment Sale Agreement**" means this Installment Sale Agreement by and between the City and the Authority, dated as of June 30, 2014, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

"**Insurance Consultant**" means (a) the risk manager for the City or (b) any insurance consultant or firm of insurance consultants generally recognized to be well qualified in insurance consulting matters relating to wastewater and other municipal systems, appointed and paid by the City, and who or each of whom (1) is in fact independent and not under the domination of the City, (2) does not have a substantial financial interest, direct or indirect, in the operations of the City, and (3) is not connected with the City as a City Council member or as an officer or employee of the City, but may be regularly retained to make reports to the City.

"**Interest Payment Date**" means a date on which any interest on any Parity Obligation or Subordinate Obligation, as applicable, is due and payable. For the Installment Payments, "Interest Payment Date" shall mean June 1 and December 1 of each year, commencing on December 1, 2014.

"**Interest Rate Protection Agreement**" means an interest rate swap, cap or collar agreement or similar arrangement between any Person and a financial institution providing for the transfer or mitigation of interest rate risks either generally or under specific contingencies.

"**Issuing Document**" means any indenture, trust agreement or other document pursuant to which any Parity Obligations or Subordinate Obligations are issued or incurred.

"**Maintenance and Operation Costs**" means the reasonable and necessary costs paid or incurred by the City for maintaining and operating the Wastewater System, determined in accordance with Generally Accepted Accounting Principles, including all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and including all administrative costs of the City that are charged directly or apportioned to the operation of the Wastewater System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms hereof, such as fees and expenses of Independent Certified Public Accountants, Independent Engineers and Insurance Consultants, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, amortization of intangibles and intergovernmental transfers by the City that are not reimbursements or payments for overhead or other administrative expenses incurred by the City.

"**Maximum Rate**" means the maximum rate of interest on the relevant obligation permitted by applicable law without regard to any filing made by a lender with respect to notice of rates in excess of any statutory or regulatory threshold interest rate.

"**Net Proceeds**" means, when used with respect to any condemnation award or with respect to any insurance proceeds relating to the Wastewater System, the amount of such condemnation award or such insurance proceeds remaining after payment of all expenses (including attorneys' fees) incurred in the collection of such award or such proceeds.

"**Net Wastewater System Revenue**" means, for any Fiscal Year, the Wastewater System Revenue during such Fiscal Year less the Maintenance and Operation Costs during such Fiscal Year.

"**Opinion of Counsel**" means a written opinion of counsel of national representation generally recognized to be well qualified in the field of law relating to municipal bonds, retained by the City and satisfactory to the Authority (who shall be under no liability by reason of such approval).

"**Parity Obligation**" means obligations of the City under this Installment Sale Agreement and any payment obligation of the City which is payable from and secured by a first lien on Net Wastewater System Revenue on a parity with the pledge contained hereunder.

"**Parity Obligation Payment Fund**" means the Parity Obligation Payment Fund described in Section 3.02 hereof.

"**Permitted Investments**" means:

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

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

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

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

(e) Any investment agreement, guarantee or other investment vehicle or security issued by, secured by or otherwise representing the general obligations of a financial institution whose long-term unsecured, uninsured and unguaranteed obligation or claims-paying ability is rated AA or better by any Rating Agency at the time of its issuance, provided that: (i) the agreement is not subordinated to any other obligations of such financial institution; and (ii) if the financial institution fails to maintain a rating of AA or better (without regard to gradations), the City shall have the right to demand collateral in the form of securities authorized by paragraphs (a) and (b) above pledged to secure the investment agreement. Such collateral shall be pledged through the Authority and shall have a fair market value (valued at cost) of at least 103% of the value of funds remaining in the investment agreement. Further, the City shall have the right to withdraw all funds without penalty should the financial institution fail to provide collateral as required under this paragraph;

(f) Investments otherwise defined in Section 53601 of the California Government Code, as amended from time to time; provided that the Authority is obligated to invest in any form of investment pursuant to this subparagraph (f) except upon receipt of a certificate of an Authorized Officer of the City that any directed investment to be made pursuant to this subparagraph (f) meets this definition as set forth in this subparagraph (f).

"**Person**" means an individual, a corporation, a partnership, an association, a joint venture, a trust, a business trust, a limited liability company or any other entity or organization, including a governmental or political subdivision or an agency or instrumentality thereof.

"**Principal Payment Date**" means a date on which any principal of any Parity Obligation or Subordinate Obligation, as applicable, is due and payable.

"**Purchase Price**" means the principal amount plus the interest thereon owed by the City to the Authority under the conditions and terms hereof as provided in Section 3.01.

"**Reserve Fund Credit Facility Costs**" means the repayment of draws, expenses and accrued interest or other similar costs payable in connection with a line of credit, letter of credit, insurance policy, surety bond or other credit source for the credit of a reserve fund for a Parity Obligation or a Subordinate Obligation, as applicable.

"**Settlement Amount**" means, with respect to a Person and any Interest Rate Protection Agreement, any amount payable by such Person under the terms of such Interest Rate Protection Agreement in respect of, or intended to compensate the other party for, the value of such Interest Rate Protection Agreement upon early termination thereof.

"**Subordinate Obligation**" means any payment obligation of the City which is payable from and secured by a subordinate lien on Net Wastewater System Revenue, subject only to the first lien on Net Wastewater System Revenue securing Parity Obligations.

"**Supplemental Agreement**" means the Supplemental Agreement, dated as of June 30, 2014, by and between the City and the Bank, as originally executed and as it may from time to time be amended or supplemented in accordance therewith.

"**Wastewater Service**" means the wastewater collection, transmission, treatment and disposal service furnished, made available or provided by the Wastewater System.

"**Wastewater System Enterprise Fund**" means the Wastewater System enterprise fund of the City described in Section 3.02 hereof.

"**Wastewater System Revenue**" means all gross income and revenue received or receivable by the Wastewater System from the ownership or operation of the Wastewater System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including connection fees and charges) received by the City for the Wastewater Service and the other services of the Wastewater System and all other income and revenue howsoever derived by the City, from the ownership or operation of the Wastewater System or arising from the Wastewater System, and also including all income from the deposit or investment of any money in the Wastewater System Enterprise Fund but excluding in all cases any proceeds of taxes and any refundable deposits made to establish credit and advances or contributions in aid of construction.

"**Wastewater System**" means all facilities for the collection, transmission, treatment and disposal of wastewater now owned by the City and administered as the system of the City, together with all other properties, structures or works hereafter acquired and constructed by the City and determined to be a part of the Wastewater System, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed, including but not limited to the Project.

ARTICLE II
THE REFUNDING PROJECT

Section 2.01. Sale of the Wastewater System. The Authority hereby agrees to sell, and hereby sells, the Wastewater System, as improved by the Project, to the City. The City hereby agrees to purchase, and hereby purchases, the Wastewater System, from the Authority under the terms of this Installment Sale Agreement. Notwithstanding the foregoing, it is hereby expressly understood and agreed that the Authority is under no liability of any kind or character whatsoever for the payment of any costs or expenses incurred by the City (whether as agent for the Authority or otherwise) and that all such costs and expenses will be paid by the City.

Section 2.02. Repayment of 2004 Bonds. The Authority agrees to cause to be delivered to the 2004 Trustee so much of the proceeds of the Purchase Price as may be necessary, together with other moneys available therefor, to effect the refunding of all of the 2004 Bonds, together with interest accruing thereon, and in consideration thereof the City agrees to pay to the Authority the Purchase Price as provided herein.

ARTICLE III
INSTALLMENT PAYMENTS

Section 3.01. Purchase Price.

(a) The Purchase Price to be paid by the City to the Authority hereunder is the sum of the principal amount of the City's obligation hereunder plus the interest to accrue on the unpaid balance of such principal amount from the date hereof over the term hereof, subject to prepayment as provided in Section 3.03 hereof.

(b) The principal amount of the Purchase Price to be paid by the City to the Authority hereunder is the aggregate principal amount of proceeds received from the Bank in the amount of not to exceed Five Million Three Hundred Forty-Two Thousand Dollars ($5,342,000).

(c) The interest to accrue on the unpaid balance of such principal amount will be paid by the City and will constitute interest paid on the principal amount of the City's Purchase Price obligation hereunder.

(d) No CUSIP number shall be assigned to the financing evidenced by this Installment Sale Agreement and the Assignment Agreement, and the Purchase Price to be paid by the City to the Authority hereunder shall be in a single denomination, and shall not be divisible or transferable except as described in Section 7.07 hereof and as permitted by Section 7 of the Assignment Agreement.

Section 3.02. Payment of Installment Payments; Other Payments; Default Rate; Pledge; Collection and Application of Wastewater System Revenue.

(a) Payment of Installment Payments. The City shall, subject to prepayment as provided in Section 3.03, pay the Authority the Purchase Price, without offset or deduction of any kind, by paying the principal and interest components of the Installment Payments semi-

annually on June 1 and December 1, commencing on December 1, 2014, in each of the years and in the amounts set forth in Exhibit A attached hereto and incorporated herein.

The obligation of the City to pay the Purchase Price by paying the Installment Payments is, subject to Section 7.01 hereof, absolute and unconditional, and until such time as the Installment Payments has been paid in full (or provision for the payment thereof has been made pursuant to Section 6.01), the City shall not discontinue or suspend any Installment Payments required to be paid by it under this Section when due, whether or not the Wastewater System 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 are not subject to reduction whether by offset or otherwise and are not conditioned upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

(b) Other Payments; Default Rate. In addition to the Installment Payments, the City shall pay the following amounts:

(i) Amounts Owing under Supplemental Agreement. The City hereby agrees to pay any other amount owing to the Bank under the Supplemental Agreement.

(ii) Default Interest; Excess Default Interest Amount. Any and all amounts remaining unpaid when due under this Installment Sale Agreement shall bear interest at the Default Rate until repaid and shall be payable upon demand. Any such amounts which constitute interest remaining unpaid when due shall be added to principal, and such interest shall, in turn, bear interest at the Default Rate until repaid and shall be payable upon demand. Any sum payable by the City to the Authority hereunder upon the occurrence or during the continuance of any Event of Default hereunder shall bear interest at the Default Rate. If the amount of interest payable for any period calculated at the Default Rate exceeds the amount of interest that would be payable for such period had interest for such period been calculated at the Maximum Rate, then interest for such period shall be payable in an amount calculated at the Maximum Rate for such period. Any interest that would have been due and payable for any period but for the operation of the preceding sentence shall accrue and be payable as provided in this subparagraph (B) and shall, less interest actually paid to the Bank for such period, constitute the "**Excess Default Interest Amount**." If there is any accrued and unpaid Excess Default Interest Amount as of any date then the principal amount with respect to which interest is payable shall bear interest at the Maximum Rate, until payment to the Authority of the entire Excess Default Interest Amount. Notwithstanding the foregoing, on the date on which no Installment Payments or any other amount required to be paid hereunder remains unpaid, the City shall pay to the Authority a fee equal to any accrued and unpaid Excess Default Interest Amount.

(iii) Excess Interest Amount for Interest Component of Installment Payments. The City hereby agrees to pay any Excess Interest Amount which has accrued with respect to the interest component of the Installment Payments as set forth on Exhibit A attached hereto.

(c) Pledge. The City hereby irrevocably grants and pledges the Net Wastewater System Revenue first, to secure the obligations of the City under this Installment Sale Agreement

and all Parity Obligations and second, on a subordinate basis, to secure all Subordinate Obligations. Such lien and pledge to secure the obligations of the City under this Installment Sale Agreement and all Parity Obligations shall constitute a first lien on Net Wastewater System Revenue and such lien and pledge to secure all Subordinate Obligations shall constitute a subordinate lien on Net Wastewater System Revenue, subject only to the first lien on Net Wastewater System Revenue securing the obligations of the City under this Installment Sale Agreement and all Parity Obligations. The City hereby represents that it has not previously granted any lien or charge on any of the Net Wastewater System Revenue; provided that out of Net Wastewater System Revenue there may be apportioned such sums for such purposes as are expressly permitted by this Section 2.03. All Parity Obligations shall be of equal rank without preference, priority or distinction of any Parity Obligations over any other Parity Obligations.

(d) Collection and Application of Wastewater System Revenue. In order to carry out and effectuate the obligation of the City contained herein to pay the Purchase Price by paying the Installment Payments, the City agrees and covenants that all Wastewater System Revenue received will be deposited when and as received in the City's Wastewater System Enterprise Fund, which fund the City has heretofore established and holds, and which fund the City agrees and covenants to maintain so long as any Installment Payments remain unpaid. All money on deposit in the Wastewater System Enterprise Fund shall be applied and used only in the following order as provided herein:

(i) The City shall pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) from the Wastewater System Enterprise Fund as they become due and payable;

(ii) On or before the last Business Day of each month, the Director of Finance shall, from the remaining money then on deposit in the Wastewater System Enterprise Fund, deposit in the "Parity Obligation Payment Fund," which fund the Director of Finance hereby agrees to hold and maintain so long as any Parity Obligation remains Outstanding the following amounts in the following order of priority:

(A) A sum equal to (a) the interest and principal payments becoming due and payable on the obligations of the City under this Installment Sale Agreement and all Parity Obligations, plus (b) the net payments becoming due and payable on all Interest Rate Protection Agreements that are Parity Obligations (except any Settlement Amounts), plus (c) any other amounts with respect to Parity Obligations (including any letter of credit and remarketing fees), in each case, during the next succeeding month; plus

(B) Unless otherwise covered by subparagraph (i) above, a sum equal to (A) one-sixth (1/6) of the amount of interest becoming due and payable on all Parity Obligations on the next succeeding Interest Payment Date, plus (B) one-twelfth (1/12) of the amount of principal becoming due and payable on all Parity Obligations on the next succeeding Principal Payment Date, except that no such deposit need be made if the Director of Finance then holds money in the Parity Obligation Payment Fund equal to the amount of interest becoming due and payable on all Parity Obligations on the next succeeding Interest Payment Date plus the amount of principal becoming due on all Parity Obligations on the next succeeding Principal

Payment Date plus the net payments due on all Interest Rate Protection Agreements that are Parity Obligations on such dates (except any Settlement Amounts) plus any other amounts becoming due and payable with respect to Parity Obligations (including any letter of credit and remarketing fees); plus

(C) All amounts due to make up any deficiency in the reserve funds for Parity Obligations in accordance with the provisions of the applicable Issuing Document, including all Reserve Fund Credit Facility Costs for such reserve funds.

All money on deposit in the Parity Obligation Payment Fund shall be transferred by the Director of Finance to the trustee for any Parity Obligations or other third party payee thereof to make and satisfy the payments due on the next applicable payment dates. For the period that the Authority has assigned its rights under this Installment Sale Agreement to the Bank, the City shall make the semiannual Installment Payments, directly to the Bank in accordance with Section 3.04 hereof on the June 1 and December 1 payment dates, respectively.

After the payments contemplated by paragraphs (i) and (ii) above have been made, any amounts thereafter remaining in the Wastewater System Enterprise Fund may from time to time be used for the payment of the interest and principal payments becoming due and payable on all Subordinate Obligations and the net payments becoming due on all Interest Rate Protection Agreements that are Subordinate Obligations (except any Settlement Amounts) and any other amounts becoming due and payable with respect to Subordinate Obligations (including any letter of credit and remarketing fees and any other amounts becoming due and payable to make up any deficiency in the reserve funds for Subordinate Obligations, including all Reserve Fund Credit Facility Costs) and any Settlement Amounts on all Interest Rate Protection Agreements that are Parity Obligations, so long as the following conditions are met: (A) all Maintenance and Operations Costs are being and have been paid and are then current; and (B) all deposits and payments contemplated by paragraphs (i) and (ii) above shall have been made in full and no deficiency in any reserve fund for Parity Obligations shall exist and no Reserve Fund Credit Facility Costs for such reserve funds shall be due and payable, and there shall have been paid, or segregated within the Wastewater System Enterprise Fund, the amounts currently payable pursuant to paragraphs (i) and (ii) above.

After the deposits contemplated by this Section 3.02 have been made, any amounts thereafter remaining in the Wastewater System Enterprise Fund may be used for any lawful purpose, including, but not limited to, the payment of any Settlement Amounts on any Interest Rate Protection Agreements that are Subordinate Obligations.

Section 3.03. Prepayment of Installment Payments.

(a) The City may prepay from any source of available funds, including the Net Proceeds, on any date all or any part of the principal amount of the unpaid Installment Payments at a prepayment price equal to the sum of the principal amount prepaid plus accrued interest thereon to the date of prepayment, without premium on any Installment Payment Date; provided however that (i) any prepayments made through and including June 30, 2016 will include a 2% prepayment penalty, (ii) any prepayments made from July 1, 2016 through June 30, 2018 will

include a 1% prepayment penalty, and (iii) any prepayments made after June 30, 2018 may be made without premium or penalty.

(b) Before making any prepayment pursuant to this Section, the City shall give written notice to the Authority describing such event and specifying the date on which the prepayment will be paid and the order thereof, which date shall be not less than thirty (30) days nor more than sixty (60) days from the date such notice is given; provided, that notwithstanding any such prepayment, the City shall not be relieved of its obligations hereunder, including specifically its obligations under this Article, until the Purchase Price shall have been fully paid (or provision for payment thereof shall have been made pursuant to Article VI).

Section 3.04. Manner of Payment. All payments by or on behalf of the City to the Authority hereunder shall be fully earned when due and nonrefundable when paid and made in lawful currency of the United States of America and in immediately available funds. Unless charged by the Bank against the City's deposit accounts with the Bank as authorized below, all amounts payable to the Bank as the assignee of the Authority hereunder shall be transferred to the Bank's account set forth in the Supplemental Agreement not later than 4:00 p.m. New York, New York time, on the date payment is due. The City hereby authorizes the Bank to charge, from time to time, against any or all of the City's deposit accounts with the Bank any amount payable to the Bank as the assignee of the Authority hereunder, including, but not limited to, account #[_____] maintained with the Bank. Notwithstanding this authorization, the City shall be in default for nonpayment as provided in this Installment Sale Agreement until and unless the default is cured by payment, whether initiated by the Bank or by the City. Any payment received by the Authority after 4:00 p.m., New York, New York time, shall be deemed to have been received by the Authority on the next Business Day. If any payment hereunder is due on a day that is not a Business Day, then such payment shall be due on the next succeeding Business Day, and, in the case of the computation of the interest or fees hereunder, such extension of time shall, in such case, be included in the computation of the payment due hereunder. Payments received by the Authority shall be applied, first, to any fees, costs, charges or expenses payable by the City hereunder; second, to past due interest; third, to current interest; and, fourth, to principal.

ARTICLE IV
COVENANTS OF THE CITY

Section 4.01. Compliance with Installment Sale Agreement. The City shall punctually pay the Installment Payments in strict conformity with the terms hereof, and shall faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and shall not terminate this Installment Sale Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Wastewater System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including Acts of

God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

Section 4.02. Against Encumbrances. The City shall pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the City in, upon, about or relating to the Wastewater System. Except as provided in Section 4.17, the City shall keep the Wastewater System free of any and all liens against any portion of the Wastewater System. In the event any such lien attaches to or is filed against any portion of the Wastewater System, the City shall cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City shall forthwith pay and discharge or cause to be paid and discharged such judgment. The City shall, to the maximum extent permitted by law, indemnify and hold the Authority harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against any portion of the Wastewater System.

Section 4.03. Against Sale or Other Disposition of Property. The City shall not sell, lease or otherwise dispose of the Wastewater System or any part thereof essential to the proper operation of the Wastewater System or to the maintenance of the Net Wastewater System Revenue, and shall not enter into any agreement or lease which would impair the operation of the Wastewater System or any part thereof necessary to secure adequate Net Wastewater System Revenue for the payment of the Installment Payments, or which would otherwise impair the rights of the Authority with respect to the Net Wastewater System Revenue or the operation of the Wastewater System; provided, that any real or personal property which has become inoperative or which is not needed for the efficient and proper operation of the Wastewater System, or any material or equipment which has become worn out, may be sold if such sale will not reduce the Net Wastewater System Revenue below the requirements to be maintained under Section 4.13.

Section 4.04. Tax Covenants. The City shall not take any action, or fail to take any action, if such action or failure to take action would adversely affect the exclusion from gross income, for federal income tax purposes under Section 103 of the Code, of the interest component of the Installment Payments. This covenant survives payment in full or defeasance of the Installment Payments.

Section 4.05. Maintenance and Operation of the Wastewater System; Budgets. The City shall maintain and preserve the Wastewater System in good repair and working order at all times and will operate the Wastewater System in an efficient and economical manner, and shall maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the Wastewater System may be properly and advantageously conducted. The City shall pay

(a) all indebtedness and obligations of the City in accordance with the terms thereof and (b) all assessments or other governmental charges as the same respectively become due, all taxes, assessments (general or special) and governmental charges of any kind whatsoever that may be at any time lawfully assessed or levied against or with respect to the Wastewater System or Net Wastewater System Revenue or any interest thereon and promptly discharge or cause to be discharged all liens, encumbrances and charges on such property and assets.

Section 4.06. Compliance with Contracts. The City shall 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 Wastewater System and all other contracts affecting or involving the Wastewater System to the extent that the City is a party thereto.

Section 4.07. Payment of Claims. The City shall pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Net Wastewater System Revenue or any part thereof prior or superior to the obligation to make the Installment Payments as provided herein or which might impair the security of the Installment Payments.

Section 4.08. Insurance. The City shall procure and maintain such insurance relating to the Wastewater System which it deems advisable or necessary to protect its interests and the interests of the Authority, which insurance will afford protection in such amounts and against such risks as are usually covered in connection with municipal wastewater systems similar to the Wastewater System; provided, that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with municipal wastewater systems similar to the Wastewater System and is, in the opinion of an Insurance Consultant, financially sound. All policies of insurance required to be maintained herein must provide that the Authority be given thirty (30) days written notice of any intended cancellation thereof or reduction of coverage provided thereby.

The City shall promptly advise the Authority, in writing, if any change in the insurance coverage occurs and, no later than July 31 of each year beginning July 31, 2014, provide to the Authority a report as to all insurance policies maintained and self-insurance programs maintained by the City with respect to the Wastewater System, including the names of the insurers which have issued the policies and the amounts thereof and the property or risks covered thereby.

Section 4.09. Accounting Records and Financial Statements.

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

(b) The City shall comply with the reporting requirements set forth in Section 5.01 of the Supplemental Agreement.

Section 4.10. Protection of Security and Rights of the Authority. The City shall preserve and protect the security hereof and the rights of the Authority to the Installment

Payments and any other amount required to be paid hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 4.11. Payment of Taxes and Compliance with Governmental Regulations. The City shall pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Wastewater System or any part thereof when the same shall become due. The City shall duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Wastewater System or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 4.12. Amount of Rates, Fees and Charges. The City shall at all times fix, prescribe and collect rates, fees and charges for the Wastewater Service which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield Net Wastewater System Revenue during the next succeeding Fiscal Year of the City equal to at least 1.20 times the aggregate amount of Installment Payments and any other amount required to be paid hereunder and the aggregate debt service during such Fiscal Year on all Parity Obligations and Subordinate Obligations (the "**Debt Service Coverage Requirement**"). The City may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Net Wastewater System Revenue from such reduced rates, fees and charges will at all times be sufficient to meet the Debt Service Coverage Requirement.

Section 4.13. Collection of Rates, Fees and Charges. The City shall have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Wastewater System to pay the rates, fees and charges applicable to the Wastewater Service to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The City shall not permit any part of the Wastewater 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, district, political subdivision, public corporation or agency of any thereof); provided, that the City may without charge use the Wastewater Service if it chooses. As of the date of this Agreement, the City pays the rates, fees and charges applicable to the Wastewater System.

Section 4.14. Eminent Domain and Insurance Proceeds. If all or any part of the Wastewater System is taken by eminent domain proceedings, or if the City receives any insurance proceeds resulting from a casualty loss to the Wastewater System, the Net Proceeds thereof, at the option of the City, will be applied either to the prepayment of the Installment Payments as provided in Section 3.03 hereof or will be used to substitute other components for the condemned or destroyed components of the Wastewater System.

Section 4.15. Further Assurances. The City shall adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Authority of the rights and benefits provided to it herein.

Section 4.16. Licenses; Permits. The City shall take all necessary and appropriate action to ensure the continuance in force of all material consents, licenses, permits, orders, decrees, approvals, authorizations, registrations and filings obtained or made in connection with this Installment Sale Agreement or the Assignment Agreement or necessary to operate the Wastewater System.

Section 4.17. Limitations on Future Obligations Secured by Net Wastewater System Revenue.

(a) No Obligations Superior to Installment Payments. In order to protect further the availability of the Net Wastewater System Revenue and the security for the obligations of the City under this Installment Sale Agreement and any Parity Obligations, City hereby agrees that City shall not, so long as any obligations of the City under this Installment Sale Agreement are outstanding, issue or incur any obligations payable from Wastewater System Revenue or Net Wastewater System Revenue superior to the obligations of the City under this Installment Sale Agreement or the Parity Obligations. The City may issue or incur Parity Obligations and Subordinate Obligations as provided below.

(b) Parity Obligations. City further covenants that, except for financing obligations solely issued to fully or partially refund the Installment Payments or any other Parity Obligations and to pay related costs of issuance, the City shall not issue or incur any Parity Obligations unless:

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

(ii) The City shall have delivered to the Authority a Certificate of the City demonstrating that Net Wastewater System Revenue, calculated on sound accounting principles, as shown by the books of City for the last audited Fiscal Year or twelve (12) calendar month period during the immediately preceding eighteen (18) calendar month period, plus, at the option of the City the additional allowance described below, shall have amounted to at least 1.20 times the sum of the Installment Payments and any other amount required to be paid hereunder coming due and payable in any future Fiscal Year and the maximum annual debt service for any future Fiscal Year on all Parity Obligations and Subordinate Obligations outstanding immediately subsequent to the incurring of such proposed Parity Obligations in the Fiscal Year in which such sum is the greatest; and

Either or both of the following items may be added to such Net Wastewater System Revenue for the purpose of applying the restriction contained in this subsection (b)(ii):

(A) an allowance for Net Wastewater System Revenue from any additions to or improvements or extensions of the Wastewater System to be constructed or acquired with the proceeds of such additional obligations, and also for Net Wastewater System Revenue from any such additions, improvements or extensions which have been constructed or acquired from moneys from any source but which, during all or any part of such Fiscal Year or twelve (12) month period, were not in service, all in an amount equal to 90% of the estimated additional annual Net Wastewater System Revenue to be derived from such additions,

improvements and extensions during the first full Fiscal Year following the completion thereof, all as shown by such Certificate of the City may be added to such Net Wastewater System Revenue for the purpose of applying the restriction contained in this subsection (b)(ii);

(B) an allowance for earnings arising from any increase in the rates, fees and charges fixed and prescribed for Wastewater Service which has become effective prior to the incurring of such proposed Parity Obligations but which, during all or any part of such Fiscal Year or twelve (12) month period, was not in effect, in an amount equal to 90% of the amount by which the Net Wastewater System Revenue would have been increased if such increase in rates, fee and charges had been in effect during the whole of such Fiscal Year or twelve (12) month period, as shown by such Certificate of the City.

The provisions of subsection (b)(ii) of this Section shall not apply to any Parity Obligations if all of the proceeds of which (other than proceeds applied to pay costs of issuing such Parity Obligations and to make the reserve fund deposit required pursuant to subsection (b)(iii) of this Section) shall be deposited in an irrevocable escrow held in cash or invested in Federal Securities for the purpose of paying the principal of and interest and premium (if any) on any outstanding Parity Obligations, if (x) at the time of the incurring of such Parity Obligations, City certifies in writing that maximum annual debt service on such Parity Obligations will not exceed Maximum Annual Debt Service on the Parity Obligations to be refunded, and (y) the final maturity of such Parity Obligations is not later than the final maturity of the refunded Parity Obligations.

In order to maintain the parity relationship of the obligations of the City under this Installment Sale Agreement to all Parity Obligations permitted hereunder, the City covenants that all payments in the nature of principal and interest or reserve account replenishment with respect to any Parity Obligations will be structured to occur semi-annually on the Installment Payment Dates in each year with respect to the Installment Payments, and reserve account replenishment with respect to any Parity Obligations will be structured to occur monthly, and to otherwise structure the terms of such Parity Obligations to ensure that they are in all respects payable on a parity with the obligations of the City under this Installment Sale Agreement and not prior thereto.

(iii) There shall be established from the proceeds of such Parity Obligations a reserve fund for the security of such Parity Obligations, in an amount equal to the lesser of (1) the maximum amount of debt service required to be paid by City with respect to such Parity Obligations during any Fiscal Year, or (2) the maximum amount then permitted under the Code, in either event as certified in writing by City.

(c) Subordinate Obligations. The City may at any time issue Subordinate Obligations payable as provided in Section 2.03; provided that no Event of Default has occurred and is continuing and the following conditions are satisfied:

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

(ii) The City shall have delivered to the Authority a Certificate of the City demonstrating that Net Wastewater System Revenue, calculated on sound accounting principles,

as shown by the books of City for the last audited Fiscal Year or twelve (12) calendar month period during the immediately preceding eighteen (18) calendar month period, plus, at the option of the City the additional allowance described below, shall have amounted to at least 1.20 times the sum of the Installment Payments and any other amount required to be paid hereunder coming due and payable in any future Fiscal Year and the maximum annual debt service for any future Fiscal Year on all Parity Obligations and Subordinate Obligations outstanding immediately subsequent to the incurring of such proposed Subordinate Obligations in the Fiscal Year in which such sum is the greatest; and

Either or both of the following items may be added to such Net Wastewater System Revenue for the purpose of applying the restriction contained in this subsection (c)(ii):

(A) an allowance for Net Wastewater System Revenue from any additions to or improvements or extensions of the Wastewater System to be constructed or acquired with the proceeds of such additional obligations, and also for Net Wastewater System Revenue from any such additions, improvements or extensions which have been constructed or acquired from moneys from any source but which, during all or any part of such Fiscal Year or twelve (12) month period, were not in service, all in an amount equal to 90% of the estimated additional annual Net Wastewater System Revenue to be derived from such additions, improvements and extensions during the first full Fiscal Year following the completion thereof, all as shown by such Certificate of the City may be added to such Net Wastewater System Revenue for the purpose of applying the restriction contained in this subsection (b)(ii);

(B) an allowance for earnings arising from any increase in the rates, fees and charges fixed and prescribed for Wastewater Service which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year or twelve (12) month period, was not in effect, in an amount equal to 90% of the amount by which the Net Wastewater System Revenue would have been increased if such increase in rates, fees and charges had been in effect during the whole of such Fiscal Year or twelve (12) month period, as shown by such Certificate of the City.

In order to maintain the subordinate relationship of the Subordinate Obligations to all Parity Obligations, the City covenants that all payments in the nature of principal and interest or reserve account replenishment with respect to any Subordinate Obligations will be structured to occur semi-annually on the Installment Payment Dates in each year with respect to the Installment Payments, and reserve account replenishment with respect to any Subordinate Obligations will be structured to occur monthly, and to otherwise structure the terms of such Subordinate Obligations to ensure that they are in all respects payable on a basis subordinate to the obligations of the City under this Installment Sale Agreement and not on a parity with or prior thereto, including without limitation, including in the Issuing Document a flow of funds substantially similar to Section 2.03 hereof.

Section 4.18. Environmental Matters. The City shall comply with all Environmental Laws applicable to the construction, ownership or use of the Wastewater System and will cause, to the extent possible, its tenants and other Persons occupying or using its facilities to comply with such Environmental Laws, will timely pay or cause to be paid all costs and expenses incurred in such compliance, and will keep or cause to be kept all of its facilities free and clear of

any liens imposed pursuant to such Environmental Laws, unless the same are being contested in good faith and by appropriate legal proceedings and such contest shall operate to stay the material adverse effect of any such non-compliance.

Section 4.19. Preservation of Existence; Ownership Etc. The City shall not dissolve nor shall it sell, lease, assign, transfer or otherwise dispose of all or substantially all of its assets. The City shall preserve and maintain its existence, right and franchises and licenses. The City shall not consolidate with or merge into another Person or permit one or more other Persons to consolidate with or merge into it or acquire all or substantially all of the property and assets of any other Person.

Section 4.20. No Priority Claim. The City shall not incur, assume or permit any pledge, lien, charge or encumbrance on the Net Wastewater System Revenue with a claim to payment of higher priority than the claim of the obligations of the City under this Installment Sale Agreement.

ARTICLE V
EVENTS OF DEFAULT AND REMEDIES

Section 5.01. Events of Default and Acceleration of Principal.

(a) The occurrence of any of the following is an "**Event of Default**":

(i) City's failure to pay any Installment Payment or any other amount required to be paid hereunder when such Installment Payment or such other amount becomes due and payable;

(ii) if the City is in default of the performance of any of the agreements or covenants contained herein required to be performed by it, and such default has continued for a period of thirty (30) days after the City shall have been given notice in writing of such default by the Authority;

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

(iv) the occurrence of an Event of Default set forth in Section 6.01 of the Supplemental Agreement.

(b) In each and every such case during the continuance of such Event of Default specified in clause (a) above, the Authority shall, and for any other such Event of Default the Authority may, by notice in writing to the City, declare the entire principal amount of the unpaid Installment Payments and the accrued interest thereon and any other unpaid amount required to

be paid hereunder to be due and payable immediately, and upon any such declaration said unpaid Installment Payment and any other unpaid amount required to be paid hereunder becomes immediately due and payable, anything contained herein to the contrary notwithstanding. This Section is subject to the condition, however, that if at any time after the entire principal amount of the unpaid Installment Payments and the accrued interest thereon have been so declared due and payable, and before any judgment or decree for the payment of the money due has been obtained or entered, the City shall deposit with the Authority a sum sufficient to pay the unpaid principal amount of the Installment Payments due and payable prior to such declaration and the accrued interest thereon and any other unpaid amount required to be paid hereunder, with interest on such overdue installments at the rate or rates applicable to such unpaid principal amounts of the Installment Payments if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) have been cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate has been made therefor, then and in every such case the Authority, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment extends to or affects any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 5.02. Application of Net Wastewater System Revenue Upon Acceleration. All Net Wastewater System Revenue upon the date of the declaration of acceleration by the Authority as provided in Section 5.01 and all Net Wastewater System Revenue thereafter received will be applied in the following order:

First, to the payment of the costs and expenses of the Authority, if any, in carrying out the provisions of this Article, including reasonable compensation to its agents, accountants and counsel and including any indemnification expenses;

Second, to the payment of the interest then due and payable on the entire principal amount of the unpaid Installment Payments, and, if the amount available is not sufficient to pay in full all such interest then due and payable, then to the payment thereof ratably, according to the amounts due thereon without any discrimination or preference; and

Third, to the payment of the unpaid principal amount of the Installment Payments which has become due and payable, whether on the original due date or upon acceleration, with interest on the overdue principal and interest amounts of the unpaid Installment Payments at the rate or rates of interest then applicable to such Installment Payments if paid in accordance with their terms, and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to the Installment Payments on any date, together with such interest, then to the payment thereof ratably, according to the principal amount due on such date, without any discrimination or preference; and

Fourth, to the payment of any other amount required to be paid hereunder.

Section 5.03. Other Remedies. The Authority has the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any City Council member, officer or employee thereof, and to compel the City or any such City Council 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 the Authority; or

(c) by suit in equity upon the happening of an Event of Default to require the City and its City Council members, officers and employees to account as the trustee of an express trust.

Section 5.04. Non-Waiver. Nothing in this Article or in any other provision hereof shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the Installment Payments from the Net Wastewater System Revenue to the Authority at the respective due dates or upon prepayment, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

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

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

Section 5.05. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy is cumulative and in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

ARTICLE VI
DISCHARGE OF OBLIGATIONS

Section 6.01. Discharge of Obligations.

(a) If the City pays or cause to be paid all the Installment Payments at the times and in the manner provided herein, the right, title and interest of the Authority herein and the

obligations of the City hereunder will thereupon cease, terminate, become void and be completely discharged and satisfied.

(b) Any unpaid principal installment of the Installment Payments will on its payment date or date of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this Section if the City makes payment of such Installment Payments and the prepayment premium, if applicable, in the manner provided herein.

(c) All or any portion of unpaid principal components of the Installment Payments 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 subsection (a) of this Section if (i) notice is provided by the City to the Authority, (ii) an amount has been deposited with the Authority in sufficient monies, or Permitted Investments of the type described in clause (1) of the definition of Permitted Investments that are not subject to redemption prior to maturity (including any such Permitted Investments issued or held in book entry form on the books of the Treasury of the United States of America) or tax-exempt obligations of a state or a political subdivision thereof which have been defeased under irrevocable escrow instructions by the deposit of such money or Permitted Investments and which are then rated in the highest rating category by the Rating Agencies, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Authority, shall be sufficient to pay when due the principal components of such Installment Payments or such portions thereof on and prior to their payment dates or their dates of prepayment, as the case may be, the accrued interest thereon and the prepayment premiums, if any, applicable thereto, (iii) an Opinion of Counsel is filed with the Authority to the effect that the action taken pursuant to this subsection will not cause the interest component of the Installment Payments to be includable in gross income under the Code for federal income tax purposes, and (iv) a report of a qualified firm selected by the Authority to the effect that such moneys or Permitted Investments and the interest thereon will be sufficient to pay all such interest, principal and prepayment premiums when due.

(d) After the payment of all Installment Payments and prepayment premiums or penalties, if any, as provided in this Section, and payment of all fees and expenses of the Authority, the Authority, upon request of the City, shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and the Authority and shall execute and deliver to the City and the Authority all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of this Installment Sale Agreement, and the Authority shall pay over and deliver to the City, as an overpayment of Installment Payments, all such money or investments held by it pursuant hereto other than such money and such investments as are required for the payment or prepayment of the Installment Payments, which money and investments shall continue to be held uninvested by the Authority in trust for the payment of the Installment Payments and shall be applied by the Authority pursuant to this Installment Sale Agreement.

ARTICLE VII
MISCELLANEOUS

Section 7.01. Liability of City Limited to Net Wastewater System Revenue. Notwithstanding anything contained herein, the City shall not be required to advance any

moneys derived from any source of income other than the Net Wastewater System Revenue for the payment of the Installment Payments or any other amount required to be paid hereunder or for the performance of any agreements or covenants required to be performed by it contained herein. The City may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the Installment Payments and any other amount required to be paid hereunder is a special obligation of the City payable solely from the Net Wastewater System Revenue as provided herein, and does not constitute a debt of the City or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Section 7.02. Benefits of Installment Sale Agreement. Except as provided in Section 7.07 hereof, nothing contained herein, expressed or implied, is intended to give to any person other than the Authority or the City any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the Authority or the City shall be for the sole and exclusive benefit of the other party.

Section 7.03. Waiver of Personal Liability. No City Council member and no officer or employee of the City shall be individually or personally liable for the payment of the Installment Payment, but nothing contained herein shall relieve any City Council member or any officer or employee of the City from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 7.04. Successor Is Deemed Included in all References to Predecessor. Whenever either the Authority or the City is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority or the City , and all agreements and covenants required hereby to be performed by or on behalf of the Authority or the City shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 7.05. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections," "Exhibits" and other subdivisions or clauses are to the corresponding articles, sections, exhibits, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this Installment Sale Agreement as a whole and not to any particular article, section, exhibit, subdivision or clause hereof.

Section 7.06. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority or the City shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The

Authority and the City hereby declare that they would have executed this Installment Sale Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 7.07. Assignment. This Installment Sale Agreement and any rights hereunder shall be assigned by the Authority to the Bank as provided in the Assignment Agreement, to which assignment the City hereby expressly acknowledges and consents. Upon such assignment, all references to the rights, interests, security and remedies of the Authority hereunder (other than the Authority's indemnification rights contained in Section 7.10 hereof retained by the Authority pursuant to the Assignment Agreement), shall be deemed to be the rights, interests, security and remedies of the Bank as the assignee of the Authority. The City further expressly acknowledges and agrees that the Bank may assign its right, title and interest in and to the Assignment Agreement, but only as set forth in Section 7 of the Assignment Agreement. Further, upon such assignment, all notices and other documents to be delivered to the Authority hereunder shall be delivered to the Bank as the assignee of the Authority.

Section 7.08. Net Contract. This Installment Sale Agreement shall be deemed and construed to be a net contract, and the City shall pay absolutely net during the term hereof the Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 7.09. California Law. This Installment Sale Agreement shall be construed and governed in accordance with the laws of the State of California.

Section 7.10. Indemnification. The City shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Authority and its 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, penalties and interest arising out of or as the result of the entering into of this Installment Sale Agreement, the acquisition, construction, installation and use of the Wastewater System and each portion thereof or any accident in connection with the operation, use, condition or possession of the Wastewater System or any portion thereof 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 City or the Authority; any claim for patent, trademark or copyright infringement; and any claim arising out of strict liability in tort. The indemnification arising under this Section shall continue in full force and effect notwithstanding the full payment of all obligations hereunder or the termination hereof for any reason. The City agrees not to withhold or abate any portion of the payments required pursuant hereto by reason of any defects, malfunctions, breakdowns or infirmities of the Project. The City and the Authority mutually agree to promptly give notice to each other of any claim or liability hereby indemnified against following either's learning thereof.

Section 7.11. Funds. Any fund required to be established and maintained herein by the City may be established and maintained in the accounting records of the City either as an account

or a fund, and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to any such fund shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of this Installment Payments and the rights of the Bank to such Installment Payments and any other amount required to be paid hereunder.

Section 7.12. Notices. All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the City:

City of Pittsburg
65 Civic Avenue
Pittsburg, CA 94565
Attention: City Manager

If to the Authority:

City of Pittsburg Public Financing Authority
65 Civic Avenue
Pittsburg, CA 94565
Attention: President

Section 7.13. Effective Date. This Installment Sale Agreement shall become effective upon its execution and delivery, and shall terminate when the Purchase Price and any other amount required to be paid hereunder shall have been fully paid (or provision for the payment thereof shall have been made pursuant to Article VI).

Section 7.14. Execution in Counterparts. This Installment Sale Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 7.15. Amendments. This Installment Sale Agreement and each provision hereof may be amended, changed, waived, discharged or terminated only by an instrument in writing signed by the Authority and the City.

SIGNATURES ON FOLLOWING PAGE

IN WITNESS WHEREOF, the Parties hereto have executed this Installment Sale Agreement by their duly authorized officers as of the date first written above.

CITY OF PITTSBURG PUBLIC FINANCING AUTHORITY,
a California joint exercise of powers authority

By: _____
Salvatore Evola
Chair

ATTEST:

_____
Alice Evenson
Secretary

CITY OF PITTSBURG,
a municipal corporation

By: _____
Joe Sbranti
City Manager

ATTEST:

_____
Alice Evenson
City Clerk

EXHIBIT A

Installment Payments Schedule

Payment Date	Interest Payment[1]	Principal Payment	Total Payment[1]
December 1, 2014	$34,730.42	$370,000.00	$404,730.42
June 1, 2015	38,533.00	371,000.00	409,533.00
December 1, 2015	35,657.75	368,000.00	403,657.75
June 1, 2016	32,805.75	369,000.00	401,805.75
December 1, 2016	29,946.00	377,000.00	406,946.00
June 1, 2017	27,024.25	376,000.00	403,024.25
December 1, 2017	24,110.25	381,000.00	405,110.25
June 1, 2018	21,157.50	380,000.00	401,157.50
December 1, 2018	18,212.50	386,000.00	404,212.50
June 1, 2019	15,221.00	386,000.00	401,221.00
December 1, 2019	12,229.50	391,000.00	403,229.50
June 1, 2020	9,199.25	391,000.00	400,199.25
December 1, 2020	6,169.00	398,000.00	404,169.00
June 1, 2021	3,084.50	398,000.00	401,084.50

[1] Based on an interest rate of 1.55% per annum, calculated on the basis of a 360-day year and actual days elapsed; provided that upon the occurrence and during the continuance of an Event of Default under the Installment Sale Agreement, the interest component of the Installment Payments shall be calculated based on the Default Rate, calculated on the basis of a 360-day year and actual days elapsed and adjusted accordingly. If the interest component of the Installment Payments for any period calculated at the Default Rate exceeds the amount of interest that would be payable for such period had interest for such period been calculated at the Maximum Rate, then interest for such period shall be payable in an amount calculated at the Maximum Rate for such period. Any interest component of the Installment Payments that would have been due and payable for any period but for the operation of the preceding sentence shall accrue and be payable as provided below and shall, less interest actually paid to the Bank for such period, constitute the "Excess Interest Amount." If there is any accrued and unpaid Excess Interest Amount as of any date then the principal amount with respect to which interest is payable shall bear interest at the Maximum Rate, until payment to the Authority of the entire Excess Interest Amount. Notwithstanding the foregoing, on the date on which no Installment Payments or any other amount required to be paid hereunder remains unpaid, the City shall pay to the Authority a fee equal to any accrued and unpaid Excess Interest Amount.

Execution Copy

2014-0886

SUPPLEMENTAL AGREEMENT

dated as of June 30, 2014,

between

CITY OF PITTSBURG

and

BANK OF THE WEST

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SUPPLEMENTAL AGREEMENT

THIS SUPPLEMENTAL AGREEMENT, dated as of June 30, 2014 (as the same may be amended, restated, supplemented or otherwise modified from time to time, this "Supplemental Agreement"), between **CITY OF PITTSBURG**, a general law city and municipal corporation duly organized and existing under the Constitution and laws of the State of California (the "City") and **BANK OF THE WEST** (the "Bank").

RECITALS

WHEREAS, in order to refinance certain facilities, the City caused the City of Pittsburg Public Financing Authority (the "Authority") to issue its Wastewater Revenue Refunding Bonds, Series 2004 (the "Prior Bonds"), in an original aggregate principal amount of $11,950,000 and currently outstanding in the aggregate principal amount of $6,160,000 and connection therewith, the City determined to make installment sale payments (the "Prior Installment Payments") to the Authority pursuant to the Master Installment Sale Agreement, dated as of March 1, 2004 (the "Prior Master Installment Sale Agreement"), as supplemented by a First Supplemental Installment Sale Agreement, dated as of March 1, 2004 (the "Prior First Supplemental Installment Sale Agreement" and together with the Prior Master Installment Sale Agreement, the "Prior Installment Sale Agreement"), for the refinancing of such facilities; and

WHEREAS, the City desires to cause all of the installment sale payments under the Prior Installment Sale Agreement to be repaid and all of the Prior Bonds to be redeemed; and

WHEREAS, in order to facilitate the refinancing of the Prior Bonds, the City will make installment sale payments to the Authority pursuant to the Installment Sale Agreement, dated as of June 30, 2014 (as more particularly defined herein, the "Installment Sale Agreement"); and

WHEREAS, the City and the Authority have determined that it would be in the best interests of the City and the Authority to provide the funds necessary to cause the redemption in full of the Prior Bonds through the assignment by the Authority of all rights to receive the Installment Payments and the other amounts required to be paid under the Installment Sale Agreement pursuant to an Assignment Agreement, dated as of June 30, 2014 (as more particularly defined herein, the "Assignment Agreement"); and

WHEREAS, in consideration of such assignment, the Bank has agreed to provide the funds to redeem the Prior Bonds in full, and as a condition to such funding, the Bank has required the City to enter into this Supplemental Agreement.

NOW, THEREFORE, to induce the Bank to provide the funds to redeem the Prior Bonds in full, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the City and the Bank hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Certain Defined Terms. In addition to the terms defined in the recitals and elsewhere in this Supplemental Agreement and the Installment Sale Agreement, the following terms shall have the following meanings:

"Assignment Agreement" means the Assignment Agreement, dated as of June 30, 2014, by and between the Authority and the Bank, as it may be amended or supplemented from time to time.

"Bank" means Bank of the West, and its successors and assigns.

"Base Rate" means a fluctuating rate per annum equal to the higher of (i) the Prime Rate and (ii) the Federal Funds Rate plus 0.50% per annum.

"City Wastewater Obligation" means any long-term obligations to third parties in respect of borrowed moneys payable from or secured by Net Wastewater System Revenue, including without limitation installment payments in connection with certificates of participation and wastewater revenue bonds. The City Wastewater Obligations outstanding as of the Closing Date are listed on Exhibit B hereto.

"City Wastewater Obligation Issuing Document" means any Contract or resolution authorizing or evidencing the issuance or incurrence of any City Wastewater Obligation.

"Closing Date" means June 30, 2014.

"Contract" means any indenture, contract, agreement (other than this Supplemental Agreement), other contractual restriction, lease, mortgage, instrument, guaranty, certificate of incorporation, charter or by-law.

"Default" means any event or condition which with notice, passage of time or any combination of the foregoing would constitute an Event of Default.

"Default Rate" means a fluctuating rate per annum equal to the Base Rate; provided that at no time shall the Default Rate exceed 12% per annum. The Default Rate shall be calculated on the basis of a 360-day year and actual days elapsed.

"Escrow Agreement" means the Escrow Agreement, dated as of June 30, 2014, by and between the Authority and the trustee for the Prior Bonds, as it may be amended or supplemented from time to time.

"Event of Insolvency" means, with respect to any Person, the occurrence of one or more of the following events:

(a) the issuance, under the laws of any state or under the laws of the United States of America, of an order of rehabilitation, liquidation or dissolution of such Person;

(b) the commencement by or against such Person of a case or other proceeding seeking liquidation, reorganization or other relief with respect to such Person or its debts under any bankruptcy, insolvency or other similar state or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for such Person or any substantial part of its property or there shall be appointed or designated with respect to it, an entity such as an organization, board, commission, authority, agency or body to monitor, review, oversee, recommend or declare a financial emergency or similar state of financial distress with respect to it or there shall be declared or introduced or proposed for consideration by it or by any legislative or regulatory body with competent jurisdiction over it, the existence of a state of financial emergency or similar state of financial distress in respect of it;

(c) the making of an assignment for the benefit of creditors by such Person;

(d) the failure of such Person to generally pay its debts as they become due;

(e) a debt moratorium, debt adjustment, debt restructuring or comparable restriction with respect to the payment of any indebtedness of such Person is declared or imposed by such Person or by any governmental authority having jurisdiction over such Person;

(f) such Person shall admit in writing its inability to pay its debts when due; or

(g) the initiation of any actions to authorize any of the foregoing by or on behalf of such Person.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average (rounded upwards, if necessary to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Bank from three Federal funds brokers of recognized standing selected by it.

"Generally Accepted Accounting Principles" means generally accepted accounting principles in effect from time to time in the United States and applicable to entities such as the City.

"Installment Sale Agreement" means the Installment Sale Agreement, dated as of June 30, 2014, by and between the Authority and the City, as it may be amended or supplemented from time to time.

"Material Adverse Effect" means an event or occurrence which adversely affects in a material manner (a) the assets, liabilities, condition (financial or otherwise), business or operations of the Wastewater System or the Wastewater Service (including the Net Wastewater System Revenue generated therefrom), (b) the ability of the City to operate the Wastewater

System or furnish the Wastewater Service as of the date of this Supplemental Agreement or as proposed herein to be conducted or to meet or perform its obligations under this Supplemental Agreement, the Installment Sale Agreement or any of the other Transaction Documents on a timely basis, (c) the validity or enforceability of this Supplemental Agreement, the Installment Sale Agreement or any other Transaction Document, or (d) the rights or remedies of the Bank under this Supplemental Agreement, the Installment Sale Agreement or any other Transaction Document.

"Material Litigation" has the meaning assigned to such term in Section 4.05(a) of this Supplemental Agreement.

"Net Wastewater System Revenue" has the meaning assigned to such term in the Installment Sale Agreement.

"Payment Agreement" has the meaning assigned to such term in the Installment Sale Agreement.

"Person" means an individual, partnership, corporation (including a business trust), limited liability company, trust, unincorporated association, joint venture, governmental unit or other entity.

"Prime Rate" means an index for a variable interest rate which is quoted, published or announced by the Bank as its prime rate and as to which loans may be made by the Bank at, above or below such rate.

"State" means the State of California.

"Tax Certificate" means the Tax Certificate of the City dated the Closing Date, as it may be amended or supplemented from time to time.

"Taxable Date" means the date as of which the interest component of the Installment Payments is first includable in the gross income of the holders thereof (including, without limitation, any previous holder) thereof as determined pursuant to either (i) an opinion of Special Counsel, or (ii) a final decree or judgment of any federal court or a final action by the Internal Revenue Service that is delivered to the City.

"Transaction Documents" means this Supplemental Agreement, the Installment Sale Agreement, the Assignment Agreement, the Escrow Agreement and the Tax Certificate.

"Transactions" means the execution and delivery of the Transaction Documents, the providing of funds by the Bank to redeem the Prior Bonds in full, the execution and delivery by the City of this Supplemental Agreement and the other Transaction Documents, the making of installment sale payments under the Installment Sale Agreement, the performance by the City of its obligations (including payment obligations) hereunder and thereunder.

"Wastewater System Enterprise Fund" means the Wastewater System enterprise fund of the City, as described in Section 3.02 of the Installment Sale Agreement.

"Wastewater Service" means the wastewater collection, transmission, treatment and disposal service furnished, made available or provided by the Wastewater System.

"Wastewater System" means all facilities for the collection, transmission, treatment and disposal of wastewater now owned by the City and administered as the system of the City, together with all other properties, structures or works hereafter acquired and constructed by the City and determined to be a part of the Wastewater System, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed, including but not limited to the Project.

Section 1.02. Construction. Unless the context of this Supplemental Agreement otherwise clearly requires, references to the plural include the singular, to the singular include the plural and to the part include the whole. The word "including" shall be deemed to mean "including but not limited to," and "or" has the inclusive meaning represented by the phrase "and/or." The words "hereof," "herein," "hereunder" and similar terms in this Supplemental Agreement refer to this Supplemental Agreement as a whole and not to any particular provision of this Supplemental Agreement. The Section headings contained in this Supplemental Agreement and the table of contents preceding this Supplemental Agreement are for reference purposes only and shall not control or affect the construction of this Supplemental Agreement or the interpretation thereof in any respect. Section, subsection and exhibit references are to this Supplemental Agreement unless otherwise specified. Each exhibit, schedule and annex attached hereto is incorporated by reference herein and is a constituent part of this Supplemental Agreement.

Section 1.03. Incorporation of Certain Definitions by Reference. Any capitalized term used herein and not otherwise defined herein shall have the meaning provided therefor in the Installment Sale Agreement.

Section 1.04. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with Generally Accepted Accounting Principles consistently applied. In the event of changes to Generally Accepted Accounting Principles which become effective after the Closing Date, the City and the Bank agree to negotiate in good faith appropriate revisions of this Supplemental Agreement so as to perpetuate the meaning and effect of such provisions as originally negotiated and agreed upon.

ARTICLE II
THE FUNDING

Section 2.01. Funding. Upon the terms and conditions set forth herein, subject to fulfillment of each of the conditions precedent set forth in Article III hereof, and upon the basis of the representations set forth herein, the Bank hereby agrees to provide funds to the City in an aggregate principal amount of $5,342,000 for deposit in the funds and accounts held under the Escrow Agreement, in consideration of the assignment by the City to the Bank of all rights to receive the Installment Payments and the other amounts required to be paid under the Installment Sale Agreement.

ARTICLE III

CONDITIONS PRECEDENT

Section 3.01. Closing Conditions. The Bank has agreed to provide funds to redeem the Prior Bonds in full in reliance upon the representations, warranties and agreements of the City contained herein, and in reliance upon the representations, warranties and agreements of the City, the Authority to be contained in the documents and instruments to be delivered on the Closing Date and upon the performance by the City of its obligations hereunder as of the Closing Date. Accordingly, the Bank's obligations under this Supplemental Agreement to provide funds to redeem the Prior Bonds in full shall be conditioned upon the performance by the City of its obligations to be performed hereunder and under such documents and instruments on or prior to the Closing Date, and shall also be subject to the following additional conditions, including the delivery by the City of such documents as are enumerated herein, in form and substance reasonably satisfactory to the Bank and its counsel; *provided that*, unless set forth in a separate section of this Supplemental Agreement or in a Transaction Document other than this Supplemental Agreement, the City's obligation to satisfy any condition under this Section 3.01 shall exist only until the Closing Date and shall cease thereafter:

(a) The following Authority documents:

(i) A copy of the resolution of the Authority approving the execution and delivery of the Transaction Documents to which the Authority is a party, approving the form of the Transaction Documents to which it is not a party and the other matters contemplated hereby and thereby, certified by the Secretary of the Authority as being true and complete and in full force and effect on the Closing Date.

(ii) Certified copies of the Authority's joint exercise of powers agreement, notice of a joint powers agreement filed with the Secretary of State and roster of public agencies filing and acknowledgment from the Secretary of State.

(iii) A certificate by the Secretary of the Authority certifying the names and signatures of the persons authorized to sign, on behalf of the Authority, the Transaction Documents to which it is a party and the other documents to be delivered by it hereunder or thereunder.

(b) The following City documents:

(i) A copy of the resolution of City Council of the City approving the execution and delivery of the Transaction Documents to which the City is a party, approving the form of the Transaction Documents to which it is not a party and the other matters contemplated hereby and thereby, certified by the City Clerk as being true and complete and in full force and effect on the Closing Date.

(ii) A certificate by the City Clerk certifying the names and signatures of the persons authorized to sign, on behalf of the City, the Transaction

Documents to which it is a party and the other documents to be delivered by it hereunder or thereunder.

(c) The following financing documents:

(i) An executed original of each of the Transaction Documents (including without limitation an Installment Sale Agreement and an Assignment Agreement that include the terms set forth on Exhibit A hereto).

(ii) Certificates signed by an authorized representative of the City and the Authority, respectively, stating that on and as of the Closing Date, copies of each of the Transaction Documents to which it is a party received by the Bank are true, correct and complete copies of such documents, such documents were duly issued, adopted or executed and delivered, have not been modified, amended or rescinded and are in full force and effect on and as of the Closing Date, and such other customary matters as the Bank may reasonably request.

(iii) A certificate signed by an authorized representative of the City, stating that on and as of the Closing Date (i) all requirements and preconditions to the execution and delivery of the Transaction Documents shall have been satisfied; (ii) the City has complied with all agreements and covenants and satisfied all conditions stated in this Supplemental Agreement on its part to be performed or satisfied at or prior to the Closing Date; (iii) each representation and warranty on the part of the City contained in this Supplemental Agreement and the other Transaction Documents is true and correct as though made on and as of such date, (iv) no Default or Event of Default has occurred and is continuing or would result from the execution or performance of this Supplemental Agreement or the other Transaction Documents to which the City is a party; and (v) and such other customary matters as the Bank may reasonably request.

(iv) A certificate of the Authority, signed by an authorized representative of the Authority, stating that on and as of the Closing Date (i) the representations and warranties of the Authority contained in the Transaction Documents to which the Authority is a party are correct on and as of the Closing Date as though made on and as of such date; (ii) no Default or Event of Default has occurred and is continuing, or would result from the Authority's execution and performance of any of the Transaction Documents to which the Authority is a party; (iii) all conditions precedent to the execution and delivery of the Transaction Documents to which the Authority is a party are correct have been satisfied; and (iv) and such other customary matters as the Bank may reasonably request.

(v) Evidence that no CUSIP number has been assigned to this financing and that the purchase price to be paid by the City to the Authority under the Installment Sale Agreement will be in a single denomination, and will not be divisible or transferable except to a "qualified institutional buyer" as defined in Rule 144A(a)(1) promulgated under the Securities Act of 1933, as amended.

(vi) Evidence of the City's maintenance of insurance required by Section 4.08 of the Installment Sale Agreement.

(vii) The most recent adopted budget of the Wastewater System and the audited financial statements of the Wastewater System for the fiscal years ended June 30, 2013, 2012 and 2011 and a copy of the City's investment policies.

(viii) True and correct copies of any and all governmental approvals necessary for the City and the Authority to enter into this Supplemental Agreement and the City and the Authority to enter into the other Transaction Documents to which it is a party and the transactions contemplated thereby and hereby and not otherwise covered by Section 3.01(a)(i) or Section 3.01(b)(i) hereof.

(ix) Written confirmation from the City that the only outstanding obligations which are payable from or secured by Net Wastewater System Revenue, as of the Closing Date, other than the Installment Sale Agreement, are listed on Exhibit B hereto.

(x) Such other certifications as to matters of fact, due authorization, execution and delivery by the parties thereto of the Transaction Documents, evidence of corporate authority, copies of governmental consents, permits, licenses and approvals, and other documents as shall be reasonably requested by the Bank, and the form and substance of any order or other official action granting any consent, permit, license or approval shall be satisfactory to the Bank.

(d) The following opinions, addressed to the Bank or on which the Bank is otherwise expressly authorized to rely:

(i) From counsel to the Authority, as to the due authorization, execution and delivery of each of the Transaction Documents to which it is a party, their validity, binding effect and enforceability, and such other customary matters as the Bank may reasonably request.

(ii) From counsel to the City, as to the due authorization, execution and delivery of each of the Transaction Documents to which it is a party, their validity, binding effect and enforceability, and such other customary matters as the Bank may reasonably request.

(iii) From Special Counsel, in customary form, an approving opinion to the effect that the Transaction Documents have been duly authorized and validly executed and delivered, that the interest component of the Installment Payments will not be included in gross income of the holders thereof for federal or state tax purposes, as the validity of the pledge of Net Wastewater System Revenue and the priority of the lien provided for in the Installment Sale Agreement and as to such other customary matters as the Bank may reasonably request.

(e) The following documents relating to the Prior Bonds, each such opinion or certificate to be addressed to the Bank or on which the Bank is otherwise expressly authorized to rely:

(i) An opinion of Special Counsel, in customary form, as to the defeasance of the Prior Bonds and the obligations of the City under the Prior Installment Sale Agreement.

(ii) Certificates of authorized representatives of the trustee for the Prior Bonds certifying as to the authority, incumbency and specimen signatures of the authorized representatives of the trustee for the Prior Bonds authorized to sign the Escrow Agreement and any other documents to be delivered by them hereunder.

(f) Other conditions:

(i) Each representation and warranty contained in this Supplemental Agreement and the other Transaction Documents is true and correct.

(ii) No Default or Event of Default has occurred and is continuing or would result from the execution or performance of this Supplemental Agreement or the other Transaction Documents.

(iii) Since the most current date of the information, financial or otherwise, supplied by the City to the Bank, there has been no change in the assets, liabilities, financial position or results of operations of the Wastewater System or the Wastewater Service (including the Net Wastewater System Revenue generated therefrom) which might reasonably be anticipated to cause a Material Adverse Effect and the City has not incurred any obligations or liabilities which might reasonably be anticipated to cause a Material Adverse Effect.

(iv) The Bank shall be reasonably satisfied that payment will be made promptly after demand therefor after the Closing Date of the Bank's fees and expenses (including outside counsel legal fees) incurred in connection with the Transactions.

(v) All other legal matters pertaining to the execution and delivery of each of the Transaction Documents shall be reasonably satisfactory to the Bank and its counsel.

(vi) The Bank shall have completed all due diligence with respect to the Wastewater System, the Authority, the City and the Transaction Documents in scope and determination satisfactory to the Bank.

(g) Such other instruments, documents and opinions as the Bank shall reasonably require to evidence and secure the obligations of the City hereunder and under the other Transaction Documents and to comply with the provisions of this Supplemental

Agreement and the other Transaction Documents and the requirements of any governmental authority to which the Bank, the City or the Authority are subject.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

All representations and warranties made herein to the Bank or incorporated hereby for the benefit of the Bank are made with the understanding that the Bank is relying upon the accuracy of such representations and warranties. Notwithstanding that the Bank may conduct its own investigation as to some or all of the matters covered by the representations and warranties in the Transaction Documents, and any certificates, information, opinions or documents delivered in connection therewith, the Bank is entitled to rely on all representations and warranties as a material inducement to the Bank's extension of the credit evidenced by the Transaction Documents. All representations and warranties made herein to the Bank or incorporated hereby for the benefit of the Bank shall survive the making of and shall not be waived by the execution and delivery of this Supplemental Agreement or the other Transaction Documents.

Section 4.01. Existence and Power. The City is a general law city and municipal corporation duly organized, validly existing and in good standing under the Constitution and laws of the State and has the corporate power and authority to operate the Wastewater System and furnish the Wastewater Service and to carry on its businesses as now being conducted and as currently contemplated to be conducted hereafter and is duly qualified to do business in each jurisdiction in which the character of the properties owned or leased by it or in which the transaction of any material portion of its business (as now conducted and as currently contemplated to be conducted) makes such qualification necessary.

Section 4.02. Due Authorization.

(a) The City has the corporate power, and has taken all necessary corporate action to authorize the Transaction Documents, to execute, deliver and perform its obligations under this Supplemental Agreement, the Installment Sale Agreement and each of the other Transaction Documents to which it is a party in accordance with their respective terms. The City has approved the form of the Transaction Documents to which it is not a party.

(b) The City is duly authorized and licensed to conduct its business and activities under all laws, rules, regulations and ordinances applicable to the City, its business and activities (including the Wastewater System), and the City has obtained all requisite approvals of all such governmental authorities required to be obtained for such purposes. All authorizations and approvals necessary for the City to enter into this Supplemental Agreement, the Installment Sale Agreement and the other Transaction Documents and to perform the transactions contemplated hereby and thereby and to conduct its business activities (including operation of the Wastewater System and furnishing the Wastewater Service) have been obtained and remain in full force and effect and are subject to no further administrative or judicial review. No other authorization or approval or other action by, and no notice to or filing with, any

governmental authority is required for the due execution, delivery and performance by the City of this Supplemental Agreement and the Installment Sale Agreement or the due execution, delivery or performance by the City of the other Transaction Documents.

Section 4.03. Valid and Binding Obligations. This Supplemental Agreement, the Installment Sale Agreement and each of the Transaction Documents to which the City is a party has been duly executed and delivered by one or more duly authorized officers of the City and are legal, valid and binding obligations of the City enforceable in accordance with their respective terms, except as such enforceability may be limited by (a) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally, and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 4.04. Noncontravention; Compliance with Law.

(a) The execution, delivery and performance of this Supplemental Agreement, the Installment Sale Agreement and each of the Transaction Documents in accordance with their respective terms do not and will not (i) require any consent or approval of any creditor of the City, (ii) violate any applicable law, (iii) conflict in any material respect with, result in a material breach of or constitute a material default under any Contract to which the City is a party or by which it or any of its property may be bound or (iv) result in or require the creation or imposition of any lien upon or with respect to any property now owned or hereafter acquired by the City except such liens, if any, expressly created by any Transaction Document.

(b) The City is in compliance with all applicable laws, except for noncompliance that, singly or in the aggregate, has not caused and could not reasonably be expected to cause a Material Adverse Effect or an adverse effect on the City's ability to perform its obligations hereunder or under the Installment Sale Agreement or under the other Transaction Documents.

Section 4.05. Pending Litigation and Other Proceedings. There are no actions, suits or proceedings pending nor are there any actions, suits or proceedings threatened against the City or any property of the City in any court or before any arbitrator of any kind or before or by any governmental or nongovernmental body, which, in any case, (i) directly or indirectly relates to the Wastewater System or the enforceability of this Supplemental Agreement or any of the other Transaction Documents; (ii) involve claims equal to or in excess of $5,000,000 or (iii) may have a Material Adverse Effect (any of the foregoing being herein referred to as "Material Litigation").

Section 4.06. Financial Statements. The balance sheet of the City as of June 30, 2013 and the related statement of revenues and expenses and changes in financial position for such Fiscal Year and the auditors' reports with respect thereto, copies of which have heretofore been furnished to the Bank pursuant to Section 5.01(a) hereof, are complete and correct and fairly present the financial condition, changes in financial position and results of operations of the Wastewater System and the Wastewater Service (including the Net Wastewater System Revenue generated therefrom) at such date and for such Fiscal Year, and were prepared in accordance

with Generally Accepted Accounting Principles consistently applied. Since the period of such statements, there has been no change which would have a Material Adverse Effect.

Section 4.07. Defaults. No Event of Default and no Default has occurred and is continuing or exists.

Section 4.08. Insurance. The City currently maintains insurance of such type and in such amounts or in excess of such amounts as are required by Section 4.08 of the Installment Sale Agreement and as are customarily carried by, and insures against such risks as are customarily insured against by, public agencies with similar activities.

Section 4.09. Accuracy of Information. All information, reports and other papers and data furnished by the City to the Bank were, at the time the same were so furnished, complete and correct in all material respects and insofar as necessary to give the Bank a true and accurate knowledge of the subject matter and were provided in expectation of the Bank's reliance thereon in providing funds to prepay the Prior Certificates. No fact is known to the City which has had or, so far as the City can now reasonably foresee, may in the future have a Material Adverse Effect, which has not been set forth in the budget and financial statements previously furnished to the Bank or in other such information, reports, papers and data or otherwise disclosed in writing to the Bank prior to the Closing Date. Any financial, budget and other projections furnished to the Bank by the City or its agents were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of the conditions existing at the time of delivery of such financial, budget or other projections, and represented, and as of the Closing Date, represent the City's best estimate of its future financial performance. No document furnished nor any representation, warranty or other written statement made to the Bank in connection with the negotiation, preparation or execution of this Supplemental Agreement or any of the other Transaction Documents contains or will contain any untrue statement of a material fact or omits or will omit to state (as of the date made or furnished) any material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which they were or will be made, not misleading.

Section 4.10. Environmental Matters. The City has reviewed the effect of Applicable Environmental Laws on the business, operations and properties of the Wastewater System and the Wastewater Service (including the Net Wastewater System Revenue generated therefrom), and has identified and evaluated associated liabilities and costs (including, without limitation, any capital or operating expenditures required for clean up or closure of properties presently or previously owned or operated, any capital or operating expenditures required to achieve or maintain compliance with environmental protection standards imposed by law or as a condition of any license, permit or contract, and related constraints on operating activities, including any periodic or permanent shutdown of any facility or reduction in the level of or change in the nature of operations conducted there at and any actual or potential liabilities to third parties, including employees, and any related costs and expenses). On the basis of this review, the City has reasonably concluded that it has not failed to comply with any Applicable Environmental Laws in a manner which may reasonably be expected to have a Material Adverse Effect.

Section 4.11. Security. The Installment Payments and the other amounts required to be paid under the Installment Sale Agreement are secured by a pledge of and first charge and lien

on and pledge of the Net Wastewater System Revenue under the Installment Sale Agreement. No filing, registering, recording or publication of the Installment Sale Agreement or any other instrument is required to establish such pledge under the Installment Sale Agreement or to perfect, protect or maintain such liens created thereby on the Net Wastewater System Revenue. There are no obligations of the City that are entitled to a prior lien on the Net Wastewater System Revenue relative to the charge and lien on the Net Wastewater System Revenue under the Installment Sale Agreement. The only obligations of the City entitled to a parity lien on the Net Wastewater System Revenue relative to the charge and lien on the Net Wastewater System Revenue under the Installment Sale Agreement are Parity Obligations permitted to be issued in compliance with Section 4.17(b) of the Installment Sale Agreement. The only obligations of the City entitled to a subordinate lien on the Net Wastewater System Revenue relative to the charge and lien on the Net Wastewater System Revenue under the Installment Sale Agreement are Subordinate Obligations permitted to be issued in compliance with Section 4.17(c) of the Installment Sale Agreement. There are no Swap Obligations outstanding.

Section 4.12. Tax-Exempt Status. The City has not taken any action or omitted to take any action, and knows of no action taken or omitted to be taken by any other Person, which action, if taken or omitted, would adversely affect the exclusion of the interest component of the Installment Payments from gross income for Federal income tax purposes or the exemption of such interest from State personal income taxes.

Section 4.13. Sovereign Immunity. The City does not enjoy any rights of immunity on the grounds of sovereign immunity in respect of its obligations under this Supplemental Agreement or any of the other Transaction Documents to which it is a party. To the extent the City has or hereafter may acquire under any applicable law any right to immunity from set-off or legal proceedings on the grounds of sovereignty, the City hereby waives, to the fullest extent permitted by law, such rights to immunity for itself in respect of its obligations arising under or related to this Supplemental Agreement or the other Transaction Documents to which it is a party.

Section 4.14. Investment Policies. The City has delivered to the Bank a true and correct copy of its investment policies. All investments of the City have been and are made substantially in accordance with its investment policies. Only the City Council of the City may amend, rescind or otherwise modify its investment policies.

Section 4.15. Usury. The terms of this Supplemental Agreement and the Transaction Documents regarding the calculation and payment of interest and fees do not violate any applicable usury laws.

Section 4.16. Budget. The annual operating budget of the Wastewater System and any supplements thereto for the current Fiscal Year, a true and correct copy of which has been delivered to the Bank, fairly presents the anticipated income and expenses of the Wastewater System and the Net Wastewater System Revenue for such Fiscal Year.

Section 4.17. Wastewater System. The City has maintained the Wastewater System in good working order and repair, and there have been no changes to and no event has occurred which has had, or may result in, a Material Adverse Change since June 30, 2013.

ARTICLE V

COVENANTS OF THE CITY

So long as any Installment Payments or other amounts required to be paid under the Installment Sale Agreement or any obligation of the City hereunder or under the Transaction Documents remains unpaid or unperformed, the City shall comply with the following covenants hereunder and as additional covenants under the Installment Sale Agreement, unless waived in writing by the Bank:

Section 5.01. Reporting Requirements. The City shall keep proper books of record and account in which full, true and correct entries will be made of all dealings or transactions of or in relation to the business and affairs of the Wastewater System and the Wastewater Service (including the Net Wastewater System Revenue generated therefrom) in accordance with Generally Accepted Accounting Principles consistently applied, and will furnish to the Bank each of the following:

(a) As soon as available, and in any event within 210 days after the close of each Fiscal Year of the City, the financial statements of the Wastewater System and the Wastewater Service (including the Net Wastewater System Revenue generated therefrom) which shall be audited and reported on without qualification by independent certified public accountants reasonably acceptable to the Bank and shall be certified to the City by such accountants as (i) having been prepared in accordance with Generally Accepted Accounting Principles consistently applied and (ii) fairly presenting the financial condition of the Wastewater System and the Wastewater Service (including the Net Wastewater System Revenue generated therefrom) as at the end of such Fiscal Year and reflecting its operations during such Fiscal Year and (iii) showing all material liabilities, direct or contingent, and disclosing the existence of any off-balance sheet transactions, and shall include, without limitation, balance sheets, profit and loss statements and statements of cash flows, together with notes and supporting schedules, all on a consolidated and consolidating basis and in reasonable detail and including a copy of any management letter or audit report provided to the City by such auditors.

(b) Simultaneously with the delivery of each set of financial statements referred to in (a) above, a certificate signed by an authorized representative of the City stating that (i) under his/her supervision the City has made a review of its activities during the preceding annual period for the purpose of determining whether or not the City has complied with all of the terms, provisions and conditions of this Agreement, the Installment Sale Agreement and the other Transaction Documents (including without limitation Section 3.02 (Payment of Installment Payments; Other Payments; Default Rate; Pledge; Collection and Application of Wastewater System Revenue), Section 4.12 (Amount of Rates, Fees and Charges) and Section 4.17 (Limitations on Future Obligations Secured by Net Wastewater Revenues) of the Installment Sale Agreement) of the Installment Sale Agreement) and (ii) to the best of his/her knowledge the City is not in Default in the performance or observance of any of the terms, covenants, provisions or conditions of this Agreement, the Installment Sale Agreement or any of the Transaction Documents, or if the City shall be in Default, such certificate shall specify each such

Default, the nature and status thereof and any remedial steps taken or proposed to correct each such Default.

(c) As soon as available and in any event within 60 days after adoption, the annual operating budget of the Wastewater System for such Fiscal Year.

(d) Such other information respecting the business, properties or the condition or operations, financial or otherwise, of the Wastewater System and the Wastewater Service (including the Net Wastewater System Revenue generated therefrom) as the Bank may from time to time reasonably request.

Section 5.02. Notices. The City shall provide to the Bank:

(a) Immediate notice by telephone, promptly confirmed in writing, of any event, action or failure to take any action which constitutes an Event of Default or Default.

(b) Prompt written notice of any Material Litigation.

(c) Prompt written notice of any event which has or is reasonably anticipated to have a Material Adverse Effect.

Section 5.03. Right of Entry. The City shall permit the duly authorized representatives of the Bank during normal business hours and upon reasonable notice to enter the premises of the City, or any parts thereof, to examine and copy the City's financial and corporate books, records and accounts with respect to the Wastewater System or the Wastewater Service (including the Net Wastewater System Revenue generated therefrom), and to discuss the affairs, finances, business and accounts of the Wastewater System or the Wastewater Service (including the Net Wastewater System Revenue generated therefrom) with the City's officers and employees.

Section 5.04. Further Assurances. The City shall, and shall cause the Authority to, upon the request of the Bank, from time to time, execute and deliver and, if necessary, file, register and record such further financing statements, amendments, confirmation statements and other documents and instruments and take such further action as may be reasonably necessary to effectuate the provisions of this Agreement, the Installment Sale Agreement and the Transaction Documents. Except to the extent it is exempt therefrom, the City will pay or cause to be paid all filing, registration and recording fees incident to such filing, registration and recording, and all expenses incident to the preparation, execution and acknowledgment of such instruments of further assurance, and all federal or state fees and other similar fees, duties, imposts, assessments and charges arising out of or in connection with the execution and delivery of this Agreement, the Installment Sale Agreement, the Transaction Documents and such instruments of further assurance.

ARTICLE VI

EVENTS OF DEFAULT

Section 6.01. Events of Default. The occurrence of any of the following events (whatever the reason for such event and whether voluntary, involuntary, or effected by operation of law) shall be an "Event of Default" hereunder and an additional Event of Default under the Installment Sale Agreement entitling the Bank to the rights and remedies available under the Installment Sale Agreement, unless waived in writing by the Bank:

(a) Failure of the City to comply with the requirements of (i) any provision of this Supplemental Agreement (not otherwise enumerated in another Event of Default) and such failure shall remain unremedied for 30 days after receipt of written notice of such failure from the Authority or the Bank (as assignee of the Authority); or (ii) Section 3.02 (Payment of Installment Payments; Other Payments; Default Rate; Pledge; Collection and Application of Wastewater System Revenue), Section 4.12 (Amount of Rates, Fees and Charges) or Section 4.17 (Limitations on Future Obligations Secured by Net Wastewater Revenues) of the Installment Sale Agreement;

(b) Default by the City in the payment of any amount when due in respect of any City Wastewater Obligation and any such default shall remain unremedied for seven (7) days, or default by the City under any City Wastewater Obligation Issuing Document, and continuance of such default beyond the period of grace, if any, allowed with respect thereto; or the occurrence of any act or omission by the City under any such City Wastewater Obligation Issuing Document which results in such City Wastewater Obligation becoming, or being capable of becoming, immediately due and payable or being terminated early or being subject to early termination;

(c) This Supplemental Agreement or any of the other Transaction Documents or any material provision of this Supplemental Agreement or any of the other Transaction Documents shall at any time, for any reason, cease to be the legal, valid and binding obligation of the City or the Authority or shall cease to be in full force and effect, or shall be declared to be unenforceable, invalid or void, or the validity or enforceability thereof shall be contested by the City or the Authority, or the City or the Authority shall renounce the same or deny that it has any further liability hereunder or thereunder, or any court of competent jurisdiction or other governmental authority with jurisdiction to rule on the validity of any provision of this Supplemental Agreement or any of the other Transaction Documents shall find or rule that this Supplemental Agreement or any of the other Transaction Documents are not valid or not binding on the City or the Authority;

(d) Dissolution or termination of existence of the City or the Authority;

(e) An Event of Insolvency shall occur with respect to the City or the Authority;

(f) Any funds or investments on deposit in, or otherwise to the credit of, the Wastewater System Enterprise Fund or any of the other funds or accounts established

under the Installment Sale Agreement shall become subject to any writ, judgment, warrant or attachment, execution or similar process.

(g) Any representation or warranty made by the City herein or by the Authority or the City in any Transaction Document or in any certificate, financial or other statement furnished by it pursuant to this Supplemental Agreement or any of the Transaction Documents shall prove to have been untrue or incomplete in any material respect when made or deemed made; or

(h) The occurrence of a Taxable Date.

ARTICLE VII

INDEMNIFICATION; COSTS, EXPENSES AND TAXES

Section 7.01. Indemnification. In addition to any and all other rights of reimbursement, indemnification, subrogation and other similar rights pursuant to this Supplemental Agreement, the other Transaction Documents or under law or equity, the City hereby covenants and agrees, to the fullest extent permitted by law, to defend, indemnify and hold harmless the Bank and its officers, directors, employees, representatives and agents (each, an "Indemnitee") from and against any and all claims, causes of action, judgments, fines, penalties, damages, losses, liabilities, and expenses whatsoever (including reasonable attorneys' fees) which may be incurred by an Indemnitee or which may be claimed against an Indemnitee by any Person whatsoever by reason of or directly or indirectly in connection with any of the Transactions; provided that the City shall not be required to indemnify an Indemnitee for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of such Indemnitee as determined in a final, non-appealable judgment. Nothing under this Section 7.01 is intended to limit the City's payment of its obligations hereunder or under the other Transaction Documents.

Section 7.02. Costs, Expenses and Taxes. The City shall pay to the Bank within thirty (30) days after demand: (a) if an Event of Default shall have occurred, all costs and expenses of the Bank in connection with the enforcement (whether by means of legal proceedings or otherwise) of any of its rights under this Supplemental Agreement, the other Transaction Documents and such other documents which may be delivered in connection therewith; and (b) the reasonable fees and out of pocket expenses for counsel or other reasonably required consultants to the Bank in connection with advising the Bank as to its rights and responsibilities under this Supplemental Agreement and the other Transaction Documents or in connection with responding to requests from the City for approvals, consents, amendments and waivers. In addition, if at any time any governmental authority shall require revenue or other documentary stamps or any other tax in connection with the execution or delivery of this Supplemental Agreement or the other Transaction Documents, then, if the City lawfully may pay for such stamps, taxes or fees, the City shall pay, when due and payable, for all such stamps, taxes and fees, including interest and penalties thereon, and the City agrees to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay or omission of the City in paying, such stamps, taxes and fees hereunder.

Section 7.03. Late Payment. Any Installment Payment or any other amount required to be paid under the Installment Sale Agreement or hereunder which shall not be paid by the City when due and payable under the Installment Sale Agreement or hereunder shall accrue interest until the same shall be paid at a rate equal to the Default Rate, and the City hereby agrees to pay such amounts to the Bank upon demand.

Section 7.04. Survival. The obligations of the City under this Article VII shall survive the payment in full of the Installment Payments and the other amounts required to be paid under the Installment Sale Agreement and the termination of the Transaction Documents.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Payment Account. Unless charged by the Bank against the City's deposit accounts with the Bank as authorized below, all amounts payable to the Bank under the Installment Sale Agreement shall be transferred to the following account of the Bank, or such other account as may be subsequently designated by the Bank in writing to the City:

Bank of the West
1977 Saturn St
Monterey Park, CA 91755
ABA #: 121100782
Account Name: Commercial Loan Servicing
Account #: 239855-332
Attn: Cristina E. Garcia – VP/Public Finance Officer
Ref: City of Pittsburg – Obligor #1000210316 (Closed on 6/24/14)

The City hereby authorizes the Bank to charge, from time to time, against any or all of the City's deposit accounts with the Bank with respect to which the Bank has an authorization agreement from the City for ACH debits therefrom, any amount payable to the Bank as the assignee of the Authority under the Installment Sale Agreement. Notwithstanding this authorization, the City shall be in default for nonpayment as provided in the Installment Sale Agreement until and unless the default is cured by payment, whether initiated by the Bank or by the City.

Section 8.02. Amendments. No amendment or waiver of any provision of this Supplemental Agreement nor consent to any departure by the parties hereto shall in any event be effective unless the same shall be in writing and signed by such parties, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 8.03. Severability. The provisions of this Supplemental Agreement are intended to be severable. If any provision of this Supplemental Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any

manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

Section 8.04. Governing Law; Consent To Jurisdiction; Waiver Of Jury Trial.

(a) This Supplemental Agreement shall be governed by, and construed and interpreted in accordance with the laws of the State.

(b) Each party hereto consents to and submits to in personam jurisdiction and venue in the State of California and in the federal district courts which are located in the State of California. Each party asserts that it has purposefully availed itself of the benefits of the laws of the State of California and waives any objection to in personam jurisdiction on the grounds of minimum contacts, waives any objection to venue, and waives any plea of forum non conveniens. This consent to and submission to jurisdiction is with regard to any action related to this Supplemental Agreement, the Installment Sale Agreement and the other Transaction Documents. Regardless of whether the party's actions took place in the State of California or elsewhere in the United States, this submission to jurisdiction is nonexclusive, and does not preclude either party from obtaining jurisdiction over the other in any court otherwise having jurisdiction.

(c) Each party to this Supplemental Agreement, to the fullest extent permitted by law, hereby waives its respective right to a trial by jury in any legal proceeding arising out of or relating to this Supplemental Agreement or any other Transaction Document or the transactions contemplated hereby or thereby. The City and the Authority each warrants and represents that such waiver has been intentionally, knowingly and voluntarily made, following consultation with its legal counsel. If the waiver of jury trial as set forth in this Section shall be declared void or unenforceable, each of the City, the Authority and the Bank agrees to refer the dispute to a judicial referee in accordance with the provisions of Section 638 et seq. of the California Code of Civil Procedure.

Section 8.05. No Advisory or Fiduciary Responsibility. In connection with all aspects of the transactions contemplated by this Supplemental Agreement or the other Transaction Documents (including in connection with any amendment, waiver or other modification hereof or of any other Transaction Document), the City acknowledges and agrees that: (a) (i) the arranging, structuring and other services regarding this Supplemental Agreement provided by the Bank are arm's length commercial transactions between the City on the one hand, and the Bank on the other hand, (ii) the City has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (iii) the City is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated by this Supplemental Agreement or the other Transaction Documents; (b)(i) the Bank is and has been acting solely as a principal and has not been, is not, and will not be acting as an advisor, agent or fiduciary for the City, or any other Person and (ii) the Bank does not have any obligation to the City with respect to the transactions contemplated by this Supplemental Agreement or the other Transaction Documents, except those obligations expressly set forth herein; and (c) the Bank may be engaged in a broad range of transactions that involve interests that differ from those of the City, and the Bank does not have any obligation to disclose any of such interests to the City. To the fullest extent permitted by applicable laws, the City hereby waives and releases any

claims that it may have against the Bank with respect to any breach or alleged breach of agency or fiduciary duty in connection with any aspect of any transaction contemplated by this Supplemental Agreement or the other Transaction Documents.

Section 8.06. Counterparts. This Supplemental Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument.

Section 8.07. Successors and Assigns. This Supplemental Agreement is a continuing obligation and shall be binding upon the City, its permitted successors and assigns and shall inure to the benefit of the Bank and its permitted successors, transferees and assigns. The City may not assign or otherwise transfer or delegate any of its rights or obligations hereunder or under the other Transaction Documents without the prior written consent of the Bank. The Bank may, in accordance with applicable law, from time to time and without the consent of the City or any other Person assign, sell or transfer in whole or in part, this Supplemental Agreement and any of its rights or interests hereunder and all or any part of its interest in the Transaction Documents, subject to the limitations set forth in the Assignment Agreement. In addition, the Bank may at any time pledge or grant a security interest in all or any portion of its rights under the Transaction Documents to secure obligations of the Bank, including any pledge or assignment to secure obligations to a Federal Reserve Bank; provided that no such pledge or assignment shall release the Bank from any of its obligations hereunder or substitute any such pledgee or assignee for the Bank as a party hereto.

[Signatures begin on the following page.]

[Signature page of Supplemental Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Agreement to be duly executed and delivered as of the date first above written.

CITY OF PITTSBURG

By:_____
Name: Joe Sbranti
Title: City Manager

BANK OF THE WEST

By:_____
Name:
Title:

[Signature page of Supplemental Agreement]

IN WITNESS WHEREOF, the parties hereto have caused this Supplemental Agreement to be duly executed and delivered as of the date first above written.

CITY OF PITTSBURG

By:_____
Name:
Title:

BANK OF THE WEST

By: Edward C Nen
Name:
Title:

Exhibit A

Installment Sale Agreement and Assignment Agreement Terms

1. (a) Funding Date: June 30, 2014

(b) Amount of Proceeds: $5,342,000

(c) Term: Amortization over 7 years, with the final principal payment on June 1, 2021

(d) Principal and Interest Payment Schedule: Principal and interest shall be payable semiannually on each June 1 and December 1, commencing December 1, 2014, as set forth below; provided that any such payment due on a day that is not a Business Day shall be due on the next succeeding Business Day.

Payment Date	Principal	Interest	Total
December 1, 2014	$370,000	$34,730.42	$404,730.42
June 1, 2015	371,000	38,533.00	409,533.00
December 1, 2015	368,000	35,657.75	403,657.75
June 1, 2016	369,000	32,805.75	401,805.75
December 1, 2016	377,000	29,946.00	406,946.00
June 1, 2017	376,000	27,024.25	403,024.25
December 1, 2017	381,000	24,110.25	405,110.25
June 1, 2018	380,000	21,157.50	401,157.50
December 1, 2018	386,000	18,212.50	404,212.50
June 1, 2019	386,000	15,221.00	401,221.00
December 1, 2019	391,000	12,229.50	403,229.50
June 1, 2020	391,000	9,199.25	400,199.25
December 1, 2020	398,000	6,169.00	404,169.00
June 1, 2021	398,000	3,084.50	401,084.50

(e) Interest Rate: 1.55% per annum, except upon the occurrence and during the continuance of an Event of Default under the Installment Sale Agreement, in which case the Default Rate will apply, in each case calculated on the basis of a 360-day year and actual days elapsed.

(f) Prepayment: Permitted with a 2% prepayment premium during the first two years and a 1% prepayment premium during the third and fourth year and no prepayment penalty in the fifth year and following or at any time interest is accruing at the Default Rate.

(g) Events of Default under Installment Sale Agreement: Includes Events of Default under this Supplemental Agreement.

(h) Tax Exemption: An opinion from Special Counsel as to the exclusion of the interest component of the Installment Payments from gross income of the holders

thereof for Federal income tax purposes and the exemption of such interest from State personal income taxes.

(i) Other Installment Sale Agreement Terms: No CUSIP number and in a single denomination; right to accelerate upon an Event of Default.

(j) Assignability/Transferability: Not divisible or transferable except to a "qualified institutional buyer" as defined in Rule 144A(a)(1) promulgated under the Securities Act of 1933, as amended.

Exhibit B

City Wastewater Obligations

None