

**TAFT CITY COUNCIL/SUCCESSOR AGENCY  
SPECIAL MEETING AGENDA  
TUESDAY, JUNE 21, 2016  
CITY HALL COUNCIL CHAMBERS  
209 E. KERN ST., TAFT, CA 93268**

*AS A COURTESY TO ALL - PLEASE TURN OFF CELL PHONES*

**Any writings or documents provided to a majority of the City Council regarding any item on this agenda are made available for public inspection in the lobby at Taft City Hall, 209 E. Kern Street, Taft, CA during normal business hours (SB 343).**

**SPECIAL MEETING**

**6:00 P.M.**

Pledge of Allegiance

Invocation

Roll Call: Mayor Miller  
Mayor Pro Tem Noerr  
Councilmember Krier  
Councilmember Bryant  
Councilmember Hill

**1. APPROVAL OF FORMS RELATING TO CERTIFICATES OF PARTICIPATION FOR WASTEWATER TREATMENT SYSTEM IMPROVEMENTS**

**Recommendation** - Motion to adopt a resolution entitled **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TAFT RELATING TO THE CERTIFICATES OF PARTICIPATION FOR WASTEWATER TREATMENT SYSTEM IMPROVEMENTS; APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION AND DELIVERY WHERE APPLICABLE OF AN INSTALLMENT SALE AGREEMENT, A PURCHASE AGREEMENT, A TRUST AGREEMENT AND AN ASSIGNMENT AGREEMENT IN CONNECTION THEREWITH; AND AUTHORIZING CERTAIN OTHER RELATED ACTIONS**

\*\*\*\*\*

**ADJOURNMENT**

**AMERICANS WITH DISABILITIES ACT  
(Government Code Section 54943.2)**

The City of Taft City Council Chamber is accessible to persons with disabilities. Disabled individuals who need special assistance (including transportation) to attend or participate in a meeting of the Taft City Council may request assistance at the Office of the City Clerk, City of Taft, 209 E. Kern Street, Taft, California or by calling (661) 763-1222. Every effort will be made to reasonably accommodate individuals with disabilities by making meeting material available in alternative formats. Requests for assistance should be made five (5) working days in advance of a meeting whenever possible.

**AFFIDAVIT OF POSTING**

I, Yvette Mayfield, declare as follows:

That I am the City Clerk for the City of Taft; that an agenda was posted on a public information bulletin board located near the door of the Civic Center Council Chamber on June 20, 2016, pursuant to 1987 Brown Act Requirements.

I declare under penalty of perjury that the foregoing is true and correct.

Executed June 20, 2016, at Taft, California.

Date/Time \_\_\_\_\_ Signature \_\_\_\_\_



# City of Taft Agenda Report

**DATE:** JUNE 21, 2016

**TO:** HONORABLE MAYOR AND COUNCIL MEMBERS

**AGENDA ITEM:**

**APPROVAL OF FORMS RELATING TO CERTIFICATES OF PARTICIPATION FOR WASTEWATER TREATMENT SYSTEM IMPROVEMENTS**

**SUMMARY STATEMENT:**

The City is nearing the point of loan closing with the United States Department of Agriculture (USDA) for loan funds that were applied for to make needed modifications and upgrades to the City’s existing wastewater treatment facility. The Council has already approved applying for the loan from the USDA in an amount not to exceed \$3,619,000 and now needs to approve the required documents for the Certificates of Participation and authorize the execution of said documents.

**RECOMMENDATION:**

**Motion to adopt a resolution entitled A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TAFT RELATING TO THE CERTIFICATES OF PARTICIPATION FOR WASTEWATER TREATMENT SYSTEM IMPROVEMENTS; APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION AND DELIVERY WHERE APPLICABLE OF AN INSTALLMENT SALE AGREEMENT, A PURCHASE AGREEMENT, A TRUST AGREEMENT AND AN ASSIGNMENT AGREEMENT IN CONNECTION THEREWITH; AND AUTHORIZING CERTAIN OTHER RELATED ACTIONS**

**IMPACT ON BUDGET (Y/N):** NO

**ATTACHMENT (Y/N):** YES (Resolution, Purchase Agreement, Assignment Agreement, Installment Sale Agreement, Trust Agreement)

**PREPARED BY:** City Clerk

**REVIEWED BY:**

<b>CITY CLERK</b>	<b>FINANCE DIRECTOR</b>	<b>CITY MANAGER</b>
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RESOLUTION NO. \_\_\_\_\_

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TAFT  
RELATING TO THE CERTIFICATES OF PARTICIPATION FOR  
WASTEWATER TREATMENT SYSTEM IMPROVEMENTS; APPROVING  
THE FORMS OF AND AUTHORIZING THE EXECUTION AND DELIVERY  
WHERE APPLICABLE OF AN INSTALLMENT SALE AGREEMENT, A  
PURCHASE AGREEMENT, A TRUST AGREEMENT AND AN ASSIGNMENT  
AGREEMENT IN CONNECTION THEREWITH; AND AUTHORIZING  
CERTAIN OTHER RELATED ACTIONS**

**WHEREAS**, the City of Taft, a municipal corporation organized and existing under the laws of the State of California (the “**City**”), proposes to enter into a loan financing program with the United States Department of Agriculture, acting through its agency the USDA Rural Development (“**USDA-RD**”) (all references in this resolution to USDA-RD shall be deemed to include the related USDA-Rural Housing Service, also known as USDA-RHS), to finance a portion of the cost and expense of the acquisition and construction of certain improvements to the wastewater treatment system of the City (the “**Project**”), and in connection with the loan financing program, the City intends to cause the execution and delivery to USDA-RD of certificates of participation (the “**Certificates of Participation**”); and

**WHEREAS**, in support of the proposed Certificates of Participation, the City proposes to enter into a financing program with the Taft Public Improvement Corporation, a California nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California (the “**Corporation**”), for the purchase by the Corporation of the real property on which the wastewater system is situated (the “**Site**”), together with the existing wastewater treatment system improvements (the “**Existing Facilities**”) situated thereon, and the purchase by the City from the Corporation of the completed Project; and

**WHEREAS**, to implement the foregoing, the City proposes to convey the Site and the Existing Facilities to the Corporation by entering into a Purchase Agreement (the “**Purchase Agreement**”), dated as of June 15, 2016, whereby the Corporation will purchase the Site and the Existing Facilities from the City for a nominal cash consideration; and

**WHEREAS**, to further implement the foregoing, the Corporation and the City propose to execute and enter into an Installment Sale Agreement (the “**Installment Sale Agreement**”), dated as of June 15, 2016, whereby the Corporation will agree to implement the Project and to sell the Site and the Existing Facilities, as improved by the completed Project (together, the “**Improved Facilities**”), to the City, and the City agrees to (a) accept appointment as the agent of the Corporation to actually implement the project; (b) to make Installment Payments on account of the agreed purchase price (which is matched up to the USDA-RD loan) from the wastewater treatment system revenues, and (c) maintain wastewater system rates and charges at a level which assure the City’s ability to (i) maintain the system and (ii) make timely payment of the Installment Payments and any other payment obligations secured by and payable from the wastewater system revenues (the “**Installment Sale Payments**”); and

**WHEREAS**, to further implement the foregoing, the Corporation, USDA-RD and the Trustee (as defined below) propose to execute and enter into an Assignment Agreement (the “**Assignment Agreement**”), dated as of June 15, 2016, whereby the Corporation will assign to USDA-RD all of its rights and entitlements under the Purchase Agreement and the Installment Sale Agreement, including but not limited to the entitlement to receive the Installment Sale Payments from the City and USDA-RD will designate the Trustee as its agent to receive the Installment Payments from the City; and

**WHEREAS**, to further implement the foregoing, the City, as agent for the Corporation for implementation of the Project, will finance a portion of the costs of the Project from the proceeds of the

Certificates of Participation, to be executed and delivered by the Finance Director of the City, as trustee designated by the Assignee (the “**Trustee**”) under and pursuant to a Trust Agreement (the “**Trust Agreement**”), dated as of June 15, 2016, by and among the Trustee, the Corporation and the City; and

**WHEREAS**, the City is in receipt of a Letter of Conditions, originally dated November 8, 2012 and extended through April 10, 2017 (the “**Letter of Conditions**”), from “USDA-RD,” setting forth certain conditions to be satisfied by the City with respect to receipt from USDA-RD of funding for the Project, comprised of a loan in the amount of not-to-exceed \$3,619,000 to be represented by the Certificates of Participation; and

**WHEREAS**, in furtherance of receiving the loan and grant from USDA-RD, this City Council, (“**City Council**”) wishes to authorize and direct all officers and employees of the City to execute and deliver such documents and to take such other actions as may be required to satisfy the conditions set forth in the Letter of Conditions and to otherwise facilitate the execution and delivery to USDA-RD of the Certificates of Participation in exchange for receipt of the proceeds of the loan, which are to be received in a series of multiple advances on account of the total authorized loan amount; and

**WHEREAS**, without limiting the generality of the foregoing recital paragraph, in anticipation of receipt from USDA-RD of an offer to purchase the Certificates of Participation (the “**Offer**”), this City Council wishes to approve the sale of the Certificates of Participation to USDA-RD and to direct that a letter accepting the Offer be executed and submitted to USDA-RD forthwith upon receipt of the Offer; and

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

**NOW, THEREFORE, BE IT RESOLVED** that the City Council of the City of Taft as follows:

Section 1. The City hereby specifically finds and declares that the actions authorized hereby constitute and are with respect to public affairs of the City and that the statements, findings and determinations of the City set forth above and in the preambles of the documents approved herein are true and correct.

Section 2. The form of the Purchase Agreement, presented to this meeting and on file with the City Clerk (the “**Clerk**”), is hereby approved, and the Mayor or, in the absence of the Mayor, the Mayor Pro Tem is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver to the Corporation the Purchase Agreement, in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. The form of the Installment Sale Agreement, presented to this meeting and on file with the Clerk, is hereby approved, and the Mayor or in the absence of the Mayor, the Mayor Pro Tem is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver to the Corporation the Installment Sale Agreement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, that the schedule of the principal and interest components of the Installment Sale Payments contained in the Installment Sale Agreement and to be attached as Exhibit B to the Installment Sale Agreement shall be determined by the and the Mayor, the Mayor Pro Tem or the

Mayor's designee (the "**Administrator**," which shall be deemed to include the City Manager and the Finance Director) upon the execution and delivery of the Certificates of Participation to USDA-RD.

Section 4. The form of the Trust Agreement, presented to this meeting and on file with the Clerk, is hereby approved, and the Mayor or, in the absence of the Mayor, the Mayor Pro Tem is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver to the Trustee and the Corporation the Trust Agreement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof. Furthermore, the Trustee is hereby authorized and directed to execute and deliver to the City and the Corporation the Trust Agreement in substantially said form, with such changes therein as the Trustee may require or approve, such approval to be conclusively evidenced by the execution and delivery of the Trust Agreement.

Without limiting the generality of the foregoing, the Trustee is authorized and directed to provide USDA-RD with information designating a bank account of the City from which amounts payable to USDA-RD on account of the principal of and the interest on the Certificates of Participation may be withdrawn semiannually, when due and payable, pursuant to the Preauthorized Debit procedure prescribed by USDA-RD.

Section 5. The form of the Assignment Agreement, presented to this meeting and on file with the Clerk, is hereby approved, and upon execution and delivery thereof by the respective parties to the Assignment Agreement, the City will honor the Assignment Agreement and submit the Lease Payments in accordance with instructions from the Trustee pursuant to the Assignment Agreement and the Trust Agreement. Furthermore, the Trustee is hereby authorized and directed to execute and deliver to the Corporation the Assignment Agreement in substantially said form, with such changes therein as the Trustee may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. The City and the Trustee shall participate with the Corporation in such financing whereby the City will (a) undertake the implementation of the Project as the agent of the Corporation, utilizing the proceeds of sale of the Certificates of Participation for such purpose, and (b) purchase the Project from the Corporation by payment of the scheduled Installment Sale Payments.

Section 7. Sale of the Certificates of Participation to the USDA-RD is hereby approved, and upon receipt of the formal Offer, the Administrator (or such other officer or representative of the City to whom the transmittal of the Offer is transmitted to the City) is hereby authorized and directed to communicate acceptance of the Offer in writing.

Section 8. The officers and employees of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or desirable in order to consummate the sale, execution and delivery of the Certificates of Participation to USDA-RD, including the completion and submission to USDA-RD of documents customarily required by USDA-RD in connection with the subject loan financing, and otherwise to carry out, give effect to and comply with the terms and intent of this resolution, the Certificates of Participation, the Purchase Agreement, the Installment Sale Agreement, the Trust Agreement and the Assignment Agreement. All such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 9. The Purchase Agreement, the Installment Sale Agreement the Trust Agreement and the Assignment Agreement (collectively, the "**Financing Documents**"), prior to execution and attestation, are subject to revision not inconsistent with the essential terms thereof, which revisions are approved by the Administrator, such approval to be conclusively established by the execution thereof by the Mayor, or in the absence of the Mayor, the Mayor Pro Tem, without any further action or approval of

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

June 21, 2016

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this City Council. Without limiting the generality of the foregoing, such revisions may include a revision of the date as of which each of the Financing Documents is dated, it being intended that each of the Financing Documents will be dated as of the first day of the month in which the Certificates are executed and delivered to USDA-RD.

Section 9. This resolution shall take effect immediately upon its passage.

PASSED, APPROVED and ADOPTED on this 21<sup>st</sup> day of June, 2016.

CITY OF TAFT

By: \_\_\_\_\_  
DAVE NOERR, MAYOR PRO TEM

ATTEST:

By: \_\_\_\_\_  
YVETTE MAYFIELD, CITY CLERK

APPROVED AS TO FORM:

\_\_\_\_\_  
JASON EPPERSON, CITY ATTORNEY

STATE OF CALIFORNIA     }  
COUNTY OF KERN         }SS  
CITY OF TAFT             }

I, Yvette Mayfield, City Clerk of the City of Taft, do hereby certify that the foregoing Resolution was duly and regularly adopted by the City Council of the City of Taft at a regular meeting thereof held on the 21<sup>st</sup> day of June, 2016, by the following vote:

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

\_\_\_\_\_  
YVETTE MAYFIELD, CITY CLERK

## **SCHEDULE OF DOCUMENTS**

Documents incorporated by reference to materials filed with the City Clerk:

- Trust Agreement, dated as of June 21, 2016.
- Installment Sale Agreement, dated as of June 21, 2016.
- Purchase Agreement dated as of June 21, 2016.
- Assignment Agreement, dated as of June 21, 2016.

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PURCHASE AGREEMENT

by and between the

CITY OF TAFT

and the

TAFT PUBLIC IMPROVEMENT CORPORATION

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Dated as of June 21, 2016

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relating to the

2016 Wastewater Treatment Plant Project

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## PURCHASE AGREEMENT

### Wastewater Treatment Plant Project

This Purchase Agreement is entered into as of June 15, 2016, by and between the CITY OF TAFT (the “**City**”), a municipal corporation, duly organized and existing under the laws of the State and the TAFT PUBLIC IMPROVEMENT CORPORATION (the “**Corporation**”), a California nonprofit public benefit corporation;

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

In 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:

#### ARTICLE I RECITALS

**Section 1.01.** The Corporation proposes to acquire the real property and Wastewater Treatment System facilities comprising the existing Wastewater Treatment System (the “**Existing System**”) of the City and to undertake improvements (the “**Project**”) to the Existing System, and upon completion of the Project, to sell the Existing System, as improved by the Project (the “**Wastewater Treatment System**”), back to the City.

**Section 1.02.** The sale of the Existing System by the City is necessary and proper for City uses and purposes under the terms of applicable law and is for the common benefit of the City and its residents, which is situated wholly within the City.

**Section 1.03.** The City is authorized to sell the Existing System and any interest therein for the common benefit of the City and its residents as a part of the program to finance the Project.

**Section 1.04.** The Corporation proposes to construct the Project on the Site and to sell the Wastewater Treatment System, as improved by the Project, to the City and the City desires to purchase the Wastewater Treatment System from the Corporation upon the terms and conditions set forth in an installment sale agreement, dated as of the date hereof, between the City and the Corporation (the “**Installment Sale Agreement**”).

**Section 1.05.** The City is authorized to purchase the Wastewater Treatment System and any interest therein for the common benefit of the City and its residents.

**Section 1.06.** The City and the Corporation, respectively, have duly authorized the execution of this Agreement by proper City Council action.

**Section 1.07.** Unless the context otherwise requires, capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Installment Sale Agreement.

ARTICLE II  
REPRESENTATIONS

**Section 2.01. Representations of the City.** The City makes the following representations:

(a) The City is a general law city and municipal corporation, duly organized and validly existing pursuant to the Constitution and laws of the State of California.

(b) The City has full legal right, power and authority to enter into this Agreement and carry out its obligations hereunder, to carry out and consummate all other transactions contemplated by this Agreement.

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

(d) The City will not take or permit any action to be taken which results in the interest paid for the installment sale of the Wastewater Treatment System under the terms of the Installment Sale Agreement being included in the gross income of the Corporation or its assigns for purposes of federal or State income taxation.

(e) The City has determined that it is for the common benefit of the City and its residents and is necessary and proper for City uses and purposes that the City finance the Project in the manner provided for in this Agreement and the Installment Sale Agreement, in order to provide essential services and facilities to persons residing in the City.

(f) The City has full right, interest and legal title to the Existing System, and the City agrees to defend said title against all challenges. If it is finally determined by a court of competent jurisdiction that the City is acting, does not hold said title, or that a defect to said title exists which would materially adversely affect the interests of the Corporation hereunder or under the Installment Sale Agreement, the City agrees, to the extent permitted by law, to cure such defect or obtain said title through purchase or the exercise of its powers of eminent domain.

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

(a) The Corporation is a non-profit public benefit corporation, duly organized and validly existing pursuant to the laws of the State of California, has full legal right, power and authority to enter into this Agreement and to carry out and consummate all transactions contemplated by this Agreement and by proper action has duly authorized the execution and delivery and due performance of this Agreement.

(b) The execution and delivery of this Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, any indenture, material agreement or other instrument to which the Corporation is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Corporation.

(c) The Corporation will not take or permit any action to be taken which results in interest paid for the installment sale of the Wastewater Treatment System under the terms of the Installment Sale Agreement being included in the gross income of the Corporation or its assigns for purposes of federal or State income taxation.

ARTICLE III  
PURCHASE AND SALE OF THE EXISTING SYSTEM

**Section 3.01. Purchase and Sale of the Existing System.** The City agrees to sell, and hereby sells, to the Corporation, and the Corporation agrees to purchase, and hereby purchases, from the City the Existing System for a purchase price, receipt of which is hereby acknowledged by the City, in the amount of one dollar (\$1.00). The Corporation and the City agree that title to the Existing System shall be deemed conveyed to and vested in the Corporation, as provided herein, without the necessity of any other instrument or document of conveyance.

ARTICLE IV  
EFFECTIVE DATE OF THIS AGREEMENT;  
UNCONDITIONAL OBLIGATIONS

**Section 4.01. Effective Date of this Agreement.** This Agreement shall become effective upon its execution and delivery.

**Section 4.02. Obligations of Corporation Unconditional.** The obligations of the Corporation to perform and observe the agreements on its part contained herein shall be absolute and unconditional, and, until such time as the Installment Sale Agreement shall expire or be terminated in accordance with its provisions therefor, the Corporation (i) will perform and observe all of its agreements contained in this Agreement and (ii) will not terminate this 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 Existing System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the City to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Agreement.

Nothing contained in this Section shall be construed to release the City from the performance of any of the agreements on its part herein contained. In the event the City should fail to perform any such agreement on its part, the Corporation may institute such action against the City as the Corporation may deem necessary to compel performance or recover its damages for nonperformance so long as such action shall not violate the agreements of the Corporation contained in the first paragraph of this Section. The Corporation may at its own cost and expense and in its own name or in the name of the City, prosecute or defend any action or proceeding or take any other action involving third persons which the Corporation deems reasonably necessary in order to secure or protect its right of title, possession and use hereunder, and in such event the City hereby agrees to cooperate fully with the Corporation and to take all action necessary to effect the substitution of the City for the Corporation in any such action or proceeding if the Corporation shall so request.

ARTICLE V  
MISCELLANEOUS

**Section 5.01. Further Assurances and Corrective Instruments.** The City and the Corporation agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments, including deeds, bills of sale and other documents of transfer, as may reasonably be required for correcting any inadequate or incorrect description of the Existing System, including but not limited to any real property upon or under which any facilities of the Existing System are situated, or for carrying out the intention of or facilitating the performance of this Agreement.

**Section 5.02. Approval of Corporation.** Whenever under the provisions of this Agreement the approval of the Corporation is required or the City is required to take some action at the request of the Corporation, such approval shall be given or such request shall be made by an Authorized Officer unless otherwise specified in this Agreement, and the City shall be authorized to act on any such approval or request, and the Corporation shall have no complaint against the City as a result of any such action taken.

**Section 5.03. Assignment.** This Agreement may be assigned, as a whole or in part, by the Corporation with the written consent of the City, which consent shall not be unreasonably withheld, subject to each of the following conditions:

(a) No assignment shall relieve the Corporation from primary liability for any of its obligations hereunder, and in the event of any such assignment the Corporation shall continue to remain primarily liable for performance and observance of the obligations and conditions herein provided to be performed and observed on its part.

(b) The assignee shall assume the obligations of the Corporation hereunder to the extent of the interest assigned.

(c) The Corporation shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the City a true and complete copy of each such assignment.

**Section 5.04. Notices.** All notices, certificates and other communications hereunder shall be sufficiently given if, and shall be deemed given on the second day following the day on which, mailed by registered or certified mail, postage prepaid, addressed as follows:

If to the City:

CITY OF TAFT  
209 East Kern Street  
Taft, CA 93268  
Attention: City Manager

If to the Corporation:

TAFT PUBLIC IMPROVEMENT CORPORATION  
209 East Kern Street  
Taft, CA 93268  
Attention: President, c/o City Manager

The City and the Corporation may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates and other communications shall be sent.

**Section 5.05. Binding Effect.** This Agreement shall inure to the benefit of and shall be binding upon the City, the Corporation and their respective successors and assigns.

**Section 5.06. Severability.** In the event any provision of this Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

**Section 5.07. Agreement Represents Complete Agreement; Amendments.** This Agreement represents the entire contract between the parties. This Agreement may not be effectively amended, changed, modified, altered or terminated without the concurring written consent of the City and the Corporation.

**Section 5.08. Governing Law.** This Agreement shall be governed and construed in accordance with the laws of the State of California.

**Section 5.09. Execution of Counterparts.** This Purchase Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

CITY OF TAFT

By: \_\_\_\_\_  
Craig Jones, City Manager

TAFT PUBLIC IMPROVEMENT CORPORATION

By: \_\_\_\_\_  
Dave Noerr, Board Member

By: \_\_\_\_\_  
Orchel Krier, Board Member

By: \_\_\_\_\_  
Josh Bryant, Board Member

By: \_\_\_\_\_  
Renee Hill, Board Member

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ASSIGNMENT AGREEMENT  
by and among the

TAFT PUBLIC IMPROVEMENT CORPORATION,  
UNITED STATES DEPARTMENT OF AGRICULTURE  
– RURAL DEVELOPMENT

and the

FINANCE DIRECTOR OF THE CITY OF TAFT,  
as Trustee

Dated as of June 21, 2016

relating to the

\$3,619,000 Certificates of Participation  
(2016 Wastewater Treatment Plant Project)

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## ASSIGNMENT AGREEMENT

This Assignment Agreement is made and entered into as of June 21, 2016, by and among the TAFT PUBLIC IMPROVEMENT CORPORATION, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the “**Corporation**”), UNITED STATES DEPARTMENT OF AGRICULTURE – RURAL DEVELOPMENT (the “**Assignee**”) and the FINANCE DIRECTOR OF THE CITY OF TAFT, as trustee (the “**Trustee**”);

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS (as defined in the Trust Agreement):

### **Section 1. Recitals.**

(a) The City of Taft (the “**City**”) and the Corporation have entered into a Purchase Agreement, dated as of June 15, 2016 (the “**Purchase Agreement**”), whereby the City has agreed to sell the existing wastewater system (the “**Existing System**”) to the Corporation.

(b) The Corporation and the City have entered into an Installment Sale Agreement, dated as of June 15, 2016 (the “**Installment Sale Agreement**”), whereby the Corporation has agreed to implement or cause the implementation of an improvement project (the “**Project**”) to the Existing System and to sell to the City, and the City has agreed to purchase from the Corporation the Existing System as improved by the Project (as more particularly described in Exhibit A to the Installment Sale Agreement, the “**Wastewater System**”), in the manner and on the terms set forth in the Installment Sale Agreement.

(c) The Assignee has determined to designate the Finance Director of the City of Taft, as the Trustee under this Assignment Agreement and the Trust Agreement (hereinafter defined).

(d) The City, the Corporation and the Trustee have entered into a Trust Agreement, dated as of June 15, 2016 (the “**Trust Agreement**”), whereby the Trustee has agreed to act as such for purposes of receiving Installment Payments (as defined in the Installment Sale Agreement) and for purposes of issuing, administering and making payments (from such Installment Payments) on the Certificates of Participation to be executed and delivered under the Trust Agreement (the “**Certificates**”).

(e) Under the Installment Sale Agreement, and upon the execution and delivery thereof, there is required to be deposited with the City and the Trustee certain sums of money to be credited, held and applied in accordance with the Trust Agreement.

(f) Upon delivery of the Installment Sale Agreement and the deposit of said moneys, the City is obligated to pay in accordance with the terms of the Installment Sale Agreement, certain Installment Payments to the Corporation or its assignee.

(g) For the purpose of obtaining the moneys required to be deposited with the City as described in paragraph 1(d) above, the Corporation is willing to assign and transfer to the Assignee all of its rights and interests under the Installment Sale Agreement for the benefit of the Owners of the Certificates, and in consideration of such assignment, the Trustee is executing and delivering such Certificates to the purchaser or purchasers thereof, which shall provide the moneys required to be deposited with the City and the Trustee pursuant to the Trust Agreement.

(h) 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.

(i) The terms capitalized in the Assignment Agreement but not defined herein shall have the meanings given to them in the Installment Sale Agreement or in the Trust Agreement.

**Section 2. Assignment.**

The Corporation, for good and valuable consideration in hand received, does hereby sell, assign and transfer to the Assignee without recourse, its right to receive all Installment Payments from the City under the Installment Sale Agreement and, effective immediately on default by the City under the Installment Sale Agreement and without any further act on the part of the Corporation, any and all of the other rights of the Corporation under the Installment Sale Agreement as may be necessary to enforce payment of such Installment Payments when due or otherwise to protect the interests of the owners of the Certificates.

**Section 3. Acceptance.**

The Assignee hereby accepts the foregoing assignment as an absolute assignment of the right assigned to it to receive all such Installment Payments from the City under the Installment Sale Agreement and the other rights assigned to it, subject to the terms and provisions of the Trust Agreement, and all such Installment Payments shall be applied and the rights so assigned shall be exercised by the Trustee as provided in the Trust Agreement.

The Assignee hereby designates the Trustee as its agent, for the benefit of the owners of the Certificates, to be executed and delivered by the Trustee pursuant to the Trust Agreement, to receive all such Installment Payments from the City under the Installment Sale Agreement and the other rights assigned to it, subject to the terms and provisions of the Trust Agreement, and all such Installment Payments shall be applied and the rights so assigned shall be exercised by the Trustee as provided in the Trust Agreement.

**Section 4. 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 Corporation and to its assigns, the Corporation is hereby assigning to the Trustee and its successors and assigns those rights in full insofar as they pertain to the Corporation's assigns.

**Section 5. Sale of Certificates.**

The Corporation and the Assignee do hereby authorize, direct and consent to the execution and delivery of the Certificates by the Trustee, the receipt by the Trustee of payment for the Certificates when the same shall be sold to the original purchaser or purchasers thereof, and the transfer and deposit by the Trustee of such proceeds into the funds and accounts created by the Trust Agreement, all in accordance with the terms of the Trust Agreement.

**Section 6. Conditions.**

This Assignment Agreement shall confer no rights or impose no obligations upon the Trustee beyond those expressly provided in the Trust Agreement and the Installment Sale Agreement.

**Section 7. Severability.**

If any agreement, condition, covenant or term hereof or any application hereof should be held by a court of competent jurisdiction to be invalid, void or unenforceable, in whole or in part, all agreements, conditions, covenants and terms hereof and all applications thereof not held invalid, void or unenforceable shall continue in full force and effect and shall in no way be affected, impaired or invalidated thereby.

**Section 8. Counterparts.**

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

**Section 9. Governing Law.**

This Agreement shall be construed under the laws of the State of California.

**IN WITNESS WHEREOF**, the parties hereto have executed this Assignment Agreement by their officers thereunto duly authorized as of the day and year first written above.

**TAFT PUBLIC IMPROVEMENT CORPORATION**

By: \_\_\_\_\_  
Dave Noerr, Board Member

By: \_\_\_\_\_  
Orchel Krier, Board Member

By: \_\_\_\_\_  
Josh Bryant, Board Member

By: \_\_\_\_\_  
Renee Hill, Board Member

Attest:

\_\_\_\_\_  
Orchel Krier, Secretary

**UNITED STATES DEPARTMENT OF AGRICULTURE – RURAL DEVELOPMENT**

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

Attest:

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

**FINANCE DIRECTOR OF THE CITY OF TAFT, as Trustee**

By: \_\_\_\_\_  
Teresa Binkley, Finance Director

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INSTALLMENT SALE AGREEMENT  
by and between the

TAFT PUBLIC IMPROVEMENT CORPORATION,  
as Seller

and the

CITY OF TAFT,  
as Purchaser

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Dated as of June 21, 2016

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relating to the  
2016 Wastewater Treatment Plant Project

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INSTALLMENT SALE AGREEMENT  
Wastewater System Improvement Project

This Installment Sale Agreement is entered into as of June 21, 2016, by and between the TAFT PUBLIC IMPROVEMENT CORPORATION, a nonprofit public benefit corporation organized and existing under the laws of the State of California (the “Corporation”), and the CITY OF TAFT (the “City”), a municipal corporation organized and existing under the laws of the State of California;

RECITALS

WHEREAS, the City has determined that the acquisition and construction of certain additions, betterments, extensions and improvements (the “Project”) to the Wastewater Treatment System (the “Wastewater System”) are necessary and proper for public purposes and uses under the terms of applicable law and are for the common benefit of the inhabitants of the City; and

WHEREAS, the Corporation 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 acquire and construct the Project and sell the Wastewater System, as improved by the Project, to the City; and

WHEREAS, the City has determined to make installment sale payments as hereinafter described to the Corporation for the repayment of the costs of the acquisition and construction of the Project and the incidental costs and expenses related thereto paid by the Corporation; 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 the 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 shall 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. Unless the context otherwise requires, capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Trust Agreement (as hereafter defined).

“Accountant’s Report” means a report signed by an Independent Certified Public Accountant.

“Acquisition and Construction Account” means the fund by that name established pursuant to Section 5.03 of the Trust Agreement.

“Corporation” means the Taft Public Improvement Corporation, a nonprofit public benefit corporation organized and existing under the laws of the State.

“City Council” means the legislative body of the City.

“Certificates” means the certificate(s) of participation executed and delivered pursuant to the Trust Agreement, evidencing a proportionate interest of the Owners thereof in Installment Payments to be made by the City pursuant to this Installment Sale Agreement.

“City” means the City of Taft.

“City Manager” means the person who is the duly appointed and acting City Manager of the City.

“City Official” means the Finance Director or other city official designated to act as trustee pursuant to the Trust Agreement and the Assignment Agreement.

“Code” means the Internal Revenue Code of 1986 and the regulations issued thereunder.

“Event of Default” means an event described in Section 5.01 hereof.

“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.

“Governmental Loan” means a loan from the State or the United States of America, acting through any of its agencies, to finance improvements to the Wastewater System, and the obligation of the District to make payments to the State or the United States of America under the loan agreement memorializing said loan on a parity basis with the payment of Installment Payments.

“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.

“Independent Engineer” means any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to Wastewater 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, officer or employee of the City, but may be regularly retained to make reports to the City.

“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 B hereto.

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

“Installment Payment Year” means the twelve-month period ending on May 15 of each year, commencing with May 15, 2017; provided that the first Installment Payment Year shall be deemed to commence on the date of delivery of the Certificates to the original purchaser thereof and end on May 15, 2017.

“Installment Sale Agreement” means this Installment Sale Agreement by and between the City and the Corporation, dated as of May 1, 2016, as originally executed and as it may from time to time be amended or supplemented in accordance herewith and with the terms of the Trust Agreement.

“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 water 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 an interest installment of the Installment Payment is due and payable, being May 15 and November 15 of each year to which reference is made, commencing on May 15, 2017.

“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 which are not reimbursements or payments for overhead or other administrative expenses incurred by the City.

“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 Revenues” means, for any Fiscal Year, the Wastewater System Revenues during such Fiscal Year less the Maintenance and Operation Costs during such Fiscal Year and less debt service on any Prior Obligation or Prior Obligations, if any, 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 Trustee (who shall be under no liability by reason of such approval).

“Owner” has the meaning set forth in the Trust Agreement.

“Parity Obligation” means any payment obligation of the City, if any, which is payable from and secured by a pledge of the Wastewater System Revenues on parity to the pledge contained hereunder. The City is representing and warranting herein that there are no Parity Obligations as of the date of this Installment Sale Agreement.

“Prior Obligation” means any previous payment obligation of the City, if any, if any, which is payable from and secured by a pledge of the Wastewater System Revenues senior to the pledge contained hereunder, which previous payment obligation predates May 15, 2016. The City is representing and warranting herein that there are no Prior Obligations.

“Project” or “Wastewater Treatment Project” means the set of additions, betterments and improvements to the Wastewater System more fully described in Exhibit A to this Installment Sale Agreement.

“Purchase Price” means the principal amount plus the interest thereon owed by the City to the Corporation under the conditions and terms hereof for the repayment of the costs of the acquisition and construction of the Project and the incidental costs and expenses related thereto paid by the Corporation.

“Reserve Fund” means the fund by that name established pursuant to Section 5.05 of the Trust Agreement.

“Reserve Fund Requirement” has the same meaning as set forth in the Trust Agreement.

“Wastewater Service” means the wastewater service made available or provided by the Wastewater System.

“Wastewater System” means any and all facilities, properties and improvements at any time owned, controlled or operated by the City for the collection, treatment, administration, disposal or reclamation of wastewater.

“Wastewater System Enterprise Fund” means the fund by that name, as described in Section 3.02 hereof.

“Wastewater System Project” means any additions, betterments, extensions or improvements to the Wastewater System, the acquisition and construction of which is to be paid for by the proceeds of the Certificate or other available revenues of the City.

“Wastewater System Revenues” means all gross income and revenue received or receivable by the City 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 directly 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.

## ARTICLE II

### THE PROJECT

Section 2.01. Acquisition and Construction of the Project. The Corporation hereby agrees to acquire and construct the Project for, and to sell the Wastewater System, as improved by the Project, to the City. In order to implement this provision, the Corporation hereby appoints the City as its agent to carry out all phases of the design, acquisition and construction of the Project, and the City has agreed to enter into such agreements, contracts and purchase orders as may be necessary, as agent for the Corporation, to provide for the design, acquisition and construction of the Project.

Section 2.02. Sale of the Wastewater System. The Corporation 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, as improved by the Project, from the Corporation. Notwithstanding the foregoing, it is hereby expressly understood and agreed that the Corporation shall be 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 Corporation or otherwise) for the acquisition and construction of the Project and that all such costs and expenses shall be paid by the City, regardless of whether the funds deposited in the Acquisition and Construction Account are sufficient to cover all such costs.

## ARTICLE III

### INSTALLMENT PAYMENTS

Section 3.01. Purchase Price.

(a) The Purchase Price to be paid by the City to the Corporation 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 Corporation hereunder is the aggregate principal amount of proceeds received from the United States of America on account of the purchase of the Certificates in the amount of not to exceed Three Million Six Hundred Nineteen Thousand Dollars (\$3,619,000).

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

Section 3.02. Payment of Installment Payments. The City shall, subject to prepayment as provided in Section 3.03, pay the Corporation the Purchase Price, without offset or deduction of any kind, by paying the principal installments of the Installment Payments annually on May 15, commencing on May 15, 2017, in each of the years and in the amounts set forth in Exhibit B

attached hereto and incorporated herein, together with interest installments of the Installment Payments, which interest installments shall be paid semiannually on May 15 and November 15, commencing on May 15, 2017, in the amounts and on the Interest Payment Dates in accordance with such Exhibit B; provided that the amount of the respective Installment Payments shall remain subject to modification to reflect the facts that (a) the corresponding proceeds received from the United States of America on account of the purchase of the Certificates will be received in installments, with the result that interest installments of the Installment Payments will be less than shown in Exhibit B for the period during which such proceeds are being received from the United States of America, and (b) the aggregate principal amount of the proceeds received from the United States of America may ultimately be less than \$3,619,000, in which case both the principal installments and the interest installments shown in Exhibit B will be modified to correspond to the actual aggregate principal amount received.

The 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 shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Section 6.01), the City will 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 shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

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 Revenues received by it shall 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 as provided herein. The City shall first 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) and debt service on all Prior Obligations, if any, from the Wastewater System Enterprise Fund as they become due and payable, and all remaining money on deposit in the Wastewater System Enterprise Fund shall be set aside and deposited by the City at the following times in the following order of priority:

(a) Installment Payment Account Deposit. On or before the tenth (10th) day of each May and November, beginning with May 10, 2017, the City shall, from the money in the Wastewater System Enterprise Fund, transfer to the Trustee for deposit in the Installment Payment Account established under the Trust Agreement, a sum equal to the amount of interest becoming due and payable hereunder on the next succeeding May 15 or November 15, as the case may be, plus, beginning with May 10, 2017, the amount of principal becoming due and payable hereunder on the next succeeding May 15, except that no such deposit need be made if the Trustee then holds money in the Installment Payment Account equal to the amount of interest becoming due and payable hereunder on the next succeeding May 15 or November 15, as the case may be, plus the amount of principal becoming due and payable hereunder on the next succeeding May 15. All money on deposit in the Installment Payment Account on each

Installment Payment Date shall be used to make and satisfy the Installment Payment due on such date and such payments shall be deposited or used by the Trustee in accordance with the terms of the Trust Agreement.

Notwithstanding the foregoing requirements of this subsection (a), for the period that the Certificates are registered to the United States of America, the City shall make the semiannual Installment Payments, whether on account of interest or on account of principal or both, as the case may be, directly to the party and in accordance with the pre-authorized debit procedure on the May 15 and November 15 payment dates, respectively, as specified in writing by the USDA Rural Development, an agency of the United States Department of Agriculture, or its successor agency.

(b) Reserve Fund Deposit. On or before the tenth (10th) day of each May, beginning on May 10, 2017, and continuing until the Reserve Requirement is satisfied, the City shall, in accordance with and subject to the terms of Section 5.04 of the Trust Agreement, transfer to the Trustee, from the money in the Wastewater System Enterprise Fund, for deposit in the Reserve Fund, an amount equal to the Annual Reserve Contribution (as defined in the Trust Agreement). After the City has satisfied the Reserve Requirement, on or before the tenth (10th) day of each May, the City shall, from the remaining money on deposit in the Wastewater System Enterprise Fund, transfer to the Trustee for deposit in the Reserve Fund that sum, if any, necessary to restore the Reserve Fund to an amount equal to the Reserve Fund Requirement. All money in the Reserve Fund shall be used and withdrawn by the Trustee for the purposes specified in Section 5.04 of the Trust Agreement.

As provided in the foregoing subsection (a) with respect to the Installment Payments, the deposit to the Reserve Fund required by this subsection (b) may be made on May 15 of each year for the period in which the Certificates are registered to the United States of America.

(c) Operating and Capital Replacement Reserve Deposit. On or before the tenth (10th) day of each May, beginning on May 10, 2017, and continuing to and including May 10, 2056, the City shall, in accordance with and subject to the terms of Section 5.05 of the Trust Agreement, transfer to the Trustee, from the money in the Wastewater System Enterprise Fund, for deposit in the Operating and Capital Replacement Reserve Fund, an amount of \$16,055; provided that said amount shall be evaluated each year and budgeted for based on the need to provide for timely replacement of short-lived assets. This transfer shall continue until all Installment Payments have been made to the Trustee. All money in the Operating and Capital Replacement Reserve Fund shall be used and withdrawn by the Trustee for the purposes specified in Section 5.05 of the Trust Agreement.

After making the deposits to the Installment Payment Account, the Reserve Fund and the Operating and Capital Replacement Reserve Fund hereinabove required to be made in each Installment Payment Year, the City may expend in such Installment Payment Year any remaining money in the Wastewater System Enterprise Fund for any lawful purpose of the City.

It is expressly provided and acknowledged by the parties hereto that payment of debt service on all Prior Obligations, if any, shall be provided for and made before any moneys in the Wastewater System Enterprise Fund are applied to payments in accordance with paragraphs (a) and (b) above, it being the express intention of the parties hereto that the obligations of the City

represented by this Installment Sale Agreement shall be subordinate and junior to the Prior Obligations, if any. Without limiting the generality of the foregoing sentence, the City hereby represents and warrants that there are no Prior Obligations.

It is further expressly provided and acknowledged by the parties hereto that payment of debt service on all Parity Obligations shall be provided for and made concurrently to and on a parity with the application of any moneys in the Wastewater System Enterprise Fund to payments in accordance with paragraphs (a) and (b) above, it being the express intention of the parties hereto that the obligations of the City represented by this Installment Sale Agreement shall be on a parity with the Parity Obligations.

### Section 3.03. Prepayment of Installment Payments.

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 within each principal payment date in integral multiples of one thousand dollars (\$1,000) so that the aggregate annual amounts of principal which shall be payable hereunder after such prepayment date shall be as nearly proportional as practicable to the aggregate annual amounts of the principal then payable hereunder, at a prepayment price equal to the sum of the principal amount prepaid plus accrued interest thereon to the date of prepayment, without premium.

Before making any prepayment pursuant to this Section, the City shall give written notice to the Corporation and the Trustee 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).

## ARTICLE IV

### COVENANTS OF THE CITY

Section 4.01. Compliance with Installment Sale Agreement and Trust Agreement. The City will punctually pay the Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate the 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 Project or 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 Corporation 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 Corporation 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.

The Corporation will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Trust Agreement required to be observed and performed by it, and it is expressly understood and agreed by and among the parties to the Installment Sale Agreement and the Trust Agreement that each of the agreements, conditions, covenants and terms contained in each such agreement is an essential and material term of the obligation of the City to repay the costs of the acquisition and construction of the Project and the costs and expenses incidental thereto paid by the Corporation pursuant to, and in accordance with, and as authorized under law and the Installment Sale Agreement.

Section 4.02. Use of Proceeds of the Certificates. The Corporation and the City agree that the proceeds of the Certificates will be used by the City, as agent for the Corporation, to pay the costs of the acquisition and construction of the Project and to pay the incidental costs and expenses related thereto as provided herein and in the Trust Agreement.

Section 4.03. Against Encumbrances. The City will 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 and will 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 will 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 will forthwith pay and discharge or cause to be paid and discharged such judgment. The City will, to the maximum extent permitted by law, indemnify and hold the Corporation and the Trustee 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.

The City may pledge, encumber or otherwise secure its obligations with the Net Wastewater System Revenues, provided that in all instances any such pledge, lien or security is wholly subordinate and junior to the obligations of the City contained herein, particularly Section 3.02.

Section 4.04. Against Sale or Other Disposition of Property. The City will 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 Revenues, and will 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 Revenues for the payment of the Installment Payments, or which would otherwise impair the rights of the Corporation with respect to the Net Wastewater System Revenues 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 Revenues below the requirements to be maintained under Section 4.13.

Section 4.05. 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 payable with respect to Certificates. This covenant shall survive payment in full or defeasance of the Installment Payments and the Certificates.

Section 4.06. Maintenance and Operation of the Wastewater System; Budgets. The City will 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 will pay all Maintenance and Operation Costs as they become due and payable.

Not later than October 1 of each year, the City will adopt and, if requested, make available to the Corporation and the Trustee, a budget approved by the City setting forth the estimated Maintenance and Operation Costs and the estimated Installment Payments for the then current Fiscal Year; provided, that any such budget may be amended at any time during any Fiscal Year and, if requested, such amended budget shall be made available to the Corporation and the Trustee; and provided further that, for the period during which the Auditor-Controller is serving as Trustee, this requirement shall not apply.

Section 4.07. Compliance with Contracts. The City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Wastewater System and all other contracts affecting or involving the Wastewater System to the extent that the City is a party thereto.

Section 4.08. Payment of Claims. The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Net Wastewater System Revenues 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 4.09. Insurance. The City will procure and maintain such insurance relating to the Wastewater System which it shall deem advisable or necessary to protect its interests and the interests of the Corporation and the Trustee, which insurance shall 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 shall provide that the Corporation and the Trustee shall be given thirty (30) days written notice of any intended cancellation thereof or reduction of coverage provided thereby.

The City shall promptly advise the Corporation and the Trustee, in writing, if any change in the insurance coverage occurs and, no later than July 31 of each year beginning July 31, 2016,

provide to the Corporation and the Trustee 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; provided that, for the period during which the City Official is serving as Trustee, this requirement shall not apply.

Section 4.10. Accounting Records and Financial Statements.

The City will 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 Corporation and the Trustee at reasonable hours and under reasonable conditions.

The City will prepare and file with the Trustee annually within two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2016) financial statements of the City for the preceding Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant's Report thereon; provided that, for the period during which the City Official is serving as Trustee, this requirement shall not apply.

Section 4.11. Protection of Security and Rights of the Corporation and the Trustee. The City will preserve and protect the security hereof and the rights of the Corporation and the Trustee to the Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 4.12. Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Wastewater System or any part thereof when the same shall become due. The City will duly observe and conform with all valid regulations and requirements of any governmental Corporation 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 4.13. Amount of Rates, Fees and Charges. The City will 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 Revenues during the next succeeding Fiscal Year of the City equal to one hundred ten percent (110%) of the Installment Payments for such Fiscal Year. 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 Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this section.

Section 4.14. Collection of Rates, Fees and Charges. The City will 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 will 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, county, district, political subdivision, public Corporation or agency of any thereof); provided, that the City may without charge use the Wastewater Service.

Section 4.15. Limitations on Future Obligations Secured by Net Wastewater System Revenues.

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

(b) Parity Obligations. The City further covenants that, except for bonds issued to fully or partially refund the Bonds or Parity Obligations, 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) Net Wastewater System Revenues, calculated on sound accounting principles, as shown by the books of the City for the latest Fiscal Year or any more recent twelve (12) month period selected by the City ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Parity Obligation is issued or incurred, as shown by the books of the City 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 coming due and payable in any future Fiscal Year and the annual debt service for such Fiscal Year on all Parity Obligations outstanding immediately subsequent to the incurring of such additional obligations in the Fiscal Year in which such sum is the greatest;

(iii) Except with respect to Governmental Loans, 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 (i) the maximum amount of debt service required to be paid by the City with respect to such Parity Obligations during any Fiscal Year, or (ii) the maximum amount then permitted under the Code, in either event as certified in writing by the City. With respect to Governmental Loans, the City may, in its sole discretion, establish a reserve fund in an amount not to exceed the limits set forth herein; and

(iv) The City has obtained written consent from Owner, if Owner is the United States of America, acting through any one of its agencies.

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

(A) an allowance for Net Wastewater System Revenues 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 Revenues 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 12-month period, were not in service, all in an amount equal to the estimated additional annual Net Wastewater System Revenues to be derived from such additions, improvements and extensions during the first full Fiscal Year following the completion thereof, all as shown by a certificate of the City may be added to such Net Wastewater System Revenues for the purpose of applying the restriction contained in this subsection (b)(ii);

(B) an allowance for earnings arising from any increase in the charges made for service from the Wastewater System which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year or 12-month period, was not in effect, in an amount equal to 100% of the amount by which the Net Wastewater System Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12-month period, as shown by a 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 Bonds or on any outstanding Parity Obligations, if (i) at the time of the incurring of such Parity Obligations, the City certifies in writing that maximum annual debt service on such Parity Obligations will not exceed Maximum Annual Debt Service on the Outstanding Bonds or Parity Obligations to be refunded, and (ii) the final maturity of such Parity Obligations is not later than the final maturity of the refunded Bonds or Parity Obligations.

In order to maintain the parity relationship of the Installment Payments 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, except with respect to Governmental Loans, will be structured to occur semi-annually on the due dates and in each year as such payments are due with respect to the Installment Payments, and reserve account replenishment with respect to any Parity Obligations, except with respect to Governmental Loans, 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 Installment Payments and not prior thereto; provided that the City shall not make a payment on such Governmental Loan to the extent it would have the effect of causing the City to fail to pay Installment Payments on a timely basis. In such event, the City shall make Installment Payments and payments on such Governmental Loan on a pro rata basis.

(c) Treatment or Reimbursements. If interest on any Parity Obligation is reasonably anticipated to be reimbursed to or on behalf of the City by the United States of America, then interest payments with respect to such Parity Obligations shall be excluded by the amount of such interest reasonably anticipated to be paid or reimbursed by the United States of America, and such reimbursements will not be included as Wastewater System Revenues for purposes of the coverage calculations required in subsection (b)(ii) above.

(d) Subordinate Obligations. The City may issue bonds or other obligations secured by a lien on Wastewater System Revenues or Net Wastewater System Revenues which is subordinate to the lien established under this Installment Sale Agreement, upon such terms and in such principal amounts as the City may determine.

Section 4.16. 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, shall be applied either to the prepayment of the Installment Payments as provided in Section 3.03 hereof or shall be used to substitute other components for the condemned or destroyed components of the Wastewater System.

Section 4.17. Further Assurances. The City will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Corporation of the rights and benefits provided to it herein.

## ARTICLE V

### EVENTS OF DEFAULT AND REMEDIES

Section 5.01. Events of Default and Acceleration of Principal. Each of the following constitute an Event of Default under this Installment Sale Agreement:

(a) if the City defaults in the due and punctual payment of any Installment Payment when and as the Installment Payment becomes due and payable;

(b) if the City defaults in the performance of any of the agreements or covenants contained herein required to be performed by it, and such default shall have continued for a period of sixty (60) days after the City has been given notice in writing of such default by the Corporation or the Trustee; or

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

then and in each and every such case during the continuance of such Event of Default specified in clause (1) above, the Trustee shall, and for any other such Event of Default the Trustee may, by notice in writing to the City, declare the entire principal amount of the unpaid Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding. This Section 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 shall have been so declared due and payable, and before any judgment or decree

for the payment of the money due shall have been obtained or entered, the City shall deposit with the Trustee 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, 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 Trustee, and any and all other defaults known to the Trustee (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) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Trustee, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

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

First, to the payment of the costs and expenses of the Trustee, 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 shall not be 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.

Section 5.03. Other Remedies. The Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any 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 Corporation or the Trustee; 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 Revenues to the Trustee at the respective due dates or upon prepayment, or shall affect or impair the right of the Trustee, 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 Trustee shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair 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 Trustee 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 Trustee.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Trustee, the Corporation and the City and the Trustee 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 Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

## ARTICLE VI

### DISCHARGE OF OBLIGATIONS

#### Section 6.01. Discharge of Obligations.

(a) If the City shall pay 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 Corporation herein and the obligations of the City hereunder shall thereupon cease, terminate, become void and be completely discharged and satisfied.

(b) Any unpaid principal installment of the Installment Payments shall 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 installments 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 Trustee as required by the Trust Agreement, (ii) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or Permitted Investments (as that term is defined in the Trust Agreement) of the type described in clause (1) of the definition of Permitted Investments and which 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 Trustee, shall be sufficient to pay when due the principal installments 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 Trustee to the effect that the action taken pursuant to this subsection will not cause the interest on the Certificates 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 Corporation 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, if any, as provided in this Section, and payment of all fees and expenses of the Trustee, the Trustee, 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 Corporation and shall execute and deliver to the City and the Corporation all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of the Installment Sale Agreement, and the Trustee 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 Trustee in trust for the payment of the Installment Payments and shall be applied by the Trustee pursuant to the Trust Agreement.

## ARTICLE VII

### MISCELLANEOUS

Section 7.01. Liability of City Limited to Net Wastewater System Revenues. 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 Revenues for the payment of the Installment Payments 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 is a special obligation of the City payable solely from the Net Wastewater System Revenues 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. Nothing contained herein, expressed or implied, is intended to give to any person other than the Corporation or the City or the Trustee 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 Corporation or the City or the Trustee 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 Corporation or the City or the Trustee 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 Corporation or the City or the Trustee, and all agreements and covenants required hereby to be performed by or on behalf of the Corporation or the City or the Trustee 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 the 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 Corporation 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 Corporation and the City hereby declare that they would have executed the 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. The Installment Sale Agreement and any rights hereunder shall be assigned by the Corporation to USDA-Rural Development, as Assignee, which designated the Finance Director of the City of Taft as the Trustee as provided in the Assignment Agreement; to which assignment the City hereby expressly acknowledges and consents.

Section 7.08. Net Contract. The 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. The 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 Corporation and its directors, officers and employees and the Trustee 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 the 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 Corporation; 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 Corporation 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 the Certificates and the rights of the Owners of such Certificates.

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 Taft  
209 E. Kern Street  
Taft, CA 93268  
Attention: City Manager

If to the Corporation:

Taft Public Improvement Corporation  
c/o City of Taft  
209 E. Kern Street  
Taft, CA 93268  
Attention: President  
c/o City Manager

If to the Trustee:

Finance Director  
of the City of Taft  
209 E. Kern Street  
Taft, CA 93268

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

Section 7.14. Execution in Counterparts. The 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.

[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.

TAFT PUBLIC IMPROVEMENT  
CORPORATION, a California nonprofit  
public benefit corporation

By: \_\_\_\_\_  
Dave Noerr, Board Member

By: \_\_\_\_\_  
Orchel Krier, Board Member

By: \_\_\_\_\_  
Josh Bryant, Board Member

By: \_\_\_\_\_  
Renee Hill, Board Member

CITY OF TAFT, a municipal corporation  
organized and existing under the laws of the  
State of California

By: \_\_\_\_\_  
Craig Jones, City Manager

## **EXHIBIT A**

### **Description of the Project**

The Project consists of the following:

1. A new headworks structure will be constructed next to the existing headworks and will consist of new flow channels, parshall flume and screening and solids transport equipment. In addition, a new screening system for the dump station would be constructed;
2. A new Biolac aeration system will be implemented, including new diffuser chains and blowers. Ponds 2 and 3 will be refurbished and returned to service. Improvements will be made to restore the operational status of transfer structures and related yard piping. Ponds 3 and 4 will be outfitted with Solar Bees solar-powered circulators or equivalent technology for effluent polishing;
3. An extensive electrical upgrade will be part of this project. The scope includes a new electrical service, new switch-gear and new conduit conductors as is required for code compliance; and
4. The existing standby generator is not functional and will be replaced. A new 375 kW generator will be provided as part of the project.

as more specifically described in the Preliminary Engineering Report prepared by \_\_\_\_\_, City Engineering Department, as submitted to the USDA-RD in connection with the application of the City to USDA-RD for the financing of a portion of the cost and expense of said improvements, subject to such modifications to the subject improvement project as may be approved by USDA-RD during the course of construction.

## EXHIBIT B

### Schedule of the Principal Component of Installment Payments

Payment Date	Principal Component	Balance
05/15/2017	\$ 63,000	\$ 3,565,000
05/15/2018	64,000	3,510,000
05/15/2019	65,000	3,454,000
05/15/2020	67,000	3,396,000
05/15/2021	68,000	3,337,000
05/15/2022	69,000	3,276,000
05/15/2023	70,000	3,214,000
05/15/2024	71,000	3,150,000
05/15/2025	73,000	3,085,000
05/15/2026	74,000	3,018,000
05/15/2027	75,000	2,949,000
05/15/2028	77,000	2,879,000
05/15/2029	78,000	2,807,000
05/15/2030	79,000	2,733,000
05/15/2031	81,000	2,657,000
05/15/2032	82,000	2,579,000
05/15/2033	83,000	2,499,000
05/15/2034	85,000	2,417,000
05/15/2035	86,000	2,333,000
05/15/2036	88,000	2,247,000
05/15/2037	89,000	2,159,000
05/15/2038	91,000	2,069,000
05/15/2039	93,000	1,977,000
05/15/2040	94,000	1,882,000
05/15/2041	96,000	1,785,000
05/15/2042	98,000	1,685,000
05/15/2043	99,000	1,583,000
05/15/2044	101,000	1,478,000
05/15/2045	103,000	1,371,000
05/15/2046	105,000	1,261,000
05/15/2047	106,000	1,148,000
05/15/2048	108,000	1,033,000
05/15/2049	110,000	915,000
05/15/2050	112,000	794,000
05/15/2051	114,000	670,000
05/15/2056	116,000	543,000
05/15/2053	118,000	412,000
05/15/2054	120,000	278,000
05/15/2055	122,000	141,000
05/15/2056	126,000	0
	<u>\$ 3,619,000</u>	

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TRUST AGREEMENT

by and among the

CITY OF TAFT,

the

TAFT PUBLIC IMPROVEMENT CORPORATION

and the

FINANCE DIRECTOR  
OF THE CITY OF TAFT,  
as Trustee

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Dated as of June 21, 2016

relating to the

2016 Wastewater Treatment Plant Project

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## TRUST AGREEMENT

### **Wastewater Treatment Plant Project**

This Trust Agreement is entered into as of June 15, 2016, by and among the CITY OF TAFT (the “**City**”), a municipal corporation duly organized and existing under the laws of the State, the TAFT PUBLIC IMPROVEMENT CORPORATION (the “**Corporation**”), a California public benefit corporation, and the FINANCE DIRECTOR OF THE CITY OF TAFT, as trustee (the “**Trustee**”);

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:

#### ARTICLE I

#### RECITALS

1.01. Installment Sale Agreement. The City and the Corporation have entered into an Installment Sale Agreement, whereby the Corporation has agreed to implement an improvement project (the “**Project**”) to the existing water system (the “**Existing System**”), and upon completion of the Project, to sell the Existing System, as improved by the Project (the “**Wastewater System**”), to the City and the City has agreed to purchase the Wastewater System from the Corporation and to make Installment Payments therefor.

1.02. Assignment Agreement. For the purpose of assisting in obtaining moneys required to be deposited with the Trustee, the Corporation has assigned and transferred all of its rights and interests in the Installment Sale Agreement to USDA Rural Development, as Assignee, and the Assignee has designated the Finance Director of the City of Taft, as Trustee, pursuant to an Assignment Agreement, and in consideration of such assignment and the execution of this Trust Agreement, the Trustee has agreed to execute and deliver Certificates of Participation, each evidencing an interest in the Installment Payments, as set forth in the Certificates.

1.03. Purchase Agreement. The City and the Corporation have entered into a Purchase Agreement, whereby the Corporation has purchased the Existing System from the City.

1.04. Agency Appointment. The City and the Corporation have entered into an agreement, as part of the Installment Sale Agreement, whereby the Corporation has appointed the City as its agent to accomplish the acquisition and construction of the Project, and the City has accepted such appointment.

1.05. Conditions Precedent Satisfied. All things, conditions and acts required by law to exist, happen and be performed precedent to and in connection with the execution and entering into of this Trust Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law and the parties hereto are now duly empowered to execute and enter into this Trust Agreement.

## ARTICLE II

### DEFINITIONS AND RULES OF CONSTRUCTION

2.01. Definitions. The terms defined herein shall have the meanings, for the purpose of this Trust Agreement, ascribed to them below unless the context clearly requires some other meaning. The term “this Agreement” as used herein means this Trust Agreement unless the context clearly requires some other meaning.

“Acquisition and Construction Account” means the account by that name established under Section 5.03 hereof, from which account the amounts will be disbursed to pay the authorized costs and expenses of acquiring and constructing the Project, and otherwise paying the Acquisition and Construction Costs and Delivery Costs.

“Acquisition and Construction Costs” means all costs of or reimbursement for acquisition and construction of the Project, including but not limited to, engineering costs and costs of feasibility, environmental and other reports, inspection costs, permit fees, filing and recording costs, and sales and use taxes.

“Annual Reserve Contribution” means an amount equal to one-tenth of the Reserve Requirement.

“Annual Operating” and “Capital Reserve Contribution” means an amount equal to the Annual Reserve Contribution.

“Assignee” means USDA Rural Development, as Assignee under the Assignment Agreement.

“Assignment Agreement” means the Assignment Agreement, dated as of June 15, 2016, by and among the Corporation, USDA Rural Development, as Assignee, and the Trustee, as executed or hereafter amended.

“Authorized Officer,” when used with respect to the Corporation means the President or the Secretary of the Corporation. “Authorized Officer,” when used with respect to the City, means the City Manager or assistants or any other officer or employee of the City who is designated by the City Council as an Authorized Officer for purposes of the Installment Sale Agreement and/or this Agreement.

“Average Annual Debt Service” means the sum of (1) all of the principal installments for Outstanding Certificates falling due by their terms and (2) all of the interest accruing on all Outstanding Certificates until paid by their terms or prepaid, divided by the total number of Fiscal Years from the date of issuance of the Certificates to and including the final maturity of the Certificates.

“Business Day” means any day on which banks in Los Angeles, California, are open for business, except Saturday and Sunday.

“Certificate Register” means the books for registration of the Certificates maintained by the Trustee pursuant to Section 3.09 of this Trust Agreement.

“Certificates” means the Certificates of Participation prepared and delivered by the Trustee, pursuant to Section 3.01 hereof, to the original purchaser thereof and to any subsequent Owner thereof, pursuant to Sections 3.07 and 3.08 of this Trust Agreement.

“City Council” means the legislative body of the City.

“City” means the City of Taft, a municipal corporation duly organized and existing under the laws of the State.

“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.

“Corporation” means the Taft Public Improvement Corporation, a public benefit corporation duly organized and existing by virtue of the laws of the State.

“Delivery Costs” means all costs of payment of or reimbursement for execution, sale and delivery of the Installment Sale Agreement and the Certificates, including, but not limited to, costs paid or incurred by the City, the Corporation or the Trustee for filing costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee and its counsel, financing discounts, legal fees and charges and reimbursements, financial and other professional ratings, fees for execution, registration, transportation and safekeeping of Certificates, municipal Certificate insurance premiums, initial premiums for insurance required by Section 4.09 of the Installment Sale Agreement, and other charges and fees in connection with the foregoing.

“Event of Default” means an event of default under the Installment Sale Agreement as set forth in Section 5.01 of the Installment Sale Agreement.

“Existing System” means the existing real property and wastewater treatment system capital facilities which comprise the operating wastewater treatment system of the City as of the date of this Agreement.

“Federal Securities” means United States Treasury notes, bonds, bills or certificates of indebtedness or obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest.

“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 in any calendar year and ending on June 30 of the following calendar year.

“Installment Payment Account” means the account by that name established under, and held by the Trustee pursuant to, Section 5.02 of this Trust Agreement.

“Installment Payment Dates” means May 15 and November 15 of each year commencing with May 15, 2017.

“Installment Payments” means payments payable by City for the purchase of the Project pursuant to the Installment Sale Agreement.

“Installment Sale Agreement” means the Installment Sale Agreement Relating to the Wastewater System Improvement Project, dated as of June 15, 2016, by and between the Corporation and the City, as executed or hereafter amended.

“Net Proceeds” shall have the meaning set forth in the Installment Sale Agreement.

“Operating and Capital Replacement Reserve Fund” means the fund by that name established under, and held by the Trustee pursuant to, Section 5.05 of this Trust Agreement.

“Outstanding” when used with reference to the Certificates and as of any particular date means all Certificates theretofore delivered except: (a) any Certificate cancelled by the Trustee at or before said date; (b) any Certificate in lieu of or in substitution for which another Certificate shall have been delivered pursuant to this Trust Agreement; and (c) Certificates which have been defeased under Section 9.02 of this Trust Agreement.

“Owner” or “Certificate Owner” or “Owner of Certificates” or any similar term, when used in either the singular or the plural with respect to the Certificates, means any person who shall be the registered owner of any Outstanding Certificate as shown on the Certificate Register.

“Payment Dates” means May 15 and November 15 of each year commencing with May 15, 2017.

“Permitted Investments” means:

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

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

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

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

(v) Any investment agreement, guarantee or other investment vehicle or security issued by, secured by or otherwise representing the general obligations of a financial institution whose long-term unsecured, uninsured and unguaranteed obligation or claims-paying ability is rated AA or better by any Rating Agency at the time of its issuance, provided that: (a) the agreement is not subordinated to any other obligations of such financial institution; and (b) if the financial institution fails to maintain a rating of AA or better (without regard to gradations), the City shall have the right to demand collateral in the form of securities authorized by paragraphs (i) and (ii) above pledged to secure the investment agreement. Such collateral shall be pledged through the Trustee 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;

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

“Prepayment Account” means the fund by that name established under, and held by the Trustee pursuant to Section 4.02 of the Trust Agreement.

“Principal Payment Date” means May 15 of each year, commencing with May 15, 2017, and ending on May 15, 2056.

“Principal Trust Office” means the office of the Trustee which is located in Taft, California, which at the time of execution of this Trust Agreement is 209 E. Kern Street, Taft, California 93268.

“Project” or “Wastewater System Improvement Project” mean the additions, betterments and improvements to the Existing System, as more fully described in Exhibit A to the Installment Sale Agreement, including any substitutions therefor or additions thereto made in accordance with the provisions of the Installment Sale Agreement.

“Purchase Agreement” means the Purchase Agreement, dated as of June 15, 2016, by and between the City and the Corporation whereby the Corporation purchases the Site from the City.

“Record Date” means the close of business on the fifteenth day of the month preceding any Payment Date, whether or not such fifteenth day is a Business Day.

“Reserve Fund” means the fund by that name established under, and held by the Trustee pursuant to, Section 5.04 of this Trust Agreement.

“Reserve Requirement” means, as of any date of calculation after May 15, 2026, an amount equal to the Average Annual Debt Service, as accumulated pursuant to Section 5.04 hereof.

“Special Counsel” means an attorney or a firm of attorneys, acceptable to the City, of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on

Certificates of Participation issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

“State” means the State of California.

“Trust Agreement” means this Trust Agreement, dated as of June 15, 2016, by and among the Trustee, the City and the Corporation, as executed or hereafter amended.

“Trustee” means Finance Director of the City of Taft, together with any co-trustee, if any, appointed and acting pursuant to this Trust Agreement, or any successor in interest acting as Trustee under this Trust Agreement.

“USDA Rural Development” means USDA Rural Development, an agency of the United States Department of Agriculture.

“Wastewater System Improvement Project Trust Fund” means the fund established pursuant to Section 5.02 of this Trust Agreement.

2.02. Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context otherwise indicates, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons.

## ARTICLE III

### THE CERTIFICATES

3.01. Preparation and Delivery of Certificates. The Trustee is hereby authorized to prepare an initial series of certificates designated “City of Taft Certificates of Participation (Wastewater System Improvement Project)” in an aggregate principal amount of not-to-exceed Three Million Six Hundred Nineteen Thousand Dollars (\$3,619,000). The Trustee is hereby directed, upon written request from the City and from the Corporation, to execute and deliver to the original purchaser thereof said Certificates in said aggregate principal amount, evidencing direct, undivided fractional ownership interests in the Installment Payments to be paid by the City under the Installment Sale Agreement, as set forth in such Certificates. The City and the Corporation hereby certify, recite and declare that all things, conditions and acts required by the constitution and statutes of the State and the Installment Sale Agreement and this Trust Agreement to exist, to have happened and to have been performed precedent to and in the delivery of the Certificates, exist, have happened and have been performed in due time, form and manner as required by law.

3.02. Form; Denomination; Medium of Payment. The Certificates shall be delivered in the form of fully registered Certificates in the denomination of \$1,000 each or any whole multiple thereof (which form shall be substantially in the form set forth in Exhibit A hereto attached and by this reference herein incorporated). The Certificates may be numbered by such method as shall be determined by the Trustee. The Certificates may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Trust Agreement as may be necessary or desirable to comply with custom, or otherwise, as may be determined by the City prior to the delivery thereof.

The Certificates shall be payable in lawful money of the United States of America, which at the time of payment is legal tender for the payment of public and private debts.

In the event the Certificates are purchased by the USDA Rural Development, acting on behalf of the United States of America, the Trustee is authorized to issue the Certificates as a single, fully-registered Certificate in the face amount of not-to-exceed \$3,619,000. Thereafter, and upon not less than thirty (30) days written notice to the City, the single, fully-registered Certificate may be exchanged at the expense of the City for serial Certificates in denominations of \$1,000 each, or any whole multiple thereof, and with principal maturities reflecting the schedule set forth on the face of said single, fully-registered Certificate under the column heading “Principal Amount Payable,” as amended from time to time in accordance with the Installment Sale Agreement and this Trust Agreement.

3.03. Date of Certificates. The Certificates shall be dated as of the date of authentication thereof (except that the Certificates delivered to the original purchaser shall be dated as of the date of delivery), and interest with respect thereto shall be payable from the Payment Date next preceding the date of authentication thereof, unless: (i) it is authenticated as of a Payment Date, in which event interest represented thereby shall be payable from such Payment Date; or (ii) it is authenticated after the Record Date preceding a Payment Date and before such Payment Date, in which event interest represented thereby shall be payable from such Payment Date; or (iii) it is authenticated on or before May 1, 2017, in which event interest represented thereby shall be

payable from the date of delivery; provided, however, that if, as of the date of any Certificate, interest is in default with respect to any Outstanding Certificates, interest with respect to such Certificate shall be payable from the Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Certificates.

3.04. Payment of Principal and Interest with Respect to Certificates.

The Certificates shall be in serial form, and the principal thereof shall be payable from the principal component of Installment Payments on June 1 in each of the years and in the amounts set forth in the Installment Payment Schedule as Exhibit B of the Installment Sale Agreement.

Interest with respect to the Certificates shall be payable on May 15, 2017, and semiannually thereafter on May 15 and November 15 of each year to and including the date of principal payment or prepayment, whichever is earlier. Said interest shall be computed on the basis of a 365-day year and shall be computed at the rate of one and seventy-five one hundredths percent (1.75%) per annum.

Notwithstanding the foregoing, with respect to both the principal and interest components of Installment Payments, the amounts thereof shall be subject to modification in the event that the eventual aggregate amount of installments paid to the Trustee on account of the purchase price of the Certificates is less than \$3,619,000, with the modifications to reflect approximately equal annual amount of the Installment Payments; and provided further that, with respect to the interest components of Installment Payments for the period during which installments on account of the purchase price of the Certificates are being paid, the interest components for each semi-annual period during which such installments are being paid shall be reduced as appropriate to reflect the fact that interest accrues on each such component of the purchase price only from the date of receipt of such component by the Trustee from USDA Rural Development, acting on behalf of the United States of America.

3.05. Place of Payment. The principal and premium, if any, with respect to all Certificates shall be payable at the Principal Trust Office of the Trustee. Interest with respect to the Certificates shall be payable by check mailed first class to the Owners thereof on the Payment Date; provided, however, that the Owners of the Certificates shown on the Certificate Register on the Record Date preceding the Payment Date shall be deemed to be the Owners of the Certificates on said Payment Date for the purpose of the paying of interest; and provided further that for the period during which the United States of America is the registered Owner of the Certificates, payment shall be made in the manner specified in writing by the USDA Rural Development, an agency of the United States Department of Agriculture.

3.06. Execution. The Certificates shall be executed in the name of the Trustee, as trustee under this Trust Agreement, by the manual signature of the Trustee.

3.07. Transfer and Exchange of Certificates.

(a) The registration of each Certificate shall be transferable only upon the Certificate Register, which shall be kept for that purpose at the Principal Trust Office of the Trustee, upon surrender thereof together with a written instrument of transfer satisfactory to the

Trustee duly executed by the Owner or his duly authorized attorney. Upon the registration of the transfer, and the surrender, of any such Certificate, the Trustee shall prepare, in the name of the transferee, a new Certificate or Certificates, of the same aggregate principal amount, Principal Payment Date and interest rate as the surrendered Certificate.

(b) Certificates may be exchanged at the Principal Trust Office of the Trustee for a like aggregate principal amount of Certificates of other authorized denominations payable as to principal on the same Principal Payment Date and at the same interest rate as the principal of the exchanged Certificates. Upon the written request for exchange, and the surrender, of any Certificates, the Trustee shall prepare in the name of the Owner requesting exchange a new Certificate or Certificates of the same aggregate principal amount, Principal Payment Date, and interest rate as the Certificates being exchanged.

3.08. Regulation with Respect to Exchange and Transfers. In all cases of registration of transfer or exchange of Certificates, the Trustee shall execute and deliver Certificates in accordance with the provisions of this Article. All Certificates surrendered in any transfer or exchange shall forthwith be cancelled and delivered upon the written order of the City by the Trustee. Notwithstanding any other provision of this Trust Agreement, the cost of preparing each new Certificate upon the registration of transfer or exchange following delivery pursuant to Section 3.01 hereof, and any other expenses of the City or the Trustee incurred in connection therewith (except any applicable tax, fee or other governmental charge other than one imposed by the City) shall be paid by the City.

3.09. Certificate Register.

(a) The Trustee shall keep or cause to be kept at its Principal Trust Office a Certificate Register, which shall upon reasonable notice and at reasonable times during normal business hours on any Business Day be open to inspection by the City and Owners of Certificates, and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register the transfer on the Certificate Register of Certificates as hereinbefore provided.

(b) The Trustee shall deem and treat the person in whose name any Outstanding Certificate shall be registered upon the Certificate Register as the absolute owner of such Certificate, whether such Certificate shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and interest payments with respect to such Certificate and for all other purposes, and all such payments so made to any such Owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and neither the City nor the Trustee shall be affected by any notice to the contrary. The City agrees to indemnify the Trustee or cause the Trustee to be indemnified against any and all loss, cost, charge, expense, judgment or liability incurred by it, while acting in good faith and without negligence hereunder.

3.10. Temporary Certificates. Pending preparation of the definitive Certificates, any Certificates delivered under this Trust Agreement may be initially delivered in temporary form exchangeable for definitive Certificates when ready for delivery. The temporary Certificates may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the City, shall be without coupons and may contain such reference to any of the

provisions of this Trust Agreement as may be appropriate. Every temporary Certificate shall be executed by the Trustee and be delivered by the Trustee upon the same conditions and in substantially the same manner as definitive Certificates. If the Trustee delivers temporary Certificates, it shall execute and furnish definitive Certificates without delay and, thereupon, the temporary Certificates shall be surrendered for cancellation at the Principal Trust Office of the Trustee, and the Trustee shall deliver in exchange for such temporary Certificates an equal aggregate principal amount of definitive Certificates of authorized denominations and of the same Principal Payment Date and interest rate or rates. Until so exchanged, the temporary Certificates shall be entitled to the same benefits under this Trust Agreement as definitive Certificates delivered pursuant hereto.

3.11. Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, shall execute and deliver a new Certificate of like tenor, Principal Payment Date, and interest rate, in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be cancelled by it and delivered upon the order of the City.

If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and if an indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like tenor, Principal Payment Date, and interest rate, and numbered as the Trustee shall determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen.

The Trustee may require payment of an appropriate fee for each new Certificate delivered under this Section and of the expenses which may be incurred by the Trustee in carrying out the duties under this Section 3.11. Any Certificate delivered under the provisions of this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Certificates delivered under this Trust Agreement. The Trustee shall not be required to treat both the original Certificate and any duplicate Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and duplicate Certificate shall be treated as one and the same.

Notwithstanding any other provision of this Section 3.11, in lieu of delivering a new Certificate for which principal has or is about to become due for a Certificate which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Certificate in accordance with its terms.

3.12. Evidence of Signatures of Certificate Owners and Ownership of Certificates. Any request, consent, revocation of consent, or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Certificate Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Certificate Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose. Proof of the execution of any such instrument, or of any instrument appointing any

such attorney or agent, and of the ownership of Certificates shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

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

(b) The fact of the ownership of Certificates by any Certificate Owner and the amount, the Principal Payment Date, and interest rate and the numbers of such Certificates and the date of his ownership of the same shall be proved by the Certificate Register held by the Trustee under the provisions of this Trust Agreement.

Nothing contained in this Section shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which may seem sufficient. Any request or consent of the Owner of any Certificate shall bind every future Owner of the same Certificate in respect of anything done or suffered to be done by the City or the Trustee in pursuance of such request or consent.

ARTICLE IV  
PREPAYMENT

4.01. Prepayment.

(a) The Certificates are subject to voluntary prepayment without premium, in whole or in part, on any Payment Date in inverse order of Principal Payment Date and by lot as to any Payment Date, from (i) the Net Proceeds in an amount of \$1,000 or more deposited with the Trustee pursuant to the provisions of Section 3.03 of the Installment Sale Agreement, (ii) amounts transferred by the Trustee from the Acquisition and Construction Account to the Installment Payment Account pursuant to Section 5.03(b) of this Trust Agreement, and (iii) amounts received by the Trustee upon an Event of Default and termination of the Installment Sale Agreement.

(b) In addition to prepayment pursuant to subsection (a) hereof, the Certificates are subject to prepayment, in whole or in part (but not in a total prepayment amount of less than \$1,000), on any Payment Date in inverse order of Principal Payment Date and by lot as to any Principal Payment Date on any Payment Date at the principal amount thereof, together with accrued interest to the date fixed for prepayment from the proceeds of optional prepayments of Installment Payments made by the City pursuant to Section 3.03 of the Installment Sale Agreement and deposited in the Installment Payment Account by the Trustee pursuant to Section 5.01 hereof.

(c) Prepayment by lot shall be in such manner as the Trustee shall determine; provided, however, that the portion of any Certificate to be prepaid shall be in the principal amount of \$1,000 or any multiple thereof, and that in selecting portions of Certificates for prepayment, the Trustee shall treat each such Certificate as representing that number of Certificates which is obtained by dividing the principal amount with respect to such Certificate by \$1,000.

(d) The prepayment amount shall be the principal amount of the Certificates to be prepaid plus the interest with respect thereto to the date of prepayment without premium.

(e) Upon prepayment pursuant to this Section, the City shall provide the Trustee with a revised schedule of Installment Payments, which schedule shall take into account such prepayment and shall be and become for all purposes thereafter "Amended Exhibit B to the Installment Sale Agreement."

4.02. Prepayment Account. Moneys to be used for prepayment of Certificates shall be transferred by the Trustee from the Installment Payment Account and deposited in a Prepayment Account, which shall be a special fund to be held in trust by the Trustee separate and apart from all other funds. Said moneys shall be set aside in the Prepayment Account solely for the purpose of prepaying the Certificates in advance of their Principal Payment Date, and shall be applied on or after the Payment Date designated for prepayment to the payment of principal of and interest (from the last Payment Date) on the Certificates to be prepaid upon presentation and surrender of such Certificates, together with any applicable premium.

4.03. Notice of Prepayment. When prepayment is authorized or required pursuant to the provisions hereof, the Trustee shall give to the Certificate Owners notice at the expense of the City of the prepayment of the Certificates. Such notice shall specify: (a) that the whole or a

designated portion of the Certificates is to be prepaid (b) the date of prepayment, (c) the place or places where the prepayment will be made, (d) the prepayment price, (e) the numbers of the Certificates to be prepaid (if in part) and (f) the interest component and stated Principal Payment Date of each Certificate to be prepaid in whole or in part. Such notice shall further state that on the specified date of prepayment there shall become due and payable with respect to each Certificate or portion thereof to be prepaid, the principal with respect thereto and premium, if any, together with interest accrued from the next preceding Payment Date to which interest has been paid and that from and after such date of prepayment interest with respect thereto shall cease to accrue.

Notice of prepayment shall be given by mail, postage prepaid, not less than thirty (30) days prior but not more than sixty (60) days to the date of prepayment, to the Owners of any Certificates, which Certificates are to be redeemed. Such mailing shall not be a condition precedent to such prepayment, and failure to mail any such notice, or any defect in such notice as mailed, shall not affect the validity of the proceedings for the prepayment of the Certificates.

4.04. Payment on Prepayment of Certificates. Notice having been given as aforesaid, and the moneys for the prepayment, including interest accrued from the next preceding Payment Date to the applicable date of prepayment, having been set aside in the Prepayment Account, the Certificates to be prepaid shall become due and payable on said date of prepayment, and, upon presentation and surrender thereof at the Principal Trust Office of the Trustee, said Certificates shall be paid at the unpaid principal amount with respect thereto, plus any such unpaid and accrued interest to said date of prepayment, said interest to be paid in accordance with Section 4.01.

If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest to said date of prepayment, shall be held by the Trustee so as to be available therefor on such Payment Date, and, if notice of prepayment thereof shall have been given as aforesaid, then from and after said Payment Date, interest with respect to the Certificates to be redeemed shall cease to accrue. If said moneys shall not be so available on said Payment Date, interest with respect to such Certificates shall continue to accrue, until paid, at the same rates as it would have been payable had the Certificates not been called for prepayment. All moneys held by or on behalf of the Trustee for the prepayment of particular Certificates shall be held in trust for the account of the Owners of the Certificates to be prepaid.

4.05. Partial Prepayment of Certificate. Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the City, a new Certificate or Certificates of authorized denomination equal in aggregate principal amount to the unpaid portion of the Certificate surrendered and of the same interest rate and the same Principal Payment Date. Such partial prepayment shall be valid upon payment of the amount thereby required to be paid to such Owner, and the City, the Corporation and the Trustee shall be released and discharged from all liability to the extent of such payment.

4.06. Non-Presentation of Certificates. In the event any Certificate shall not be presented for payment when the principal with respect thereto becomes due, either at maturity or at the date fixed for prepayment thereof, if moneys sufficient to pay such Certificate shall have been deposited in the Installment Payment Account or the Prepayment Account, all liability of the City to the Owner thereof for the payment of such Certificate shall forthwith cease, terminate

and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such moneys in a separate account, without liability for interest thereon to any person or entity, for the benefit of the Owner of such Certificate, who shall thereafter be restricted exclusively to such moneys for any claim of whatever nature on his or her part under this Trust Agreement or on, or with respect to, said Certificate. Subject to applicable escheat laws, two (2) years after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or two (2) years after the date of deposit of such money, if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Certificates have become payable, such moneys shall be paid by the Trustee to the City free from the trusts created by this Trust Agreement, and thereafter Owners shall be entitled to look only to the City for payment and then only to the extent of the amount so repaid by the Trustee. The City shall not be liable for any interest on the sums paid to it pursuant to this Section 4.06 and shall not be regarded as a trustee of such money.

## ARTICLE V

### APPLICATION OF PROCEEDS; ESTABLISHMENT AND APPLICATION OF FUNDS AND ACCOUNTS

5.01. Application of Proceeds of Certificates. The proceeds received from the sale of the Certificates shall be deposited in trust with the Trustee, who shall forthwith set aside and deposit such proceeds in the Acquisition and Construction Account.

5.02. Project Trust Fund; Establishment and Application of Installment Payment Account. There is hereby established with the Trustee a special trust fund to be designated the “Wastewater System Improvement Project Trust Fund.” The Trustee shall keep said Wastewater System Improvement Project Trust Fund separate and apart from all other funds and moneys held by it.

Within the Wastewater System Improvement Project Trust Fund, there is hereby established a separate account to be designated the “Installment Payment Account.” The Trustee shall maintain such account until the Installment Payments are paid in full pursuant to the terms of the Installment Sale Agreement. Installment Payments paid to the Trustee, designated by USDA Rural Development, as assignee of the Corporation, pursuant to the Installment Sale Agreement and the Assignment Agreement, respectively, shall be deposited by the Trustee in the Installment Payment Account.

(a) The Trustee shall withdraw from the Installment Payment Account, on each Payment Date, an amount equal to the Installment Payment due on or before such Payment Date, and shall cause the same to be applied to the payment of principal and interest payments due with respect to the Certificates on such Payment Date.

(b) The Trustee shall withdraw from the Installment Payment Account on or before each Payment Date on which Certificates are to be prepaid, amounts required to be deposited in the Prepayment Account pursuant to Section 4.02 hereof.

5.03. Establishment and Application of Acquisition and Construction Account.

There is hereby established a special account to be designated the “Acquisition and Construction Account.” The Trustee shall keep the Acquisition and Construction Account separate and apart from all other funds and accounts held by it and shall administer the Acquisition and Construction Account as provided in this Section 5.03.

(a) Amounts in the Acquisition and Construction Account shall be disbursed by the Trustee, upon direction from the City, solely for Delivery Costs and for Acquisition and Construction Costs.

(b) Upon receipt of a certificate executed by an Authorized Officer of the City stating that the entire sum of the Delivery Costs and Acquisition and Construction Costs have been paid or May 15, 2018, whichever occurs earlier, the Acquisition and Construction Account shall be closed and excess amounts, if any, then remaining in the Acquisition and Construction Account shall be paid transferred and deposited into the Reserve Fund.

5.04. Establishment and Application of Reserve Fund. There is hereby established with the Trustee a special trust fund to be designated the “Reserve Fund.” The Trustee shall keep said Reserve Fund separate and apart from all other funds and monies held by it. All amounts in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or principal of or prepayment premiums, if any, on the Certificates or for the retirement of all the Certificates then Outstanding.

(a) Not later than May 15, 2026, the amount on deposit in the Reserve Fund shall equal the Reserve Requirement. Not less than one-tenth of the Reserve Requirement (the “Annual Reserve Contribution”) shall be deposited in the Reserve Fund each Fiscal Year, commencing Fiscal Year 2016-2017, until the Reserve Requirement is satisfied. The Annual Reserve Contribution and any amount necessary to restore the Reserve Fund to an amount equal to the Reserve Fund Requirement after May 15, 2026, shall be paid by the City as a part of its Installment Payment in accordance with Section 3.02 of the Installment Sale Agreement.

(b) So long as the City is not in default hereunder, any cash amounts in the Reserve Fund in excess of the Reserve Requirement, as required by subsection (a) of this Section 5.04, to be on deposit therein shall be withdrawn from the Reserve Fund on each May 15, beginning May 15, 2027 and deposited in the Installment Payment Account.

5.05. Establishment and Application of Operating and Capital Replacement Reserve Fund. There is hereby established with the Trustee a special trust fund to be designated the Operating and Capital Replacement Reserve Fund.” Annually, commencing on May 10, 2017, and continuing to and including May 10, 2056, an amount to be established in accordance with Section 3.02(c) of the Installment Sale Agreement shall be deposited in the Operating and Capital Replacement Reserve Fund. All amounts deposited in the Operating and Capital Replacement Reserve Fund may be expended for Maintenance and Operation Costs, as said term is defined in the Installment Sale Agreement, and for the costs of repair and replacement of any capital facilities of the Wastewater System, including short-lived assets.

5.06. No Unauthorized Transfers. No amount shall be withdrawn or transferred from or paid out of any fund or account except as expressly provided in this Trust Agreement.

5.07. Deposit and Investment of Moneys in Accounts. Subject to Section 6.06 hereof, all money held by the Trustee in any of the accounts or funds established pursuant hereto shall be invested and reinvested in Permitted Investments at the written request of the City received not less than two (2) Business Days prior to the date of making such investment. In the absence of any such request, the Trustee shall invest all such funds and accounts for which such instruction have not been received in money market funds as described in clause (i) of the definition of Permitted Investments. All money held in the Reserve Fund shall be invested and reinvested in Permitted Investments with a term to maturity not exceeding five years, and all such Permitted Investments shall be valued by the Trustee not less frequently than semi-annually on each May 15 and November 15, beginning May 15, 2017, at the lower of the cost or market value thereof. All interest or profits received on any money so invested shall be deposited in the Installment Payment Account and applied as provided in Section 5.02 hereof. The Trustee may act as a principal or agent in making or disposing of any investment.

5.08. Credit Against Installment Payments. On or prior to May 15 and November 15 of each year, the Trustee shall report to the City the amount of the credit against Installment Payments available to the City under the Installment Sale Agreement. Such credit shall be an amount equal to the sum of (i) from and after the date of transfer of amounts in the Acquisition and Construction Account to the Installment Payment Account pursuant to Section 5.02(b), the amount of interest and other income earned on the funds and accounts established hereunder since the date of the previous report made by the Trustee pursuant to this Section 5.08, plus (ii) the amount, if any, then on deposit in the Installment Payment Account (other than amounts to be applied as prepayments of principal as described in Section 5.02(b) hereof).

5.09. Security Provisions.

(a) The Corporation has, pursuant to the Assignment Agreement, assigned to the Assignee and the Assignee has designated the Trustee, to act with respect to certain of its rights under the Purchase Agreement and the Installment Sale Agreement, including but not limited to all of the Corporation's rights to receive and collect all of the Installment Payments (including prepayments thereof) and all other amounts required to be deposited in the Installment Payment Account pursuant hereto or to the Installment Sale Agreement. All Installment Payments and such other amounts to which the Corporation may at any time be entitled shall be paid directly to the Trustee, and all of the Installment Payments and other amounts collected or received by the Corporation shall be deemed to be held and to have been collected and received by the Corporation as the agent of the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one (1) Business Day after the receipt thereof, and all such Installment Payments and such other amounts shall be forthwith deposited by the Trustee upon the receipt thereof in the Installment Payment Account.

(b) The Corporation and the City, as their interests may appear, hereby grant to the Trustee for the benefit of the Owners a lien upon and a security interest in all moneys in the respective funds and accounts held by the Trustee under this Trust Agreement, including without limitation the Installment Payment Account, the Acquisition and Construction Account

and the Reserve Fund, and all such moneys shall be held by the Trustee in trust and shall be applied to the respective purposes specified herein and in the Installment Sale Agreement.

(c) The Installment Payments are hereby irrevocably pledged to and shall be used for the punctual payment of the interest and principal represented by the Certificates, and Installment Payments shall not be used for any other purpose while any of the Certificates remain Outstanding, subject to the lien of the Trustee pursuant to Section 8.02 hereof. This pledge shall constitute a first and exclusive lien upon the Installment Payments in accordance with the terms hereof.

(d) In consideration of the acceptance of the Certificates by the Owners, the Trust Agreement shall be deemed to be and shall constitute a contract between the Trustee and the Owners to secure the full and final payment of the interest and principal evidenced and represented by the Certificates, subject to the agreements, conditions, covenants and terms contained herein; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to benefit, protection or security of any Certificates over any other Certificates by reason of the number or date thereof or the time of execution or delivery thereof or otherwise for any cause whatsoever, except as expressly provided herein or therein.

## ARTICLE VI COVENANTS

6.01. City to Perform Installment Sale Agreement. (a) The City covenants and agrees with the Owners of the Certificates, to perform all obligations and duties imposed on it under the Installment Sale Agreement to the extent so imposed; and (b) in accordance with Section 4.06 of the Installment Sale Agreement and subject to the exception provided therein, the City will provide the Trustee with a copy of its annual budget not later than October 1 of each year, commencing October 1, 2016. If the City fails to include all such Installment Payments in such adopted budget, the Trustee shall promptly provide the City written notice specifying that the City has failed to observe and perform its covenant in said Section 4.06 of the Installment Sale Agreement and requesting that such failure be remedied within thirty (30) days, or such failure constitutes an Event of Default under Section 5.01 of the Installment Sale Agreement. Upon receipt of such notice, the City shall forthwith notify the Trustee of the proceedings proposed to be taken by the City and shall keep the Trustee advised of all such proceedings thereafter taken by the City to cure such Event of Default. Notwithstanding the foregoing provisions of this Section 6.01, for the period during which the Finance Director of the City of Taft is acting as Trustee, the requirement of the City to provide the Trustee with the City's annual budget shall not apply.

6.02. Observance of Laws and Regulations. The Corporation and the City will faithfully observe and perform all lawful and valid obligations or regulations now or hereafter imposed on them by contract, or prescribed by any state or national law, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not be abandoned, forfeited or in any manner impaired.

6.03. Accounting Records and Statements. The Trustee shall keep proper books of record and account in accordance with trust accounting standards in which complete and correct entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of the Installment Payments and the proceeds of the Certificates or the obligations which they represent. Such records shall specify, among other things, the account or fund to which each investment (or portion thereof) is to be allocated and shall set forth, in the case of each investment; (a) its purchase price, (b) identifying information, including par amount, coupon rate, and payment dates, (c) the amount received at maturity or its sale price, as the case may be, (d) the amounts and dates of any payments made with respect thereto, and (e) such documentation as is required to be obtained by the Trustee as evidence to establish that all investments have been purchased in arms'-length transactions with no amounts paid to reduce the yield on the investments.

Such records of the Trustee shall be open to inspection by any Owner at any reasonable time during regular business hours of the Trustee on reasonable notice.

6.04. Recordation and Filing. The City will file, record, register, renew, refile and rerecord all such documents, including financing statements (or continuation statements in connection therewith), as may be required by law in order to maintain at all times a security

interest in the Installment Payments granted pursuant to, and the assignment of the Installment Sale Agreement made pursuant to, the Assignment Agreement and the Trust Agreement, all in such manner, at such times and in such places as may be required in order to fully perfect, preserve and protect the benefit, protection and security of the Owners and the rights and security interests of the Corporation. The City will do whatever else may be necessary or be reasonably required in order to perfect and continue the pledge of and lien on the Installment Payments and the assignment of the Installment Sale Agreement.

6.05. Further Assurances. Whenever and so often as requested to do so by the Trustee, the City and the Corporation will promptly execute and deliver, or cause to be executed and delivered, all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners the benefit, protection and security conferred, or intended to be conferred, upon them hereby.

6.06. Certain Tax Covenants. The City shall not directly or indirectly use or permit the use of any proceeds of the Certificates or other funds of the City or take or omit to take any action that would cause the obligations that the Certificates evidence and represent to be “arbitrage bonds” within the meaning of Section 148 of the Code (“Section 148”). To that end, the City shall comply with all requirements of Section 148 to the extent applicable to such obligations. In the event that at any time the City is of the opinion that for purposes of this Section 6.06 it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under this Trust Agreement, the City shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

The City specifically covenants that it will pay or cause to be paid the Rebate Requirement (as defined in the Tax Certificate) as provided in the Tax Certificate. For purposes of the foregoing, capitalized terms have the meanings ascribed to them in the Tax Certificate which is incorporated herein by reference.

In further satisfaction of the Rebate Requirement, but only to the extent specified by the Tax Certificate, the Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder designated the Rebate Fund. The City shall cause to be deposited in the Rebate Fund the Rebate Requirement as provided in the Tax Certificate. Subject to the provisions of this Section 6.06, moneys held in the Rebate Fund are hereby pledged to secure payments to the United States government, and the City, the Corporation and the Owners shall have no rights in or claim to such moneys. The Trustee shall invest all amounts held in the Rebate Fund pursuant to the written directions of the City.

The Trustee shall conclusively be deemed to have complied with the provisions of this Section 6.06 if it follows the directions of the City and shall not be required to take any actions thereunder in the absence of instructions from the City. The Trustee shall have no responsibility to make the rebate calculations or to independently verify or review such calculations.

Notwithstanding any provision of this Section 6.06, if the City shall provide to the Trustee any Opinion of Counsel that any specified action required under this Section 6.06 is no longer required or that some further or different action is required to maintain the exclusion of the interest evidenced and represented by the Certificates from gross income for federal income

tax purposes, the Trustee and the City may conclusively rely on such opinion in complying with the requirements of this Section 6.06, and the covenants hereunder shall be deemed to be modified to that extent.

## ARTICLE VII

### DEFAULT; LIMITATIONS OF LIABILITY

7.01. Action on Default. Upon the occurrence of an Event of Default by the City under Section 5.01 of the Installment Sale Agreement, and in each and every such case during the continuance of such Event of Default, the Trustee shall, with respect to any Event of Default other than an Event of Default pursuant to subsection (2) of Section 5.01 of the Installment Sale Agreement, and may, with respect to an Event of Default pursuant to said subsection (2) of Section 5.01 of the Installment Sale Agreement (or shall, in the event of a request therefor by the Owners of not less than twenty-five percent (25%) in aggregate principal amount with respect to Certificates at the time Outstanding), upon notice in writing to the City exercise the remedies provided in the Installment Sale Agreement, which remedies have been assigned to the Assignee which designated the Trustee, to act with respect thereto pursuant to the Assignment Agreement.

Subject to the provisions of Section 7.08 herein, the Trustee shall notify the Corporation of the occurrence of an Event of Default within five (5) Business Days of the Trustee's acquiring actual knowledge of such Event of Default.

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article VII or Article V of the Installment Sale Agreement shall be applied by the Trustee in the order following upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the costs and expenses of the Trustee and of the Certificate Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel; and then

Second, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Certificates then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not discontinue, withdraw, compromise or settle, or otherwise dispose of any

litigation pending at law or in equity, without the consent of a majority in aggregate principal amount of the Certificates Outstanding.

Before taking the action referred to in this Section 7.01, the Trustee may require that a satisfactory indemnity bond be furnished by the Owners of the Outstanding Certificates, or any of them, for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its gross negligence or willful misconduct in connection with any such action.

No Owner of any Certificate issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (b) the Owners of at least twenty-five percent (25%) in aggregate principal amount of all the Certificates then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Certificates of any remedy hereunder; it being understood and intended that no one or more Owners of Certificates shall have any right in any manner whatever by his or their action to enforce any right under this Agreement, except in the manner herein provided, and that all proceedings at law or in equity with respect to an Event of Default shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Certificates.

The right of any Owner of any Certificate to receive payment of said Owner's proportionate interest in the Installment Payments as the same become due, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this section or any other provision of this Agreement.

7.02. Non-Waiver. Nothing in this Article VII or in any other provision of this Trust Agreement shall affect or impair the obligation of the City to pay the Installment Payments, as provided in the Installment Sale Agreement. No delay or omission of the Trustee to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or any acquiescence therein, and every power and remedy given by this Article VII to the Trustee may be exercised from time to time and as often as shall be deemed expedient by the Trustee.

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

7.04. Status Quo Ante. In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and then discontinued or abandoned, then, and in every such case, the Trustee, the City, and the Corporation shall be restored to its and their former position and rights and remedies as if no such suit, action or proceedings had been brought or taken.

7.05. No Obligation by City to Owners. Except for the payment of Installment Payments when due in accordance with the Installment Sale Agreement and the performance of the other covenants and agreements of the City contained in this Trust Agreement and in said Installment Sale Agreement, the City shall have no obligation or liability to any of the other parties or to the Owners of the Certificates with respect to this Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Installment Payments to the Owners by the Trustee.

7.06. No Obligation with Respect to Performance by Trustee. The City shall have no obligation nor liability to any of the other parties or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under this Trust Agreement.

7.07. No Liability to Owners for Payment. Except as provided in this Trust Agreement, the Trustee shall have no obligation nor liability to the Owners of the Certificates with respect to the payment of the Installment Payments by the City when due, or with respect to the performance by the City of any other covenants made by it in the Installment Sale Agreement.

7.08. No Notice of Default Other than Failure to Make Payments. The Trustee shall not be required to take notice or be deemed to have taken notice of any Event of Default under the Installment Sale Agreement except failure by the City to cause to be made any of the payments to the Trustee required to be made by the Installment Sale Agreement, unless the Trustee shall be specifically notified in writing of such default by the Corporation or the owners of at least twenty-five percent (25%) in aggregate principal amount of all Certificates then Outstanding.

## ARTICLE VIII

### THE TRUSTEE

8.01. The Trustee. The Trustee is hereby appointed and shall serve as the Trustee for the Certificates for the purpose of receiving all money, including the Installment Payments, which the City is required to deposit with the Trustee hereunder and under the Installment Sale Agreement and for the purpose of allocating, applying and using such money as provided herein and therein and for the purpose of paying the interest on and principal of and prepayment premiums, if any, on the Certificates presented for payment in Taft, California, with the rights and obligations provided herein. The City agrees that it will at all times maintain a Trustee having a principal office in Taft, Los Angeles or San Francisco, California.

The City may at any time, unless there exists any Event of Default, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor shall be a bank or trust company doing business and having a principal office in Los Angeles or San Francisco, California, having

a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000) and subject to supervision or examination by federal or state Corporation. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining Corporation above referred to, then for the purpose of this Section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the City and by mailing first class to the Owners notice of such resignation. Upon receiving such notice of resignation, the City shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required hereby.

The Trustee is hereby authorized to pay the Certificates when duly presented for payment at maturity or for prepayment prior to maturity. The Trustee shall cancel all Certificates upon payment thereof or upon the surrender thereof by the City and shall destroy such Certificates and a certificate of destruction shall be delivered to the City. The Trustee shall keep accurate records of all Certificates paid and discharged and canceled by it.

The City shall from time to time, subject to any agreement between the City and the Trustee then in force, pay to the Trustee compensation for its services, reimburse the Trustee for all its advances and expenditures including but not limited to advances to and fees and expenses of independent accountants and in-house and other counsel or other experts employed by it and reasonably required in the exercise and performance of its rights and obligations hereunder, and, to the extent permitted by law, indemnify and hold the Trustee and its officers, directors, employees and agents harmless against any claim, loss, liability, damages, expenses (including legal fees and expenses) or advances not arising from the Trustee's own active or passive negligence, willful misconduct or breach of fiduciary duty, which the Trustee may incur in the exercise and performance of its rights and obligations hereunder. The obligations of the City under this paragraph to compensate, indemnify, reimburse and hold the Trustee harmless shall constitute additional indebtedness hereunder, and such indebtedness shall have priority over the Certificates in respect of all property and funds held or collected by the Trustee as such, except funds held in trust by the Trustee for the benefit of the Owners of particular Certificates, including, without limitation, funds held by the Trustee in trust to redeem all or a portion of Outstanding Certificates prior to their respective maturities for which a notice of prepayment has been sent as provided herein.

8.02. Liability of Trustee. The recitals of facts, agreements and covenants herein and in the Certificates shall be taken as recitals of facts, agreements and covenants of the Certificates, and the Trustee assumes no responsibility for the use of any proceeds of the Certificates, the correctness of the same, or the collection of the Revenues, nor does it make any representation as to the sufficiency or validity hereof, of the Certificates or any security therefor and shall not incur any responsibility in respect thereof other than in connection with the rights or obligations

assigned to or imposed upon it herein, in the Certificates or in law or equity. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence, willful misconduct or breach of fiduciary duty.

Whenever the Trustee shall deem it necessary or desirable that a factual or legal matter be established or proved prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a certificate conforming to the requirements herein or an opinion of counsel, which certificate or opinion shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Trustee may in lieu thereof accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

In accepting the trust hereby created, the Trustee acts solely as Trustee for the Owners and not in its individual capacity and all persons, including without limitation the Owners, the Corporation, and the City, having any claim against the Trustee arising from this Trust Agreement not attributable to the Trustee's negligence or willful misconduct shall look only to the funds and accounts held by the Trustee hereunder for payment except as otherwise provided herein. The duties and obligations of the Trustee shall be determined solely by the express provisions of this Trust Agreement, the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Trust Agreement, and no implied covenants or obligations (fiduciary or otherwise) shall be read into this Trust Agreement against the Trustee. The Trustee shall not be liable with respect to any action taken or not taken hereunder in good faith in accordance with the direction of the Owners of not less than sixty percent (60%) in aggregate principal amount of the Certificates at the time Outstanding. The Trustee shall, during the existence of any event of default (which has not been cured), exercise such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise of use under the circumstances in the conduct of its own affairs. The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents and such immunities and exceptions and its right to payment of its fees and expenses shall survive its resignation or removal and the final payment and discharge of the Certificates and this Trust Agreement. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Certificates. The Trustee, in its individual or any other capacity, may become the Owner of any Certificates or other obligations of any party hereto with the same rights which it would have if not the Trustee. The Trustee shall not be required to give any bond or surety in respect of the execution of said trusts and powers or otherwise in respect of the premises. Before taking or refraining from any action hereunder at the request or direction of the Owners, the Trustee may require that an indemnity bond satisfactory to the Trustee be furnished to it and be in full force and effect.

None of the provisions contained herein or in the Installment Sale Agreement shall require the Trustee to expend for risk its own funds or continue to do so or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if it shall reasonably believe that repayment of such funds or adequate indemnity against such risk or liability is not assured to it. The Trustee may rely and shall be

protected in acting or failing to act upon any paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the City to make any Installment Payment when due, unless the Trustee shall be specifically notified in writing at its Principal Trust Office of such default by the Corporation, the City or the Owners of not less than twenty-five percent (25%) of the aggregate principal amount of Certificates then Outstanding. Notwithstanding any other provision hereof, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or official action or evidence thereof, in addition so that by the terms hereof required as a condition of such action, by the Trustee deemed desirable for the purpose of establishing the rights of the Trustee with respect to the authentication of any Certificates, the withdrawal of any cash, the release of any property or the taking of any other action by the Trustee.

8.03. Appointment of Agent; Appointment of Co-Trustee. The Trustee may appoint an agent to exercise any of the powers, rights or remedies granted to the Trustee under this Trust Agreement, and to hold title to property or to take any other action which may be desirable or necessary. Without limiting the generality of the foregoing, upon the occurrence of an event of default as defined in Section 7.01 hereof, it is the intention of the Trustee to appoint an agent or co-trustee pursuant to this Section 8.03, for the purpose of selecting and implementing one or more of the available remedies on default.

At any time for the purpose of meeting any legal requirements of any jurisdiction in which any part of the trust estate may at any time be located, the Trustee shall have the power to appoint an additional institution or individual as a separate or co-trustee, without the consent of the City, which shall join with the Trustee in the execution, delivery, and performance of all instruments and agreements necessary or proper to appoint such institution or individual to act as co-trustee jointly with the Trustee or as a separate trustee of all or any part of the trust estate, and to vest in such person or institution, in such capacity, such title to the trust estate, or any part thereof, and such rights, powers, trusts, duties or obligations as the Trustee may consider necessary or desirable, subject to the provisions of this Section 8.03.

The Trustee, the City and the Corporation shall execute and deliver all such instruments as may be reasonably required by such co-trustee or separate trustee for more fully confirming such title, rights, powers, trusts, duties and obligations to such co-trustee or separate trustee.

Every co-trustee or separate trustee shall be appointed subject to the following terms:

(a) All rights, powers, trusts, duties and obligations conferred upon the Trustee may be conferred or imposed upon or exercised or performed by the Trustee, by the Trustee and such co-trustee, or by the separate trustee, either jointly or severally, individually or together, as shall be provided in the instrument appointing such separate or co-trustee, except to the extent the Trustee shall be incompetent, unqualified or otherwise unable to perform such act or acts, in which event such separate or co-trustee shall perform such act or acts.

(b) No trustee shall be liable for the acts or omissions of any other trustee hereunder.

(c) The Trustee may, at any time, by an instrument in writing, accept the resignation of and/or remove any co-trustee or separate trustee, and a successor to any co-trustee or separate trustee may be appointed in the manner provided in this Section 8.03.

(d) Any co-trustee or separate trustee shall be entitled to the provisions of this Article affording compensation, protections, indemnification and limitations from liability to the Trustee.

## ARTICLE IX

### AMENDMENTS; DEFEASANCE

9.01. Amendment. This Trust Agreement may be amended in writing by agreement among all of the parties, but no such amendment shall become effective as to the Owners of Certificates then Outstanding unless and until approved by a majority in aggregate principal amount with respect to Certificates Outstanding; provided that no such amendment shall adversely affect the interests of the Owners. Notwithstanding the foregoing, this Trust Agreement and the rights and obligations provided thereby may also be modified or amended at any time without the consent of any Owners of the Certificates, but only (1) for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Trust Agreement, (2) in regard to questions arising under this Trust Agreement which the City may deem necessary or desirable and not inconsistent with this Trust Agreement, or (3) to add to the rights and privileges of the Trustee; provided that the City and the Trustee may rely in entering into any such amendment hereof upon the opinion of Special Counsel stating that the requirements of this sentence shall have been met with respect to such amendment, and further stating that such amendment shall not cause the interest component of the Installment Payments to become subject to federal income taxes or State of California personal income taxes.

9.02. Defeasance. All Outstanding Certificates shall be deemed paid and discharged if:

(a) the City pays or causes to be paid the principal of and interest on all Certificates Outstanding, as and when the same become due and payable; or

(b) by prepayment all Certificates Outstanding are paid pursuant to Article IV hereof and Section 3.03 and 6.01 of the Installment Sale Agreement.

## ARTICLE X

### ADMINISTRATIVE PROVISIONS

10.01. 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 the Certificates and the rights of the Owners of such Certificates.

10.02. Notices. All written notices, certificates, reports or statements to be given under this Trust Agreement shall be given by mail or personal delivery to the party entitled thereto, with a copy to each of the other parties to this Trust Agreement, at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective upon deposit in the United States mail, postage prepaid, or, in the case of personal delivery, upon delivery, to the address set forth below.

If to the City:

City of Taft  
209 East Kern Street  
Taft, CA 93268  
Attention: City Manager

If to the Corporation:

Taft Public Improvement Corporation  
209 East Kern Street  
Taft, CA 93268  
Attention: President, c/o City Manager

If to the Trustee:

Finance Director  
of the City of Taft  
209 East Kern Street  
Taft, CA 93268

10.03. Business Days. Any act or thing required to be done or to exist on any date set forth herein which does not constitute a Business Day in any year shall be deemed to be done or to exist on such date if such act or thing is done or exists on the next date which constitutes a Business Day.

10.04. Headings. Headings preceding the text of the several Articles and Sections hereof, and the table of contents, are solely for convenience of reference and shall not constitute a part of this Trust Agreement or affect its meaning, construction or effect.

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

10.06. Severability. Any provision of this Trust Agreement found to be prohibited by law shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Trust Agreement.

10.07. Binding on Successors. This Trust Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

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

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

CITY OF TAFT a municipal corporation of  
the State of California

By: \_\_\_\_\_  
Dave Noerr, Mayor Pro Tem

TAFT PUBLIC IMPROVEMENT  
CORPORATION a California public benefit  
corporation

By: \_\_\_\_\_  
Dave Noerr, Board Member

By: \_\_\_\_\_  
Orchel Krier, Board Member

By: \_\_\_\_\_  
Josh Bryant, Board Member

By: \_\_\_\_\_  
Renee Hill Board Member

FINANCE DIRECTOR OF THE CITY OF  
TAFT, as trustee

By: \_\_\_\_\_  
Teresa Binkley, Finance Director

**EXHIBIT A**

**FORM OF CERTIFICATE OF PARTICIPATION**

Number R-1

Not-To-Exceed \$3,619,000

CITY OF TAFT  
CERTIFICATE OF PARTICIPATION  
2016 Wastewater Treatment Plant Project

Evidencing a Direct, Undivided Fractional Interest of the Owner Hereof in Installment Payments to be Made by the City of Taft, California.

<u>Rate of Interest</u>	<u>Dated Date</u>	<u>Maturity Date</u>
1.75% %	June 15, 2016	May 15, in each of the years specified below

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

PRINCIPAL AMOUNT: THREE MILLION SIX HUNDRED  
NINETEEN THOUSAND DOLLARS

THIS IS TO CERTIFY that, subject to the provisions set forth below relating to principal installment advances and to mandatory and optional prepayment without premium, the registered owner identified above or registered assigns (the "Owner"), as the registered owner of this Certificate of Participation (the "Certificate") is entitled to receive on the principal payment dates specified the principal amount specified as follows:

<u>Principal Payment Date</u>	<u>Principal Amount Payable</u>
05/15/2017	\$ 63,000
05/15/2018	64,000
05/15/2019	65,000
05/15/2020	67,000
05/15/2021	68,000
05/15/2022	69,000
05/15/2023	70,000
05/15/2024	71,000
05/15/2025	73,000

05/15/2026	74,000
05/15/2027	75,000
05/15/2028	77,000
05/15/2029	78,000
05/15/2030	79,000
05/15/2031	81,000
05/15/2032	82,000
05/15/2033	83,000
05/15/2034	85,000
05/15/2035	86,000
05/15/2036	88,000
05/15/2037	89,000
05/15/2038	91,000
05/15/2039	93,000
05/15/2040	94,000
05/15/2041	96,000
05/15/2042	98,000
05/15/2043	99,000
05/15/2044	101,000
05/15/2045	103,000
05/15/2046	105,000
05/15/2047	106,000
05/15/2048	108,000
05/15/2049	110,000
05/15/2050	112,000
05/15/2051	114,000
05/15/2056	116,000
05/15/2053	118,000
05/15/2054	120,000
05/15/2055	122,000
05/15/2055	126,000

This Certificate is issued in lieu of and represents the certificates above designated, all of like date, tenor and effect, but differing in amounts and maturities. This Certificate may be exchanged at the expense of the City for serial certificates of like denominations and maturities, and in the manner provided in the Trust Agreement (as hereinafter defined) upon thirty (30) days' notice.

The Owner is also entitled to receive, subject to the terms of the Installment Sale Agreement, on May 15, 2017, and semiannually thereafter on May 15 and November 15 of each year (hereinafter referred to as the "Payment Dates") to and including the Principal Payment Date or the date of prepayment, whichever is earlier, the Owner's proportionate share of the Installment Payments designated as interest coming due with respect to each of the Payment Dates. Said share is the result of the multiplication of the unpaid principal amount hereof by the rate of interest specified above, divided by two, and in circumstances involving less than a full one-year period, said interest share shall be calculated on the basis of a 365-day year.

Said amounts are payable in lawful money of the United States of America, which at the time of payment is legal tender for the payment of public and private debts. The amounts representing principal are payable at the office of the Trustee in Taft, California (the "Principal Trust Office") and the amounts representing interest are payable by check mailed first class on each Payment Date to the Owner of record on the fifteenth day of the month preceding any Payment Date (the "Record Date"); provided that so long as the United States of America remains the registered Owner of the Certificates, payment of interest shall be made on each Payment Date in accordance with the pre-authorized debit procedure prescribed by the USDA Rural Development, an agency of the United States Department of Agriculture.

This Certificate evidences a direct, undivided fractional interest in the right to receive certain Installment Payments (as defined in the Installment Sale Agreement, hereinafter defined) payable by the City of Taft, a general law city (the "City") of the State of California duly organized and existing by virtue of the Constitution and laws of the State of California, under that certain Installment Sale Agreement, dated as of June 15, 2016 (the "Installment Sale Agreement"), by and between the City and the Taft Public Improvement Corporation, a California public benefit corporation (the "Corporation"). Pursuant to an Assignment Agreement, dated as of June 15, 2016 (the "Assignment Agreement"), by and among the Corporation, USDA Rural Development, as Assignee, and the Finance Director of the City of Taft, as trustee (the "Trustee") under that certain Trust Agreement, dated as of June 15, 2016 (the "Trust Agreement"), by and among the City, the Corporation and the Trustee, pursuant to which the Certificates were executed and delivered, the Corporation has assigned its rights to the Installment Payments to the Assignee, which designated the Trustee to act as trustee with respect thereto.

This Certificate has been executed by the Trustee pursuant to the terms of the Trust Agreement. Copies of the Installment Sale Agreement, the Assignment Agreement and the Trust Agreement are on file in the office of the City and at the Principal Trust Office of the Trustee, and reference to the Installment Sale Agreement, the Assignment Agreement and the Trust Agreement and any and all amendments to said agreements is made for a description of the pledges and covenants of the City securing the Installment Payments, the nature, extent and manner of enforcement of such pledges and covenants, the rights and remedies of the Owners of the Certificates with respect thereto and the terms and conditions upon which the Certificates are delivered thereunder. To the extent and in the manner permitted by the terms thereof, the provisions of the Installment Sale Agreement and the Trust Agreement may be amended by the parties thereto with the written consent of the Owners of at least a majority in principal amount with respect to the Certificates then outstanding, or without such consent with respect to an amendment not adversely affecting the interests of the Owners of the Certificates.

The registration of this Certificate shall be transferable only upon the Certificate register, which shall be kept for that purpose at the Principal Trust Office of the Trustee, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner of this Certificate or his duly authorized attorney. Upon the registration of the transfer and the surrender of this Certificate, the Trustee shall provide, in the name of the transferee, a new fully registered Certificate or Certificates of the same aggregate principal amount, Principal Payment Date, and interest rate as the surrendered Certificate.

The Certificates are being delivered initially in the form of a single, fully registered Certificate in the principal amount of not-to-exceed \$3,619,000, with the principal payable in installments as set forth on the face of this Certificate; provided that in the event that the final principal amount of the Certificate, as established in accordance with Trust Agreement, is less than \$3,619,000, the principal installments shall be reduced correspondingly. Upon surrender thereof at the Principal Trust Office of the Trustee with a written request of exchange satisfactory to the Trustee duly executed by the Owner or his attorney duly authorized in writing, may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of Certificates of \$1,000 denominations or integral multiples thereof, with Principal Payment Dates corresponding to the principal installments as set forth on the face of this Certificate, and with the same interest rate as the surrendered Certificate.

The Certificates are subject to prepayment in accordance with Article IV of the Trust Agreement, summarized as follows:

The Certificates are subject to mandatory prepayment without premium, in whole or in part, on any Payment Date, in inverse order of Principal Payment Date and by lot as to any Principal Payment Date, from (i) the Net Proceeds (as defined in the Trust Agreement) in an amount of \$1,000 or more deposited with the Trustee in the Installment Payment Account pursuant to the provisions of Section 3.03 of the Installment Sale Agreement, (ii) amounts transferred by the Trustee from the Acquisition and Construction Account to the Installment Payment Account pursuant to Section 5.03(b) of the Trust Agreement, and (iii) amounts received by the Trustee upon an Event of Default and termination of the Installment Sale Agreement.

In addition to prepayment pursuant to subparagraph (a) hereof, the Certificates are subject to optional prepayment without premium, in whole or in part (but not in a total prepayment amount of less than \$1,000), on any Payment Date, in inverse order of Principal Payment Date, and by lot as to any Principal Payment Date, at the principal amount thereof, together with accrued interest to the date fixed for prepayment from the proceeds of optional prepayments of Installment Payments made by the City pursuant to Section 3.03 of the Installment Sale Agreement and deposited in the Installment Payment Account by the Trustee pursuant to the Trust Agreement.

Prepayment by lot shall be in such manner as the Trustee shall determine; provided, however, that the portion of any Certificate to be prepaid shall be in the principal amount of \$1,000 or any multiple thereof, and that in selecting portions of Certificates for prepayment, the Trustee shall treat each such Certificate as representing that number of Certificates which is obtained by dividing the principal amount with respect to such Certificate by \$1,000.

When prepayment is authorized or required, the Trustee shall give to the Owner notice, at the expense of the City, of the prepayment of the Certificates. Such notice shall specify: (i) that the whole or a designated portion of the Certificates is to be prepaid, (ii) the date of prepayment, and (iii) the place or places where the prepayment will be made. Such notice shall further state that on the specified date of prepayment there shall become due and payable with respect to each Certificate or portion thereof to be prepaid, the principal with respect thereto, together with interest accrued from the next preceding Payment Date to which interest has been paid to said

date of prepayment, and that from and after such date of prepayment interest shall cease to accrue.

Notice of such prepayment shall be mailed, postage prepaid, not less than thirty (30) days nor more than sixty (60) days prior to said date of prepayment, to the Owner of any Certificates whose Certificates are to be prepaid. Such mailings shall not be a condition precedent to such prepayment, and failure so to mail any such notice, or any defect in such notice as mailed, shall not affect the validity of the proceedings for the prepayment of the Certificates.

The obligation of the City to make Installment Payments under the Installment Sale Agreement is a special obligation, subject to annual appropriations of the City which appropriations the City has covenanted to make in the Installment Sale Agreement. The obligation of the City under the Installment Sale Agreement does not constitute a debt of the Corporation, the Trustee, the City, the State of California or of any other political subdivision thereof, or a pledge of the faith and credit of the City or of the Corporation, the Trustee, the State of California or of any other political subdivision thereof, except to the extent of the pledge of the City set forth in the Installment Sale Agreement.

This Certificate is issued as evidence of a loan made by the USDA Rural Development and shall be subject to the present and future regulations of said lender to the extent they are not in conflict with the express provisions hereof or the Trust Agreement authorizing its issuance.

The Trustee has no obligation or liability to the Owner to make payments of principal or interest with respect to the Certificates. The Trustee's sole obligations are to administer, for the benefit of the Owner, the various funds and accounts established under the Trust Agreement.

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

IN WITNESS WHEREOF, this Certificate is hereby executed and authenticated by the manual signature of the Trustee all as of the date set forth below.

Dated: June 21, 2016

FINANCE DIRECTOR OF THE CITY OF  
TAFT, as Trustee

By: \_\_\_\_\_  
Teresa Binkley, Finance Director



**REGISTRATION**

This Certificate has been initially registered on the date first herein set forth in the name of the person first herein set forth, and both the principal of and interest on this Certificate are payable solely to such registered owner; provided that this Certificate may be transferred on the registration books kept by the Trustee by such registered owner or agent duly authorized in writing or by any successor registered owner, whereupon the prior registration noted hereon shall be cancelled by said Trustee and the name of the new registered owner shall be inserted hereon, and thereafter both the principal of and interest on this Certificate shall be payable solely to such registered owner.

NOTE: There must be no writing in the space below except by the Trustee.

Date of Registration	Name and Address of Registered Owner	Signature of Trustee
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

**INSTALLMENT ADVANCES**

Installment Number	Date Disbursed by USDA-RD	Amount of Installment	Signature of Trustee
One	_____	_____	_____
Two	_____	_____	_____
Three	_____	_____	_____
Four	_____	_____	_____
Five	_____	_____	_____
Six	_____	_____	_____
Seven	_____	_____	_____
Eight	_____	_____	_____

**RECORD OF REDEMPTION IN ADVANCE OF MATURITY  
OF CERTIFICATES REPRESENTED BY THIS SINGLE CERTIFICATE**

Principal Payment Date	Principal Amount	Date Redeemed	Signature of Trustee
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

## **ASSIGNMENT**

FOR VALUE RECEIVED, the undersigned do(es), hereby sell, assign, and transfer unto the within registered certificate, together with accrued interest thereon, and hereby irrevocably constitute(s) and appoint(s) as attorney to transfer the same on the registry books kept for that purpose by the Trustee, with full power of substitution in the premises.

Dated:

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