

City of Brisbane

Agenda Report

To: City Council via City Manager
From: Administrative Services Director
Subject: Resolution for refinancing 2002 Water and Sewer Bonds
Date: June 18, 2012

Purpose:

To take advantage of low interest rates and save money on our utility bonds.

Recommendation:

Approve Resolution FA 2012-01

Background:

The city commissioned Water and Sewer Master Plans in 2001. The preliminary findings discovered many capital improvements were required. The City applied for and won several million dollars worth of federal grants for water and sewer improvements that required a city matching amount. As a way to fund the city match and do additional projects, the City considered issuing bonds.

In September 2002, the Brisbane Public Financing Authority issued \$4,450,000 revenue bonds to finance water and sewer system improvements. The bonds have interest rates from 3.25% to 5% and are subject to optional redemption prior to maturity. Optional redemption may occur on September 1, 2012. The bonds are payable from revenues of the Utility Fund.

The bond proceeds were used for the Valley Drive Lift Station, Lake Street booster pump and the new Glen Park Tank.

Currently, there is an outstanding balance of \$3,545,000 with interest rates from 4% to 5% payable through September 1, 2031. With interest rates near historic lows, we reviewed the options for refinancing the bonds. Staff received City Council approval to move forward on refinancing the outstanding utility bonds at the May 7, 2012 meeting.

Discussion:

At the May 7th meeting, staff presented a preliminary debt service savings and summary schedule. At that time total savings were estimated to be \$247,000 if the bonds were sold through a private placement.

A private placement offers a number of advantages over a public bond sale. Among those advantages are no fees for a disclosure document, bond rating or bond insurance, and more flexible prepayment options. In many cases a reserve fund is not required which also reduces the cost to the City. The disadvantage of a private placement is that many financial institutions will not lend for longer than 10 or 15 years and in some cases the interest rate may be higher than that available in the public markets.

A private placement was recommended for this transaction because of the issuance cost savings, no requirement for a reserve fund and that the interest rate would likely be lower than a public sale due to the likely bond rating. A Request for Bids was distributed on May 31, 2012. We received one bid from Brandis Tallman LLC for a non-adjustable fixed rate of 3.46% for the life of the loan. All of the bank's costs are included in the rate. With this rate the savings are \$558,751 (present value savings of \$407,770). The life of the loan has not been extended and still matures September 1, 2031.

Fiscal Impact:

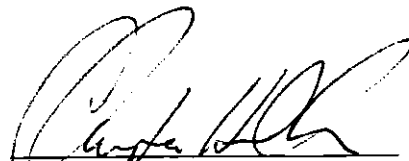
Average annual savings of \$27,500 in the Utility Fund equaling \$540,000 over twenty years.

Attachments:

Brandis Tallman bid
Debt Service Savings and Summary Schedule
Pricing Schedule
Yield Calculation
Debt Service Schedule
Escrow Requirements Schedule
Escrow Cost & Cashflow Schedule
Savings Calculation
Transaction Summary

City of Brisbane Resolution
Brisbane Public Financing Authority Resolution
Acquisition Agreement
Installment Sale Agreement
Assignment Agreement
Letter Agreement for Purchase
Escrow Deposit and Trust Agreement
Form of Opinion of Special Counsel


Stuart Schillinger
Administrative Services Director


City Manager

[REDACTED]

BRANDIS TALLMAN LLC

[REDACTED]

22 Battery Street
Suite 500
San Francisco, CA 94111

Phone: 415-912-5630
Fax: 415-912-5636
www.brandistallman.com

May 31, 2012

CITY OF BRISBANE WATER AND WASTEWATER REFUNDING, SERIES 2012

Martin Johnson
Financial Advisor
JNA Consulting Group.
1400 Wyoming Street, Suite 3
Boulder City, Nevada 89005

We offer the following in response to your request of May 15 regarding the refinancing of all or a portion of the outstanding 2002 Revenue Bonds issued through the Brisbane Public Financing Authority:

1. We have approached several of our investors with the terms of the refinancing and have selected the best offer received.
2. Working with the selected investor, we agree to ALL the terms stated in your Request for Financing Proposal dated May 15, 2012, with the following provisions:
 - a. We would prefer an installment sale agreement with a direct assignment to the bidder.
 - b. We would request the Loan to be designated a Qualified Tax-Exempt Obligation for a financing institution.
 - c. Loan may be prepaid in part or in full on any payment date with thirty (30) days written notice on or after September 1, 2017 with a 1% premium until maturity.
3. The non-adjustable fixed rate we propose is 3.46% .

We look forward to the opportunity of working with the City of Brisbane and appreciate your including us in this selection process.

Very truly yours,

BRANDIS TALLMAN LLC


Rick Brandis


Nicki Tallman

**City of Brisbane, California
Installment Sale Agreement Series 2012 (Refunding of 2002 Bonds)
Debt Service Savings and Summary Schedule**

Issue Summary	
Dated Date	07/12/2012
Delivery Date	07/12/2012
Par Amount	\$3,590,000
Refunded Par	\$3,660,000
Avg Annual Savings	\$28,467
Total Savings	\$569,331
Present Value Savings	\$405,845
% of Refunding Par	11.305%
% of Refunded Par	11.089%
Net Underwriter's Spread	0.000%
Total Costs as % of Par	1.253%
TIC	3.45943%
Bond Yield	3.45943%
Arbitrage Yield	3.45943%
Escrow Yield	0.00000%
Average Life	11.19
Estimated Neg(Pos) Arbitrage	\$17,454

Sources	
Par Amount	\$3,590,000.00
Original Issue Prem/(Disc)	0.00
Debt Service Fund - Trustee	0.21
Debt Service 9/1/12 - City	202,624.17
Accrued Interest	<u>0.00</u>
Total	\$3,792,624.38

Uses	
Restricted Escrow	\$0.00
Initial Escrow Deposit	3,747,624.38
Unrestricted Escrow	0.00
Underwriting	0.00
Insurance	0.00
Bond Reserve Fund	0.00
Issuance Costs	45,000.00
Accrued Interest	0.00
Miscellaneous	<u>0.00</u>
Total	\$3,792,624.38

**City of Brisbane, California
Installment Sale Agreement Series 2012 (Refunding of 2002 Bonds)
Debt Service Savings and Summary Schedule**

Date	Principal	Rate	Interest	Annual Debt Service	Refunded Debt Service	Cashflow Savings
07/12/2012						
03/01/2013	0	3.460%	79,013.91	79,013.91	85,324.38	6,310.47
09/01/2013	137,000	3.460%	62,107.00			
03/01/2014			59,736.90	258,843.90	288,248.75	29,404.85
09/01/2014	142,000	3.460%	59,736.90			
03/01/2015			57,280.30	259,017.20	288,286.25	29,269.05
09/01/2015	141,000	3.460%	57,280.30			
03/01/2016			54,841.00	253,121.30	283,067.50	29,946.20
09/01/2016	151,000	3.460%	54,841.00			
03/01/2017			52,228.70	258,069.70	287,458.13	29,388.43
09/01/2017	155,000	3.460%	52,228.70			
03/01/2018			49,547.20	256,775.90	286,355.00	29,579.10
09/01/2018	159,000	3.460%	49,547.20			
03/01/2019			46,796.50	255,343.70	284,870.00	29,526.30
09/01/2019	168,000	3.460%	46,796.50			
03/01/2020			43,890.10	258,686.60	287,892.50	29,205.90
09/01/2020	171,000	3.460%	43,890.10			
03/01/2021			40,931.80	255,821.90	285,450.00	29,628.10
09/01/2021	184,000	3.460%	40,931.80			
03/01/2022			37,748.60	262,680.40	292,450.00	29,769.60
09/01/2022	187,000	3.460%	37,748.60			
03/01/2023			34,513.50	259,262.10	288,750.00	29,487.90
09/01/2023	189,000	3.460%	34,513.50			
03/01/2024			31,243.80	254,757.30	284,625.00	29,867.70
09/01/2024	201,000	3.460%	31,243.80			
03/01/2025			27,766.50	260,010.30	290,000.00	29,989.70
09/01/2025	203,000	3.460%	27,766.50			
03/01/2026			24,254.60	255,021.10	284,875.00	29,853.90
09/01/2026	215,000	3.460%	24,254.60			
03/01/2027			20,535.10	259,789.70	289,250.00	29,460.30
09/01/2027	216,000	3.460%	20,535.10			
03/01/2028			16,798.30	253,333.40	283,125.00	29,791.60
09/01/2028	227,000	3.460%	16,798.30			
03/01/2029			12,871.20	256,669.50	286,500.00	29,830.50
09/01/2029	238,000	3.460%	12,871.20			
03/01/2030			8,753.80	259,625.00	289,125.00	29,500.00
09/01/2030	243,000	3.460%	8,753.80			
03/01/2031			4,549.90	256,303.70	286,125.00	29,821.30
09/01/2031	263,000	3.460%	4,549.90			
03/01/2032			0.00	267,549.90	297,250.00	29,700.10
	3,590,000		1,389,696.51	4,979,696.51	5,549,027.50	569,330.99
					Net Savings	569,330.99

**City of Brisbane, California
Installment Sale Agreement Series 2012 (Refunding of 2002 Bonds)
Pricing Schedule**

Date	Principal	Coupon	Yield	Call Date	09/01/2017
				Price	Production
07/12/2012					
03/01/2013	0	3.460%	3.460%	100.0000	0.00
09/01/2013	137,000	3.460%	3.460%	100.0000	137,000.00
09/01/2014	142,000	3.460%	3.460%	100.0000	142,000.00
09/01/2015	141,000	3.460%	3.460%	100.0000	141,000.00
09/01/2016	151,000	3.460%	3.460%	100.0000	151,000.00
09/01/2017	155,000	3.460%	3.460%	100.0000	155,000.00
09/01/2018	159,000	3.460%	3.460%	100.0000	159,000.00
09/01/2019	168,000	3.460%	3.460%	100.0000	168,000.00
09/01/2020	171,000	3.460%	3.460%	100.0000	171,000.00
09/01/2021	184,000	3.460%	3.460%	100.0000	184,000.00
09/01/2022	187,000	3.460%	3.460%	100.0000	187,000.00
09/01/2023	189,000	3.460%	3.460%	100.0000	189,000.00
09/01/2024	201,000	3.460%	3.460%	100.0000	201,000.00
09/01/2025	203,000	3.460%	3.460%	100.0000	203,000.00
09/01/2026	215,000	3.460%	3.460%	100.0000	215,000.00
09/01/2027	216,000	3.460%	3.460%	100.0000	216,000.00
09/01/2028	227,000	3.460%	3.460%	100.0000	227,000.00
09/01/2029	238,000	3.460%	3.460%	100.0000	238,000.00
09/01/2030	243,000	3.460%	3.460%	100.0000	243,000.00
09/01/2031	263,000	3.460%	3.460%	100.0000	263,000.00
	3,590,000.00	Par Amount			3,590,000.00
	<u>0.00</u>	+ Premium Bid			
	3,590,000.00	= Amount Bid			
	<u>0.00</u>	+ Gross Underwriter's Spread			
	3,590,000.00	= Price to Public			

**City of Brisbane, California
Installment Sale Agreement Series 2012 (Refunding of 2002 Bonds)
Yield Calculation**

Date	Debt Service	TIC	Bond Yield	Adjusted	AYL
		Present Value	Present Value	Debt Service	Present Value
07/12/2012					
03/01/2013	79,013.91	77,308.68	77,308.68	79,013.91	77,308.68
09/01/2013	199,107.00	191,497.63	191,497.63	199,107.00	191,497.63
03/01/2014	59,736.90	56,477.01	56,477.01	59,736.90	56,477.01
09/01/2014	201,736.90	187,485.02	187,485.02	201,736.90	187,485.02
03/01/2015	57,280.30	52,328.55	52,328.55	57,280.30	52,328.55
09/01/2015	198,280.30	178,059.49	178,059.49	198,280.30	178,059.49
03/01/2016	54,841.00	48,410.89	48,410.89	54,841.00	48,410.89
09/01/2016	205,841.00	178,616.59	178,616.59	205,841.00	178,616.59
03/01/2017	52,228.70	44,550.37	44,550.37	52,228.70	44,550.37
09/01/2017	207,228.70	173,757.74	173,757.74	207,228.70	173,757.74
03/01/2018	49,547.20	40,838.10	40,838.10	49,547.20	40,838.10
09/01/2018	208,547.20	168,967.41	168,967.41	208,547.20	168,967.41
03/01/2019	46,796.50	37,270.41	37,270.41	46,796.50	37,270.41
09/01/2019	214,796.50	168,162.88	168,162.88	214,796.50	168,162.88
03/01/2020	43,890.10	33,777.05	33,777.05	43,890.10	33,777.05
09/01/2020	214,890.10	162,563.74	162,563.74	214,890.10	162,563.74
03/01/2021	40,931.80	30,438.29	30,438.29	40,931.80	30,438.29
09/01/2021	224,931.80	164,422.97	164,422.97	224,931.80	164,422.97
03/01/2022	37,748.60	27,124.68	27,124.68	37,748.60	27,124.68
09/01/2022	224,748.60	158,749.72	158,749.72	224,748.60	158,749.72
03/01/2023	34,513.50	23,963.88	23,963.88	34,513.50	23,963.88
09/01/2023	223,513.50	152,554.16	152,554.16	223,513.50	152,554.16
03/01/2024	31,243.80	20,962.17	20,962.17	31,243.80	20,962.17
09/01/2024	232,243.80	153,168.26	153,168.26	232,243.80	153,168.26
03/01/2025	27,766.50	18,001.05	18,001.05	27,766.50	18,001.05
09/01/2025	230,766.50	147,062.43	147,062.43	230,766.50	147,062.43
03/01/2026	24,254.60	15,194.11	15,194.11	24,254.60	15,194.11
09/01/2026	239,254.60	147,330.83	147,330.83	239,254.60	147,330.83
03/01/2027	20,535.10	12,430.32	12,430.32	20,535.10	12,430.32
09/01/2027	236,535.10	140,745.10	140,745.10	236,535.10	140,745.10
03/01/2028	16,798.30	9,825.51	9,825.51	16,798.30	9,825.51
09/01/2028	243,798.30	140,175.69	140,175.69	243,798.30	140,175.69
03/01/2029	12,871.20	7,274.67	7,274.67	12,871.20	7,274.67
09/01/2029	250,871.20	139,378.94	139,378.94	250,871.20	139,378.94
03/01/2030	8,753.80	4,780.74	4,780.74	8,753.80	4,780.74
09/01/2030	251,753.80	135,153.33	135,153.33	251,753.80	135,153.33
03/01/2031	4,549.90	2,401.07	2,401.07	4,549.90	2,401.07
09/01/2031	267,549.90	138,790.53	138,790.53	267,549.90	138,790.53
03/01/2032	0.00	0.00	0.00	0.00	0.00
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	4,979,696.51	3,590,000.00	3,590,000.00	4,979,696.51	3,590,000.00
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Target Value					
Par Amount		3,590,000.00	3,590,000.00		3,590,000.00
Premium/OIP		0.00	0.00		0.00
Insurance			0.00		0.00
Accrued Interest			0.00		0.00
		3,590,000.00	3,590,000.00		3,590,000.00
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TIC/AYL		3.45943%	3.45943%		3.45943%

**City of Brisbane, California
Installment Sale Agreement Series 2012 (Refunding of 2002 Bonds)
Refunded Bonds Debt Service Schedule**

Date	Principal	Rate	Interest	Call Date: 09/01/2012		Debt Service to Call
				Semiannual Debt Service	Annual Debt Service	
03/01/2012						
09/01/2012	115,000	4.000%	87,624.38	202,624.38		3,747,624.38
03/01/2013			85,324.38	85,324.38	287,948.75	
09/01/2013	120,000	4.000%	85,324.38	205,324.38		
03/01/2014			82,924.38	82,924.38	288,248.75	
09/01/2014	125,000	4.100%	82,924.38	207,924.38		
03/01/2015			80,361.88	80,361.88	288,286.25	
09/01/2015	125,000	4.250%	80,361.88	205,361.88		
03/01/2016			77,705.63	77,705.63	283,067.50	
09/01/2016	135,000	4.375%	77,705.63	212,705.63		
03/01/2017			74,752.50	74,752.50	287,458.13	
09/01/2017	140,000	4.500%	74,752.50	214,752.50		
03/01/2018			71,602.50	71,602.50	286,355.00	
09/01/2018	145,000	4.600%	71,602.50	216,602.50		
03/01/2019			68,267.50	68,267.50	284,870.00	
09/01/2019	155,000	4.700%	68,267.50	223,267.50		
03/01/2020			64,625.00	64,625.00	287,892.50	
09/01/2020	160,000	4.750%	64,625.00	224,625.00		
03/01/2021			60,825.00	60,825.00	285,450.00	
09/01/2021	175,000	4.800%	60,825.00	235,825.00		
03/01/2022			56,625.00	56,625.00	292,450.00	
09/01/2022	180,000	5.000%	56,625.00	236,625.00		
03/01/2023			52,125.00	52,125.00	288,750.00	
09/01/2023	185,000	5.000%	52,125.00	237,125.00		
03/01/2024			47,500.00	47,500.00	284,625.00	
09/01/2024	200,000	5.000%	47,500.00	247,500.00		
03/01/2025			42,500.00	42,500.00	290,000.00	
09/01/2025	205,000	5.000%	42,500.00	247,500.00		
03/01/2026			37,375.00	37,375.00	284,875.00	
09/01/2026	220,000	5.000%	37,375.00	257,375.00		
03/01/2027			31,875.00	31,875.00	289,250.00	
09/01/2027	225,000	5.000%	31,875.00	256,875.00		
03/01/2028			26,250.00	26,250.00	283,125.00	
09/01/2028	240,000	5.000%	26,250.00	266,250.00		
03/01/2029			20,250.00	20,250.00	286,500.00	
09/01/2029	255,000	5.000%	20,250.00	275,250.00		
03/01/2030			13,875.00	13,875.00	289,125.00	
09/01/2030	265,000	5.000%	13,875.00	278,875.00		
03/01/2031			7,250.00	7,250.00	286,125.00	
09/01/2031	290,000	5.000%	7,250.00	297,250.00		
03/01/2032			0.00	0.00	297,250.00	
	3,660,000		2,091,651.88	5,751,651.88	5,751,651.88	3,747,624.38

City of Brisbane, California
Installment Sale Agreement Series 2012 (Refunding of 2002 Bonds)
Escrow Requirements Schedule

Date	Maturing Principal	Called Principal	Call Premium	Interest	Unrestricted Cashflow	Escrow Requirement	Present Value @ 3.45943%
07/12/2012							
09/01/2012	115,000	3,545,000	0.00	87,624.38	0.00	3,747,624.38	3,730,169.70
	115,000	3,545,000	0.00	87,624.38	0.00	3,747,624.38	3,730,169.70

**City of Brisbane, California
 Installment Sale Agreement Series 2012 (Refunding of 2002 Bonds)
 Escrow Cost and Cashflow Schedule**

Date	Maturing Principal	Rate	Interest Receipt	Total Receipt	Escrow Requirement	Balance *****	Price	Yield Limit	3.459430%
								Escrow Yield	0.000000%
								Cost	Present Value
07/12/2012									
09/01/2012	3,747,624	0.000%	0.00	3,747,624.00	3,747,624.38	*****	100.000	3,747,624.00	3,747,624.00
	3,747,624		0.00	3,747,624.00	3,747,624.38			3,747,624.00	3,747,624.00

**City of Brisbane, California
Installment Sale Agreement Series 2012 (Refunding of 2002 Bonds)
Savings Calculation**

Date	Refunding Debt Service	Refunded Debt Service	Cashflow Savings	Present Value
07/12/2012	0.00		0.00	0.00
09/01/2012		202,624.38	202,624.38	201,680.65
03/01/2013	79,013.91	85,324.38	6,310.47	6,174.28
09/01/2013	199,107.00	205,324.38	6,217.38	5,979.76
03/01/2014	59,736.90	82,924.38	23,187.48	21,922.12
09/01/2014	201,736.90	207,924.38	6,187.48	5,750.36
03/01/2015	57,280.30	80,361.88	23,081.58	21,086.22
09/01/2015	198,280.30	205,361.88	7,081.58	6,359.39
03/01/2016	54,841.00	77,705.63	22,864.63	20,183.75
09/01/2016	205,841.00	212,705.63	6,864.63	5,956.71
03/01/2017	52,228.70	74,752.50	22,523.80	19,212.49
09/01/2017	207,228.70	214,752.50	7,523.80	6,308.58
03/01/2018	49,547.20	71,602.50	22,055.30	18,178.56
09/01/2018	208,547.20	216,602.50	8,055.30	6,526.50
03/01/2019	46,796.50	68,267.50	21,471.00	17,100.27
09/01/2019	214,796.50	223,267.50	8,471.00	6,631.89
03/01/2020	43,890.10	64,625.00	20,734.90	15,957.21
09/01/2020	214,890.10	224,625.00	9,734.90	7,364.42
03/01/2021	40,931.80	60,825.00	19,893.20	14,793.27
09/01/2021	224,931.80	235,825.00	10,893.20	7,962.82
03/01/2022	37,748.60	56,625.00	18,876.40	13,563.85
09/01/2022	224,748.60	236,625.00	11,876.40	8,388.82
03/01/2023	34,513.50	52,125.00	17,611.50	12,228.25
09/01/2023	223,513.50	237,125.00	13,611.50	9,290.23
03/01/2024	31,243.80	47,500.00	16,256.20	10,906.65
09/01/2024	232,243.80	247,500.00	15,256.20	10,061.69
03/01/2025	27,766.50	42,500.00	14,733.50	9,551.75
09/01/2025	230,766.50	247,500.00	16,733.50	10,663.89
03/01/2026	24,254.60	37,375.00	13,120.40	8,219.18
09/01/2026	239,254.60	257,375.00	18,120.40	11,158.38
03/01/2027	20,535.10	31,875.00	11,339.90	6,864.28
09/01/2027	236,535.10	256,875.00	20,339.90	12,102.82
03/01/2028	16,798.30	26,250.00	9,451.70	5,528.40
09/01/2028	243,798.30	266,250.00	22,451.70	12,908.96
03/01/2029	12,871.20	20,250.00	7,378.80	4,170.42
09/01/2029	250,871.20	275,250.00	24,378.80	13,544.37
03/01/2030	8,753.80	13,875.00	5,121.20	2,796.86
09/01/2030	251,753.80	278,875.00	27,121.20	14,559.94
03/01/2031	4,549.90	7,250.00	2,700.10	1,424.89
09/01/2031	267,549.90	297,250.00	29,700.10	15,406.82
03/01/2032	0.00	0.00	0.00	0.00
	4,979,696.51	5,751,651.88	771,955.37	608,469.70
		Less: DSF Monies	(202,624.38)	(202,624.38)
		Plus: Miscellaneous	0.00	0.00
		Net Savings	569,330.99	405,845.33

City of Brisbane, California
Installment Sale Agreement Series 2012 (Refunding of 2002 Bonds)
Transaction Summary

Fiscal Year	Refunded 2002 Bonds*			Proposed 2012 Installment Sale			Savings		
	Principal	Rate	Interest	Total	Principal	Rate		Interest	Total
2013	0	4.000%	85,324	85,324	0	3.460%	79,014	79,014	6,310
2014	120,000	4.000%	168,249	288,249	137,000	3.460%	121,844	258,844	29,405
2015	125,000	4.100%	163,286	288,286	142,000	3.460%	117,017	259,017	29,269
2016	125,000	4.250%	158,068	283,068	141,000	3.460%	112,121	253,121	29,946
2017	135,000	4.375%	152,458	287,458	151,000	3.460%	107,070	258,070	29,388
2018	140,000	4.500%	146,355	286,355	155,000	3.460%	101,776	256,776	29,579
2019	145,000	4.600%	139,870	284,870	159,000	3.460%	96,344	255,344	29,526
2020	155,000	4.700%	132,893	287,893	168,000	3.460%	90,687	258,687	29,206
2021	160,000	4.750%	125,450	285,450	171,000	3.460%	84,822	255,822	29,628
2022	175,000	4.800%	117,450	292,450	184,000	3.460%	78,680	262,680	29,770
2023	180,000	5.000%	108,750	288,750	187,000	3.460%	72,262	259,262	29,488
2024	185,000	5.000%	99,625	284,625	189,000	3.460%	65,757	254,757	29,868
2025	200,000	5.000%	90,000	290,000	201,000	3.460%	59,010	260,010	29,990
2026	205,000	5.000%	79,875	284,875	203,000	3.460%	52,021	255,021	29,854
2027	220,000	5.000%	69,250	289,250	215,000	3.460%	44,790	259,790	29,460
2028	225,000	5.000%	58,125	283,125	216,000	3.460%	37,333	253,333	29,792
2029	240,000	5.000%	46,500	286,500	227,000	3.460%	29,670	256,670	29,831
2030	255,000	5.000%	34,125	289,125	238,000	3.460%	21,625	259,625	29,500
2031	265,000	5.000%	21,125	286,125	243,000	3.460%	13,304	256,304	29,821
2032	290,000	5.000%	7,250	297,250	263,000	3.460%	4,550	267,550	29,700
	3,545,000		2,004,028	5,549,028	3,590,000		1,389,697	4,979,697	569,331
	Average Rate		4.929%				3.460%		

Calculation of Bond Size:

Refunded Principal	3,545,000	Present Value Savings	\$405,845
Transaction Costs	45,000	As a % of Refunded Bonds	11.45%
Payment Due 9/1/12	202,624		
Cash from City	<u>(202,624)</u>		
Required Bond Issuance	3,590,000		

* Note: Refunded bonds exclude the 9/1/12 payment contributed by the City to the escrow.

CITY OF BRISBANE

RESOLUTION NO. 2012-10

RESOLUTION APPROVING THE FORM AND AUTHORIZING THE EXECUTION OF CERTAIN INSTALLMENT SALE FINANCING DOCUMENTS IN CONNECTION WITH THE REFUNDING OF THE OUTSTANDING BRISBANE PUBLIC FINANCING AUTHORITY (SAN MATEO COUNTY, CALIFORNIA) REVENUE BONDS, 2002 SERIES A (WATER AND WASTEWATER SYSTEMS FINANCING PROJECT), AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO

RESOLVED, by the City Council (the "Council") of the City of Brisbane (the "City"), as follows:

WHEREAS, the Brisbane Public Financing Authority (the "Authority") has heretofore issued its \$4,450,000 Brisbane Public Financing Authority (San Mateo County, California) Revenue Bonds, 2002 Series A (Water and Wastewater Systems Financing Project), for the benefit of the City (the "2002 Bonds") to finance improvements and facilities (the "2002 Project") constituting part of the combined water supply, treatment and distribution and wastewater treatment and processing enterprise of the City (the "Enterprise");

WHEREAS, the 2002 Bonds are special obligations of the Authority payable from revenues consisting primarily of installment payments payable by the City under an installment sale agreement between the Authority, as seller, and the City, as purchaser;

WHEREAS, the 2002 Bonds are currently outstanding in the principal amount of \$3,660,000;

WHEREAS, the City has determined at this time, due to prevailing interest rates in the municipal bond market and for other reasons, to refinance its obligations with respect to the 2002 Bonds;

WHEREAS, it is in the public interest and for the public benefit that the City authorize and direct execution of the Installment Sale Agreement (hereinafter defined) and certain other documents in connection therewith; and

WHEREAS, the documents below specified have been filed with the City and the members of the Council, with the aid of its staff, have reviewed said documents;

NOW, THEREFORE, it is hereby DECLARED and ORDERED, as follows:

Section 1. The Council hereby approves the refinancing of its obligations with respect to the 2002 Bonds.

Section 2. The below-enumerated documents be and are hereby approved, and the Mayor, the City Manager or the Administrative Services Director, or the designee of any such official, is each hereby authorized and directed to execute said documents, with such changes, insertions and omissions as may be approved by such official, the execution thereof to be conclusive evidence of such approval, and the City Clerk is hereby authorized and directed to attest to such official's signature:

(a) an acquisition Agreement, by and between the City, as seller, and the Authority, as purchaser (the "Acquisition Agreement"), pursuant to which the City will sell the 2002 Project to the Authority;

(b) an installment sale agreement, by and between the Authority, as seller, and the City, as purchaser (the "Installment Sale Agreement"), pursuant to which the Authority will sell the 2002 Project back to the City, so long as the City realizes a net present value savings as compared to its installment payments with respect to the 2002 Bonds of at least 5%;

(c) an escrow deposit and trust agreement by and among the Authority, the City and The Bank of New York Mellon Trust Company, N.A., as successor trustee for the 2002 Bonds and as escrow bank, providing for the defeasance of the 2002 Bonds; and

(d) a letter agreement for purchase between City National Bank and the City, whereby City National Bank agrees to acquire the rights of the Authority to the installment payments to be made by the City under the Installment Sale Agreement and the rights of the Authority under the Acquisition Agreement.

Section 3. The Mayor, the City Manager or the Administrative Services Director, the City Clerk, and all other appropriate officials of the City, are hereby authorized and directed to execute such other agreements, documents and certificates and to take such other actions as may be necessary to effect the purposes of this resolution and the financing herein authorized.

Section 4. This Resolution shall take effect upon its adoption by this Council.

PASSED AND ADOPTED by the City Council of the City of Brisbane this 18th day of June, 2012, by the following vote:

AYES:

NOES:

ABSENT:

CITY OF BRISBANE

By _____
Cliff Lentz, Mayor

ATTEST:

Sheri Marie Spediacci, City Clerk

BRISBANE PUBLIC FINANCING AUTHORITY

RESOLUTION NO. FA 2012-01

RESOLUTION APPROVING THE FORM AND AUTHORIZING THE EXECUTION OF CERTAIN INSTALLMENT SALE FINANCING DOCUMENTS IN CONNECTION WITH THE REFUNDING OF THE OUTSTANDING BRISBANE PUBLIC FINANCING AUTHORITY (SAN MATEO COUNTY, CALIFORNIA) REVENUE BONDS, 2002 SERIES A (WATER AND WASTEWATER SYSTEMS FINANCING PROJECT), AND AUTHORIZING AND DIRECTING CERTAIN ACTIONS WITH RESPECT THERETO

RESOLVED, by the Board of Directors (the "Board") of the Brisbane Public Financing Authority (the "Authority"), as follows:

WHEREAS, the Authority has heretofore issued its \$4,450,000 Brisbane Public Financing Authority (San Mateo County, California) Revenue Bonds, 2002 Series A (Water and Wastewater Systems Financing Project) (the "2002 Bonds"), for the benefit of the City of Brisbane (the "City") to finance improvements and facilities (the "2002 Project") constituting part of the combined water supply, treatment and distribution and wastewater treatment and processing enterprise of the City (the "Enterprise");

WHEREAS, the 2002 Bonds are special obligations of the Authority payable from revenues consisting primarily of installment payments payable by the City under an installment sale agreement between the Authority, as seller, and the City, as purchaser;

WHEREAS, the 2002 Bonds are currently outstanding in the principal amount of \$3,660,000;

WHEREAS, the City has determined at this time, due to prevailing interest rates in the municipal bond market and for other reasons, to refinance its obligations with respect to the 2002 Bonds;

WHEREAS, it is in the public interest and for the public benefit that the Authority authorize and direct execution of certain financing documents in connection therewith; and

WHEREAS, the documents below specified have been filed with the Authority and the members of the Council, with the aid of its staff, have reviewed said documents;

NOW, THEREFORE, it is hereby ORDERED and DETERMINED, as follows:

Section 1. The below-enumerated documents, substantially in the forms on file with the Secretary, be and are hereby approved, and the Chair, the Executive Director or the Treasurer, or the designee of any such official, is hereby authorized and directed to execute said documents, with such changes, insertions and omissions as may be approved by such official,

the execution thereof to be conclusive evidence of such approval, and the Secretary is hereby authorized and directed to attest to such official's signature:

(a) an acquisition Agreement, by and between the City, as seller, and the Authority, as purchaser (the "Acquisition Agreement"), pursuant to which the City will sell the 2002 Project to the Authority;

(b) an installment sale agreement, by and between the Authority, as seller, and the City, as purchaser (the "Installment Sale Agreement"), pursuant to which the Authority will sell the 2002 Project back to the City;

(c) an escrow deposit and trust agreement by and among the Authority, the City and The Bank of New York Mellon Trust Company, N.A., as successor trustee for the 2002 Bonds and as escrow bank, providing for the defeasance of the 2002 Bonds; and

(c) an assignment agreement, by and between the Authority and City National Bank (the "Assignee"), pursuant to which the Authority will assign certain of its rights under the Acquisition Agreement and the Installment Sale Agreement to the Assignee, including its right to receive Installment Payments thereunder, to the Assignee.

Section 2. The Chair, the Executive Director, the Treasurer, the Secretary and other officials of the Authority are hereby authorized and directed to execute such other agreements, documents and certificates and to take such other actions as may be necessary to effect the purposes of this resolution and the lease financing herein authorized.

Section 3. This Resolution shall take effect upon its adoption by the Council.

PASSED AND ADOPTED by the Board of Directors of the Brisbane Public Financing Authority this 18th day of June, 2012, by the following vote:

AYES:

NOES:

ABSENT:

BRISBANE PUBLIC FINANCING
AUTHORITY

By _____
Cliff Lentz, Chair

ATTEST:

Sheri Marie Spediacci, Secretary

ACQUISITION AGREEMENT

Dated as of July 1, 2012

by and between the

CITY OF BRISBANE, as Seller

and the

BRISBANE PUBLIC FINANCING AUTHORITY, as Purchaser

ACQUISITION AGREEMENT

THIS ACQUISITION AGREEMENT, dated as of July 1, 2012 (this "Acquisition Agreement"), is by and between the CITY OF BRISBANE, a municipal corporation and general law city organized and existing under and by virtue of the laws of the State of California, as seller (the "City"), and the BRISBANE PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State of California, as purchaser (the "Authority");

WITNESSETH:

WHEREAS, the City presently owns certain improvements and facilities constituting part of the combined water supply, treatment and distribution and wastewater treatment and processing enterprise of the City more particularly described in Exhibit A attached hereto and made a part hereof (the "2002 Project");

WHEREAS, the Authority wishes to acquire the 2002 Project from the City for the purpose of providing moneys to refinance the acquisition and construction of the 2002 Project; and

WHEREAS, the Authority proposes to sell the 2002 Project back to the City pursuant to an installment sale agreement, dated as of July 1, 2012, by and between the Authority and the City (the "Installment Sale Agreement"), and to assign its right to receive installment payments under the Installment Sale Agreement to City National Bank, as assignee (the "Assignee"), pursuant to that certain Assignment Agreement, dated as of July 1, 2012, by and between the Authority and the Assignee;

NOW, THEREFORE, IT IS HEREBY MUTUALLY AGREED, as follows:

Section 1. Acquisition of the 2002 Project. The City hereby grants, conveys and sells to the Authority all right, title and interest of the City in and to the 2002 Project and the Authority hereby acquires all of the right, title and interest of the City in the 2002 Project.

Section 2. Acquisition Price. In consideration of the acquisition by the Authority of the City's right, title and interest in the 2002 Project pursuant to Section 1, the Authority hereby agrees to pay to the City the amount of \$1.00. Said purchase price shall be paid by the Authority to the City on the date of execution and delivery of this Acquisition Agreement.

Section 3. Amendment. This Acquisition Agreement may be amended by the parties hereto at any time during the Term of the Agreement (as such term is defined in the Installment Sale Agreement).

Section 4. Waiver of Personal Liability. All liabilities under this Acquisition Agreement on the part of the Authority are solely liabilities of the Authority and the City hereby releases each and every, member, director, officer, employee and agent of the Authority of and from any personal or individual liability under this Acquisition Agreement. No member, director, officer, employee or agent of the Authority shall at any time or under any circumstances be individually or personally liable under this Acquisition Agreement for anything done or omitted to be done by the Authority hereunder.

Section 5. Section Headings. All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of this Acquisition Agreement.

Section 6. Execution. This Acquisition Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original but all together shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the City and the Authority have caused this Acquisition Agreement to be executed by their respective officers thereunto duly authorized, all as of the day and year first above written.

CITY OF BRISBANE, as Seller

By _____
Name _____
Title _____

ATTEST:

City Clerk

BRISBANE PUBLIC FINANCING
AUTHORITY, as Purchaser

By _____
Name _____
Title _____

ATTEST:

Secretary

EXHIBIT A

2002 PROJECT DESCRIPTION

The 2002 Project consist of capital improvements associated with the City's and the GVMID's water and sewer utility systems. The major project identified for the sewer system is the replacement of the Valley Drive Sewage Lift Station (VDLS), the main pumping station that conveys the City's raw sewage to San Francisco's treatment facilities. The station is more than 40 years old and requires an upgrade to a flow capacity of 5.5 million gallons per day. Other potential projects include replacement of aged pumps in other sewage lift stations, and replacement of sewer lines that have reached the end their expected service life. Projects identified for the water system include modifications to all four of the City's reservoirs in preparation for its water supplier's conversion in disinfection process from chlorination to chloramination; the installation of pressure reducing stations to assist in the balancing of pressures between higher and lower elevation service zones; and a rehabilitation/replacement project for the pumping facilities that supply City Zones 3 and 4. Other projects include the addition of water reservoirs to provide fire storage for maximum expected flows, and the replacement of water lines that have reached their expected service life.

INSTALLMENT SALE AGREEMENT

Dated as of July 1, 2012

by and between

BRISBANE PUBLIC FINANCING AUTHORITY, as Seller

and the

CITY OF BRISBANE, as Purchaser

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INSTALLMENT SALE AGREEMENT

THIS INSTALLMENT SALE AGREEMENT, dated as of July 1, 2012, is by and between the BRISBANE PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the "Authority"), and the CITY OF BRISBANE, a general law city and municipal corporation duly organized and existing under the laws of the State of California (the "City"),

WITNESSETH:

WHEREAS, pursuant to that certain Acquisition Agreement, dated as of July 1, 2012 (the "Acquisition Agreement"), the City has sold certain improvements and facilities which will constitute part of the combined water supply, treatment and distribution and wastewater treatment and processing enterprise of the City (the "Enterprise"), more particularly described in Exhibit A attached hereto and made a part hereof (the "2002 Project"), to the Authority, all for the purpose of enabling the City to refinance the 2002 Project and, in particular, to provide for the refunding of the outstanding Brisbane Public Financing Authority (San Mateo County, California) Revenue Bonds, 2002 Series A (Water and Wastewater Systems Financing Project) (the "2002 Bonds");

WHEREAS, the Authority proposes to sell the 2002 Project back to the City pursuant to this Installment Sale Agreement and to assign all of its rights, title and interest in, to and under this Installment Sale Agreement, including its right to receive lease payments under this Installment Sale Agreement (the "Installment Payments"), its right to enforce payment of the Installment Payments and otherwise to enforce its interest and rights under this Installment Sale Agreement in the event of a default hereunder by the City and its rights under the Acquisition Agreement, to City National Bank (the "Assignee"), pursuant to that certain Assignment Agreement, dated as of July 1, 2012, by and between the Authority and the Assignee;

WHEREAS, the City and the Authority have agreed to enter into this Installment Sale Agreement providing for Installment Payments with an aggregate principal component in the amount of \$3,590,000 for the purpose of implementing the financing transactions described above; and

WHEREAS, the Authority and the City have duly authorized the execution and delivery of this Installment Sale Agreement;

NOW, THEREFORE, for and in consideration of the premises and the material covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE I
DEFINITIONS

Section 1.1. Definitions. All terms defined in this Section 1.1 have the meanings herein specified for all purposes of this Installment Sale Agreement.

"Applicable Environmental Laws" means and shall include, but shall not be limited to, the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA"), 42 USC Sections 9601 *et seq.*; the Resource Conservation and Recovery Act ("RCRA"), 42 USC Sections 6901 *et seq.*; the Federal Water Pollution Control Act, 33 USC Sections 1251 *et seq.*; the Clean Air Act, 42 USC Sections 7401 *et seq.*; the California Hazardous Waste Control Law ("HWCL"), California Health & Safety Code Sections 25100 *et seq.*; the Hazardous Substance Account Act ("HSAA"), California Health & Safety Code Sections 25300 *et seq.*; the Porter-Cologne Water Quality Control Act (the "Porter-Cologne Act"), California Water Code Sections 1300 *et seq.*; the Air Resources Act, California Health & Safety Code Sections 3900 *et seq.*; the Safe Drinking Water & Toxic Enforcement Act, California Health & Safety Code Sections 25249.5 *et seq.*; and the regulations under each thereof; and any other local, state, and/or federal laws or regulations, whether currently in existence or hereafter enacted, that govern:

- (a) the existence, cleanup, and/or remedy of contamination on property;
- (b) the protection of the environment from spilled, deposited, or otherwise emplaced contamination;
- (c) the control of hazardous wastes; or
- (d) the use, generation, transport, treatment, removal, or recovery of Hazardous Substances, including building materials.

"Acquisition Agreement" means the Acquisition Agreement, dated as of July 1, 2012, by and between the City, as seller, and the Authority, as purchaser, together with any duly authorized and executed amendments thereto.

"Additional Payments" means the payments so designated and required to be paid by the City pursuant to Sections 4.4 of this Installment Sale Agreement.

"Assignee" means (a) initially, City National Bank, as assignee of all rights, title and interests of the Authority hereunder, and (b) any other entity to whom the rights of the Authority hereunder are assigned, including subsequent assignees of the Assignee.

"Assignment Agreement" means the Assignment Agreement, dated as of July 1, 2012, between the Authority, as assignor of its rights under the Acquisition Agreement and this Installment Sale Agreement, and the Assignee, as assignee, as originally executed or as thereafter amended under any duly authorized and executed amendments thereto.

"Authority" means Brisbane Public Financing Authority, a joint exercise of powers authority organized and existing under the laws of the State.

"Authority Representative" means the Chair or the Executive Director, or the designee of any such official, or any other person authorized by resolution to act on behalf of the Authority

under or with respect to the Acquisition Agreement, the Escrow Agreement and the Installment Sale Agreement.

"Bond Counsel" means (a) Quint & Thimmig LLP, or (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income under Section 103 of the Tax Code.

"Business Day" means a day other than a Saturday, Sunday or legal holiday, on which banking institutions are not closed in the State.

"City" means the City of Brisbane, a municipal corporation and general law city organized and existing under the laws of the State.

"City Representative" means the Mayor, the City Manager or the Administrative Services Director, or the designee of any such official, or any other person authorized by resolution to act on behalf of the City under or with respect to the Acquisition Agreement, the Escrow Agreement and the Installment Sale Agreement.

"Closing Date" means the date of execution and delivery of this Installment Sale Agreement by the parties hereto, being July 12, 2012.

"Enterprise" means, collectively, (a) the entire water treatment, production, storage and distribution system owned or operated by the City, including but not limited to all facilities, properties and improvements at any time owned or operated by the City for the collection, treatment and supply of water to residents served thereby, whether within or without the City, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the City, (b) any and all facilities for the treating and processing of wastewater now owned by the City and all other properties, structures or works hereafter acquired and constructed by the City and determined to be a part of the Enterprise, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed, and (c) the combined water treatment, production, storage and distribution system and any and all facilities for the treating and processing of wastewater owned or operated by GVMID, including but not limited to all facilities, properties and improvements at any time owned or operated by GVMID for the collection, treatment and supply of water to residents served thereby, whether within or without the City, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the GVMID.

"Escrow Agreement" means that certain Escrow Deposit and Trust Agreement, dated as the Closing Date, by and among the Authority, the City and the Escrow Bank, providing for the defeasance of the 2002 Bonds.

"Escrow Fund" means the escrow fund established by the Escrow Bank under the Escrow Agreement.

"Escrow Bank" means The Bank of New York Mellon Trust Company, N.A., as escrow bank under the Escrow Agreement.

"Event of Default" means any of the events of default as defined in Section 8.1.

"Federal Securities" means any direct general non-callable obligations of the United States of America (including obligations issued or held in book entry form on the books of the

Department of the Treasury of the United States of America), or obligations the timely payment of principal of and interest on which are directly guaranteed by the United States of America.

"Fiscal Year" means each twelve-month period during the Term of this Installment Sale Agreement commencing on July 1 in any calendar year and ending on June 30 in the next succeeding calendar year, or any other twelve-month period selected by the City as its fiscal year period.

"Gross Revenues" means all gross charges received for, and all other gross income and receipts derived by the City from, the ownership and operation of the Enterprise or otherwise arising from the Enterprise, including but not limited to investment earnings thereon; but excluding (a) connection charges, (b) the proceeds of any ad valorem property taxes levied for the purpose of paying general obligation bonds of the City relating to the Enterprise, and (c) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the City levied for the purpose of paying special assessment bonds or special tax obligations of the City relating to the Enterprise.

"GVMID" means the Guadalupe Valley Municipal Improvement District.

"Hazardous Substance" means any substance that shall, at any time, be listed as "hazardous" or "toxic" in any Applicable Environmental Law or that has been or shall be determined at any time by any agency or court to be a hazardous or toxic substance regulated under Applicable Environmental Laws; and also means, without limitation, raw materials, building components, the products of any manufacturing, or other activities on the Facilities, wastes, petroleum, and source, special nuclear, or by-product material as defined by the Atomic Energy Act of 1954, as amended (42 USC Sections 3011 *et seq.*).

"Independent Accountant" means any certified public accountant or firm of certified public accountants appointed and paid by the City, and who, or each of whom (a) is in fact independent and not under domination of the City; (b) does not have any substantial interest, direct or indirect, in the City; and (c) is not connected with the City as an officer or employee of the City but who may be regularly retained to make annual or other audits of the books of or reports to the City.

"Installment Sale Agreement" means this Installment Sale Agreement dated as of July 1, 2012, between the Authority and the City.

"Installment Payment Date" means March 1 and September 1 in each year, commencing March 1, 2013, and continuing to and including the date on which the Installment Payments are paid in full.

"Installment Payments" means all payments required to be paid by the City under Section 4.4, including any prepayment thereof under Sections 9.2 or 9.3.

"Net Proceeds" means any insurance or eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers), paid with respect to the Property, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

"Net Revenues" means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

"Operation and Maintenance Costs" means the reasonable and necessary costs and expenses paid by the City for maintaining and operating the Enterprise, including but not limited to (a) costs of acquisition of water to be supplied by the Enterprise, (b) costs of electricity and other forms of energy supplied to the Enterprise, (c) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Enterprise in good repair and working order, and (d) the reasonable administrative costs of the City attributable to the operation and maintenance of the Enterprise; but in all cases excluding (i) debt service payable on obligations incurred by the City with respect to the Enterprise including but not limited to the Installment Payments and any Parity Obligations, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

"Parity Obligations" means any leases, loan agreements, installment sale agreements, bonds, notes or other obligations of the City payable from and secured by a pledge of and lien upon any of the Net Revenues on a parity with the Installment Payments, entered into or issued pursuant to and in accordance with Section 4.8 of this Installment Sale Agreement.

"Permitted Encumbrances" means, as of any time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the City may permit to remain unpaid under Article VI of this Installment Sale Agreement; (b) the Acquisition Agreement, this Installment Sale Agreement and the Assignment Agreement; (c) any right or claim of any mechanic, laborer, materialman, supplier or vendor not filed or perfected in the manner prescribed by law; (d) the exceptions disclosed in the title insurance policy issued with respect to the Property issued as of the Closing Date; and (e) any easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record and which the City certifies in writing will not materially impair the use of the Property for its intended purposes.

"State" means the State of California.

"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Tax Code.

"Term of this Installment Sale Agreement" or *"Term"* means the time during which this Installment Sale Agreement is in effect, as provided in Section 4.2.

"2002 Project" means those certain existing facilities more particularly described in Exhibit A to the Acquisition Agreement and in Exhibit A to the Installment Sale Agreement.

"2002 Bonds" means the \$4,450,000 Brisbane Public Financing Authority (San Mateo County, California) Revenue Bonds, 2002 Series A (Water and Wastewater Systems Financing Project), for the benefit of the City (the "2002 Bonds"), currently outstanding in the principal amount of \$3,660,000.

"Utility Fund" means, collectively, the City's existing combined water and wastewater utility fund, established and held by the City with respect to the Enterprise.

"Written Certificate," "Written Request" and *"Written Requisition"* of the Authority or the City mean, respectively, a written certificate, request or requisition signed in the name of the Authority by its Authority Representative or the City by its City Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined

in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

Section 1.2. Interpretation.

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

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

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

ARTICLE II

COVENANTS AND REPRESENTATIONS

Section 2.1. Covenants and Representations of the City. The City makes the following covenants and representations to the Authority that as of the Closing Date:

Section 2.1. Covenants, Representations and Warranties of the City. The City makes the following covenants, representations and warranties to the Authority as of the date of the execution and delivery of this Installment Sale Agreement:

(a) *Due Organization and Existence*. The City is a municipal corporation and general law city, duly organized and existing under and by virtue of the laws of the State, has full legal right, power and authority under the laws of the State to enter into the Acquisition Agreement, the Escrow Agreement and this Installment Sale Agreement and to carry out and consummate all transactions on its part contemplated hereby and thereby, and by proper action the City has duly authorized the execution and delivery by the City of the Acquisition Agreement, the Escrow Agreement and this Installment Sale Agreement.

(b) *Due Execution*. The representative of the City executing the Acquisition Agreement, the Escrow Agreement and this Installment Sale Agreement has been fully authorized to execute the same by a resolution duly adopted by the City Council of the City.

(c) *Valid, Binding and Enforceable Obligations*. The Acquisition Agreement, the Escrow Agreement and this Installment Sale Agreement have been duly authorized, executed and delivered by the City and constitute the legal, valid and binding agreements of the City enforceable against the City in accordance with their respective terms.

(d) *No Conflicts*. The execution and delivery of the Acquisition Agreement, the Escrow Agreement and this Installment Sale Agreement, the consummation of the transactions therein and herein contemplated and the fulfillment of or compliance with the terms and conditions thereof and hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the City is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Acquisition Agreement or this Installment Sale Agreement or the financial condition, assets, properties or operations of the City.

(e) *Consents and Approvals*. No consent or approval of any trustee or holder of any indebtedness of the City or of the voters of the City, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of the Acquisition Agreement, the Escrow Agreement and this Installment Sale Agreement, or the consummation of any transaction therein and herein contemplated, except as have been obtained or made and as are in full force and effect.

(f) *No Litigation*. There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the

knowledge of the City after reasonable investigation, threatened against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Acquisition Agreement, the Escrow Agreement and this Installment Sale Agreement or upon the financial condition, assets, properties or operations of the City, and the City is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Installment Sale Agreement, or the financial condition, assets, properties or operations of the City.

(g) *Sufficient Funds.* The City reasonably believes that sufficient funds can be obtained to make all Installment Payments and all other amounts required to be paid pursuant to this Installment Sale Agreement.

(h) *No Defaults.* The City has never non-appropriated or defaulted under any of its payment or performance obligations or covenants, either under any financing lease of the same general nature as this Installment Sale Agreement, or under any of its bonds, notes, or other debt obligations.

(j) *Use of the 2002 Project.* During the term of this Installment Sale Agreement, the 2002 Project will be used by the City only for the purpose of performing one or more governmental or proprietary functions of the City consistent with the permissible scope of the City's authority.

(k) *Change in Financial Condition.* The City has experienced no material change in its financial condition since June 30, 2011.

(l) *Hazardous Substances.* Except to the extent disclosed to the Assignee, the 2002 Project are free of all Hazardous Substances, and the City is in full compliance with all Applicable Environmental Laws.

(m) *Utility Fund.* The City has heretofore established the Utility Fund into which the City deposits and will continue to deposit all Gross Revenues, and which the City will maintain throughout the Term of this Installment Sale Agreement.

(h) *No Outstanding Obligations.* There are no outstanding bonds, notes, loans, leases, installment sale agreements or other obligations which have any security interest in or claim upon the Net Revenues, which security interest or claim is superior to or on a parity with the Installment Payments.

Section 2.2. Covenants and Representations of the Authority. The Authority makes the following covenants and representations to the City that as of the Closing Date:

(a) *Due Organization and Existence.* The Authority is a joint powers authority, duly organized and existing under the laws of the State, has full legal right, power and authority to enter into the Acquisition Agreement, this Installment Sale Agreement and the Assignment Agreement and to carry out and consummate all transactions on its part contemplated hereby and thereby, and by proper action the Authority has duly authorized the execution and delivery by the Authority of the Acquisition Agreement, this Installment Sale Agreement and the Assignment Agreement.

(b) *Due Execution.* The representative of the Authority executing the Acquisition Agreement, this Installment Sale Agreement and the Assignment Agreement is fully

authorized to execute the same under official action taken by the Board of Directors of the Authority.

(c) *Valid, Binding and Enforceable Obligations.* The Acquisition Agreement, this Installment Sale Agreement and the Assignment Agreement have been duly authorized, executed and delivered by the Authority and constitute the legal, valid and binding agreements of the Authority, enforceable against the Authority in accordance with their respective terms.

(d) *No Conflicts.* The execution and delivery of the Acquisition Agreement, this Installment Sale Agreement and the Assignment Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, do not and will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the Authority is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Authority, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Acquisition Agreement, this Installment Sale Agreement and the Assignment Agreement or the financial condition, assets, properties or operations of the Authority.

(e) *Consents and Approvals.* No consent or approval of any trustee or holder of any indebtedness of the Authority, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of the Acquisition Agreement, this Installment Sale Agreement or the Assignment Agreement, or the consummation of any transaction herein or therein contemplated, except as have been obtained or made and as are in full force and effect.

(f) *No Litigation.* There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Authority after reasonable investigation, threatened against or affecting the Authority or the assets, properties or operations of the Authority which, if determined adversely to the Authority or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of the Acquisition Agreement, this Installment Sale Agreement or the Assignment Agreement, or upon the financial condition, assets, properties or operations of the Authority, and the Authority is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by the Acquisition Agreement, this Installment Sale Agreement or the Assignment Agreement or the financial condition, assets, properties or operations of the Authority.

ARTICLE III

DEPOSIT AND APPLICATION OF FUNDS

Section 3.1. Deposit of and Application of Funds. On the Closing Date, the Assignee shall cause the amount of \$3,545,000.00 to be transferred to the Escrow Bank for deposit in the Escrow Fund to be applied to the defeasance of the 2002 Bonds. Such amounts shall be derived from amounts paid by the Assignee under the Assignment Agreement. In addition, a portion of the amounts paid by the Assignee under the Assignment Agreement (net of amounts retained by the Assignee for its fees) shall be applied by the Assignee to pay financing costs of the transaction in the amount of \$45,000.

ARTICLE IV

SALE OF IMPROVEMENTS; INSTALLMENT PAYMENT

Section 4.1. Sale. The Authority hereby agrees to sell the 2012 Project to the City, and the City hereby agrees to purchase the 2012 Project from the Authority, upon the terms and conditions set forth in this Installment Sale Agreement.

Section 4.2. Term. The Term of this Installment Sale Agreement shall commence on the Closing Date, and shall end on the date on which the City shall have paid all of the Installment Payments and all other amounts due and payable hereunder. The provisions of this Section 4.2 are subject in all respects to any other provisions of this Installment Sale Agreement relating to the termination hereof with respect to the 2012 Project or any portion thereof.

Section 4.3. Title. On the Closing Date, title to the 2002 Project shall be deemed conveyed to and vested in the City.

Section 4.4. Installment Payments.

(a) *Obligation to Pay*. The City agrees to pay to the Authority, its successors and assigns, but solely from the Net Revenues and other funds pledged hereunder, as the purchase price of the 2012 Project the aggregate principal amount of three million five hundred ninety thousand dollars (\$3,590,000) together with interest on the unpaid principal balance, payable in Installment Payments coming due and payable in the respective amounts and on each Installment Payment Date specified in Exhibit B. The interest components of the Installment Payments have been calculated based on an interest rate of 3.46% per annum, on the basis of a 360-day year of twelve 30-day months. The City understands that the Assignee will send an invoice to the City in advance of each Installment Payment Date.

(b) *Additional Payments*. In addition to the Installment Payments set forth herein, the City agrees to pay as Additional Payments all of the following:

(i) all taxes and assessments of any nature whatsoever, including but not limited to excise taxes, ad valorem taxes, ad valorem and specific lien special assessments and gross receipts taxes, if any, levied upon the 2002 Project or upon any interest of the Authority therein or in this Installment Sale Agreement; provided, however, the City may, at the City's expense and in its name, in good faith contest any such taxes and assessments and, in the event of such contest, may permit such taxes and assessments to remain unpaid during the period of such contest and appeal therefrom unless the Authority shall notify the City that, in the opinion of Bond Counsel, by nonpayment of any such items, the interest of the Authority in the 2002 Project will be materially endangered or the 2002 Project, or any portion thereof, will be subject to loss or forfeiture, in which event the City shall promptly pay such taxes and assessments or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority;

(ii) insurance premiums, if any, on all insurance required under the provisions of Article V hereof;

(iii) any other reasonable fees, costs or expenses incurred by the Authority in connection with the execution, performance or enforcement of this Installment Sale Agreement or any of the transactions contemplated hereby or related to the 2002 Project, including, without limitation, any amounts which may become due; provided,

however, the City shall not be responsible for any costs incurred by the Authority associated with any assignment made by the Assignee; and

(iv) any amounts required to be paid as rebate to the United States pursuant to the Tax Certificate.

Amounts constituting Additional Payments payable hereunder shall be paid by the City directly to the person or persons to whom such amounts shall be payable. The City shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 60 days after notice in writing from the Authority to the City stating the amount of Additional Payments then due and payable and the purpose thereof.

(c) *Effect of Prepayment.* In the event that the City prepays all remaining Installment Payments in full pursuant to Article IX, the City's obligations under this Installment Sale Agreement shall thereupon cease and terminate, including but not limited to the City's obligation to pay Installment Payments therefor under this Section 4.4; *provided, however,* that the City's obligations to compensate and indemnify the Assignee pursuant to Sections 4.10 and 6.3 shall survive such prepayment. In the event that the City prepays the Installment Payments in part but not in whole pursuant to Section 9.2 or Section 9.3, the principal and interest components of each succeeding Installment Payment shall be reduced as provided in such Sections.

(d) *Rate on Overdue Payments.* In the event the City should fail to make any of the payments required in this Section 4.4 and Section 4.10, the payment in default shall continue as an obligation of the City until the amount in default shall have been fully paid, and the City agrees to pay the same with interest thereon, from the date of default to the date of payment, at the rate of ten percent (10%) per annum.

(e) *Assignment Agreement.* The City understands and agrees that all Installment Payments have been assigned by the Authority to the Assignee under the Assignment Agreement recorded concurrently herewith, and the City hereby assents to such assignment. The Authority hereby directs the City, and the City hereby agrees, to pay to the Assignee (or to its assignees as directed pursuant to Section 7.4 hereof) all payments payable by the City under this Section 4.3 and all amounts payable by the City under Article IX. Installment Payments shall be paid to the Assignee as follows:

Bank Name:
ABA/Routing #
Bank Address:
Beneficiary Name:
Account #
Beneficiary Address:
Reference: Customer # _____, Invoice # _____

Section 4.5. Pledge and Application of Net Revenues.

(a) *Pledge of Net Revenues.* All of the Net Revenues and amounts on deposit in the Utility Fund are hereby irrevocably pledged, charged and assigned to the punctual payment of the Installment Payments and except as otherwise provided herein the Net Revenues and such other funds shall not be used for any other purpose so long as any of the Installment Payments remain unpaid. Such pledge, charge and assignment shall constitute a first lien on the Net Revenues and such other moneys for the payment of the Installment Payments in accordance with the terms hereof.

(b) *Deposits Into Utility Fund; Transfers to Make Installment Payments.* All of the Gross Revenues shall be deposited by the City immediately upon receipt in the Utility Fund. The City covenants and agrees that all Net Revenues will be held by the City in the Utility Fund in trust for the benefit of the Assignee (as assignee of the rights of the Authority hereunder) and for the benefit of the owners of any Parity Obligations. On or before each Installment Payment Date, the City shall withdraw from the Utility Fund and transfer to the Assignee, an amount which is equal to the aggregate amount of the Installment Payment coming due and payable on such Installment Payment Date.

In addition, the City shall withdraw from the Utility Fund such amounts at such times as shall be required to: (i) pay all Operation and Maintenance Costs as they come due and payable; (ii) pay the principal of and interest on any Parity Obligations and otherwise comply with the provisions of the instruments authorizing the issuance of any Parity Obligations; and (iii) pay all other amounts when and as due and payable hereunder.

(c) *Release from Lien.* Following the transfer described in paragraph (b) of this Section 4.5 with respect to the September 1 Installment Payment Date, Net Revenues in excess of amounts required for the payment of Installment Payments and any Parity Debt in that Fiscal Year shall be released from the lien of this Installment Sale Agreement and shall be available for any lawful purpose of the City.

(d) *Limitation on Use of Net Revenues for Capital Improvements.* The City hereby agrees that Net Revenues shall not be applied for the payment of capital improvements relating to the Enterprise until such Net Revenues have been released from the lien of this Installment Sale Agreement as described in paragraph (c) of this Section 4.5.

Section 4.6. Special Obligation of the City; Obligations Absolute. The City's obligation to pay the Installment Payments, the Additional Payments and any other amounts coming due and payable hereunder shall be a special obligation of the City limited solely to the Net Revenues and amounts on deposit in the Utility Fund. Under no circumstances shall the City be required to advance moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Installment Payments and the Additional Payments, nor shall any other funds or property of the City be liable for the payment of the Installment Payments and the Additional Payments and any other amounts coming due and payable hereunder.

The obligations of the City to make the Installment Payments and the Additional Payments from the Net Revenues and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the City or the Authority of any obligation to the City or otherwise with respect to the Enterprise, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the City by the Authority. Until such time as all of the Installment Payments, all of the Additional Payments and all other amounts coming due and payable hereunder shall have been fully paid or prepaid, the City (a) will not suspend or discontinue payment of any Installment Payments, Additional Payments or such other amounts, (b) will perform and observe all other agreements contained in this Installment Sale Agreement, and (c) will not terminate the Term of this Installment Sale Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Enterprise, sale of the Enterprise, the taking by eminent domain of title to or temporary use of any component of the Enterprise, commercial frustration of purpose, any change in the tax or law other laws of the United States of America or the State or any political subdivision of either thereof or any failure of the

Authority to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Installment Sale Agreement.

Nothing contained in this Section 4.6 shall be construed to release the Authority from the performance of any of the agreements on its part contained herein and in the event the Authority shall fail to perform any such agreements, the City may institute such action against the Authority as the City may deem necessary to compel performance so long as such action does not abrogate the obligations of the City contained in the preceding paragraph. The City may, however, at the City's own cost and expense and in the City's own name or in the name of the Authority prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to secure or protect the City's rights hereunder, and in such event the Authority hereby agrees to cooperate fully with the City and to take such action necessary to effect the substitution of the City for the Authority in such action or proceeding if the City shall so request.

Section 4.7. Rate Covenant.

(a) The City hereby covenants that it shall prescribe, revise and collect such charges for the services and facilities of the Enterprise which, after allowances for contingencies and error in the estimates, shall produce Gross Revenues sufficient in each Fiscal Year to provide Net Revenues which, together with existing unencumbered cash and cash-equivalents in the Utility Fund with respect to such Fiscal Year, are at least equal to at least 1.25 times (i) the Installment Payments coming due and payable during such Fiscal Year, and (ii) all payments required with respect to Parity Debt.

(b) If, in any Fiscal Year, charges for the services and facilities of the Enterprise which, after allowances for contingencies and error in the estimates, shall produce Gross Revenues insufficient in each Fiscal Year to provide Net Revenues equal to at least 1.25 times (i) the Installment Payments coming due and payable during such Fiscal Year, and (ii) all payments required with respect to Parity Debt, the City covenants and agrees to notify the Assignee of such fact and to employ an independent consultant to make recommendations as to a revision of the rates, fees and charges of the Enterprise or the methods of operation of the Enterprise that will result in producing Net Revenues equal to at least 1.25 times (i) the Installment Payments coming due and payable during such Fiscal Year, and (ii) all payments required with respect to Parity Debt.

(c) The City covenants and agrees that it shall, promptly upon its receipt of such recommendations from such consultant, subject to applicable requirements or restrictions imposed by law, and subject to a good faith determination of the City Council that such recommendations, in whole or in part, are in the best interests of the City, revise its rates, fees and charges or its methods of operation or collections and shall take such other action as shall be in conformity with such recommendations. In the event that the City fails to comply with such recommendations, subject to the applicable requirements or restrictions imposed by law and to the determination of the City Council of the City that such recommendations are in the best interests of the City, the Authority, or its assignee, may, in addition to the rights and remedies elsewhere set forth in this Installment Sale Agreement, and shall, upon the written request of the ~~Owners of a majority in principal amount of the Certificates then Outstanding~~ Assignee, and being indemnified to its satisfaction therefor, institute and prosecute an action or proceeding in a court of competent jurisdiction to compel the City to comply with the recommendations and requirements of this paragraph (c). If the City complies in all material respects with the reasonable recommendations of the consultant in respect to said rates, fees, charges and methods of operation or collection, the City will be deemed to have complied with the covenants described above notwithstanding that Net Revenues shall be less than the amount required under this Installment Sale Agreement for such Fiscal Year;

provided, however, that such rates, fees, charges and methods of operation or collection shall produce Net Revenues equal to at least 100% of (i) the Installment Payments coming due and payable during such Fiscal Year, and (ii) all payments required with respect to Parity Debt; provided further, that this sentence shall not be construed as in any way excusing the City from taking any action or performing any duty required under this Installment Sale Agreement or be construed as constituting a waiver of any other Event of Default.

Section 4.8. Limitations on Future Obligations Secured by Net Revenues.

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

(b) *Parity Debt.* The City further covenants that, except for obligations issued or incurred to prepay the Installment Payments in full pursuant to Section 10.2 hereof, the City shall not issue or incur any Parity Debt unless:

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

(ii) Net Revenues, calculated on sound accounting principles, as shown by the books of the City for the latest Fiscal Year or any more recent 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 Debt 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 1.25 times the sum of the maximum Installment Payments coming due and payable in any future Fiscal Year and the maximum annual debt service on all Parity Debt outstanding immediately subsequent to the incurring of such additional obligations.

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

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

(B) An allowance for earnings arising from any increase in the charges made for service from the Enterprise which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year and any period prior to the incurring of such additional obligations, as shown by the certificate or opinion of a qualified independent engineer employed by the City.

(iii) A reserve fund may, but shall not be required to be, funded for such Parity Debt.

(iv) Interest with respect to such Parity Debt shall be paid on the Installment Payment Dates.

(v) Principal with respect to such Parity Debt shall be paid on September 1.

(c) *Subordinate Debt*. The City further covenants that the City shall not issue or incur any Subordinate Debt unless:

(i) Net 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 Subordinate Debt is issued or incurred, as shown by the books of the City shall, after deducting all amounts required for the payment of Installment Payments and any Parity Debt, have amounted to at least 1.00 times the sum of the maximum annual debt service on all Subordinate Debt outstanding immediately subsequent to the incurring of such additional obligations. An allowance for earnings arising from any increase in the charges made for service from the Enterprise which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year, was not in effect, may be added in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year and any period prior to the incurring of such additional obligations, as shown by the certificate or opinion of a qualified independent engineer employed by the City.

(ii) Interest with respect to such Subordinate Debt shall be paid on the Installment Payment Dates.

(iii) Principal with respect to such Subordinate Debt shall be paid on August 1.

(d) *Calculating Debt Service on Variable Rate Debt*. For all purposes, variable rate indebtedness shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if the indebtedness is not yet outstanding, the initial rate (if established and binding), (ii) if the indebtedness has been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (A) if interest on the indebtedness is excludable from gross income under the applicable provisions of the Code, the most recently published *Bond Buyer "Revenue Bond Index"* (or comparable index if no longer published) plus 50 basis points, or (B) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities plus 50 basis points; provided, however, that for purposes of any rate covenant measuring actual debt service coverage during a test period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during the test period.

ARTICLE V

MAINTENANCE, TAXES, INSURANCE AND OTHER MATTERS

Section 5.1. Maintenance, Utilities, Taxes and Assessments. Throughout the Term of this Installment Sale Agreement, all improvement, repair and maintenance of the Enterprise shall be the responsibility of the City, and the City shall pay for or otherwise arrange for the payment of all utility services supplied to the Enterprise, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Enterprise resulting from ordinary wear and tear.

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

The City may, at the City's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority shall notify the City that, in its opinion, by nonpayment of any such items, the interest of the Authority hereunder will be materially adversely affected, in which event the City shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority.

Section 5.2. Operation of Enterprise. The City covenants and agrees to operate the Enterprise in an efficient and economical manner and to operate, maintain and preserve the Enterprise in good repair and working order. The City covenants that, in order to fully preserve and protect the priority and security of the Installment Payments, the City shall pay from the Gross Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Enterprise which, if unpaid, may become a lien or charge upon the Gross Revenues or the Net Revenues prior or superior to the lien granted hereunder, or which may otherwise impair the ability of the City to pay the Installment Payments in accordance herewith.

Section 5.3. Public Liability and Property Damage Insurance. The City shall maintain or cause to be maintained, throughout the Term of this Installment Sale Agreement, but only if and to the extent available at reasonable cost from reputable insurers, a standard comprehensive general insurance policy or policies in protection of the Authority, the City, and their respective members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Enterprise. Said policy or policies shall provide coverage in such liability limits and shall be subject to such deductibles as shall be customary with respect to works and property of a like character. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the City, and may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of Section 5.5, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. The proceeds of such liability insurance shall be applied toward

extinguishment or satisfaction of the liability with respect to which such proceeds shall have been paid.

Section 5.4. Casualty Insurance. The City shall procure and maintain, or cause to be procured and maintained, throughout the Term of this Installment Sale Agreement, but only in the event and to the extent available from reputable insurers at reasonable cost, casualty insurance against loss or damage to any improvements constituting any part of the Enterprise, covering such hazards as are customarily covered with respect to works and property of like character. Such insurance may be subject to deductible clauses which are customary for works and property of a like character. Such insurance may be maintained as part of or in conjunction with any other casualty insurance carried by the City and may be maintained in whole or in part in the form of self-insurance by the City, subject to the provisions of Section 5.5, or in the form of the participation by the City in a joint powers agency or other program providing pooled insurance. All amounts collected from insurance against accident to or destruction of any portion of the Enterprise shall be used to repair, rebuild or replace such damaged or destroyed portion of the Enterprise, and to the extent not so applied, shall be paid to the Assignee to be applied to prepay the Installment Payments or any Parity Obligations in accordance with written instructions of the City filed with the Assignee.

Section 5.5. Insurance Net Proceeds; Form of Policies. The City shall pay or cause to be paid when due the premiums for all insurance policies required by this Installment Sale Agreement. The Assignee shall not be responsible for the sufficiency of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss. In the event that any insurance required pursuant to Sections 5.3 or 5.4 shall be provided in the form of self-insurance, the City shall file with the Assignee annually, within ninety (90) days following the close of each Fiscal Year, a statement of an independent actuarial consultant identifying the extent of such self-insurance and stating the determination that the City maintains sufficient reserves with respect thereto. In the event that any such insurance shall be provided in the form of self-insurance by the City, the City shall not be obligated to make any payment with respect to any insured event except from Net Revenues or from such reserves.

Section 5.6. Eminent Domain. Any amounts received as awards as a result of the taking of all or any part of the Enterprise by the lawful exercise of eminent domain, at the election of the City (evidenced by a Written Certificate of the City filed with the Assignee and the Authority) shall either (a) be used for the acquisition or construction of improvements and extension of the Enterprise, or (b) be paid to the Assignee to be applied to prepay the Installment Payments or any Parity Obligations in accordance with written instructions of the City filed with the Assignee.

Section 5.7. Records and Accounts. The City shall keep proper books of record and accounts of the Enterprise, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Enterprise. Said books shall, upon prior request, be subject to the reasonable inspection by the Assignee. The City shall cause the books and accounts of the Enterprise to be audited annually by an Independent Accountant, not more than two hundred seventy (270) days after the close of each Fiscal Year, and shall make a copy of such report available for inspection by the Assignee at the office of the City.

Section 5.8. Private Activity Bond Limitation. The City shall assure that proceeds of the Installment Sale Agreement are not so used as to cause the Installment Sale Agreement to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(b) of the Code.

Section 5.9. Private Loan Financing Limitation. The City shall assure that proceeds of the Installment Sale Agreement are not so used as to cause the Installment Sale Agreement to satisfy the private loan financing test of section 141(c) of the Code.

Section 5.10. Federal Guarantee Prohibition. The City shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Installment Sale Agreement to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Section 5.11. Small Issuer Exemption from Bank Deductibility Restriction.

(a) The City hereby designates the Installment Sale Agreement as a "qualified tax-exempt obligation" for the purposes and within the meaning of section 265(b)(3) of the Code. In support of such designation, the City hereby certifies that (i) the Installment Sale Agreement will be at no time a "private activity bond" (as defined in section 141 of the Code); (ii) as of the date hereof in calendar year 2012, other than the Installment Sale Agreement, no tax-exempt obligations of any kind have been issued (A) by or on behalf of the City, (B) by other issuers, any of the proceeds of which have been or will be used to make any loans to the City, or (C) any portion of which has been allocated to the City for purposes of section 265(b) of the Code; and (iii) not more than \$10,000,000 of obligations of any kind (including the Installment Sale Agreement) issued (A) by or on behalf of the City, (B) by other issuers any of the proceeds of which have been or will be used to make any loans to the City, or (C) any portion of which has been allocated to the City for purposes of section 265(b) of the Code during calendar year 2012 will be designated for purposes of section 265(b)(3) of the Code.

(b) The City is not subject to control by any entity, and there are no entities subject to control by the City.

(c) On the date hereof, the City does not reasonably anticipate that for calendar year 2012 it will issue, borrow the proceeds of or have allocated to it for purposes of section 265(b) of the Code, any Section 265 Tax-Exempt Obligations (other than the Installment Sale Agreement), or that any Section 265 Tax-Exempt Obligations will be issued on behalf of it. "Section 265 Tax-Exempt Obligations" are obligations the interest on which is excludable from gross income of the owners thereof under section 103 of the Code, except for private activity bonds, other than qualified 501(c)(3) bonds, both as defined in section 141 of the Code. The City will not, in calendar 2012, issue, permit the issuance on behalf of it or by any entity subject to control by the City (which may hereafter come into existence), borrow the proceeds of or agree to an allocation to it for purposes of section 265(b) of the Code, Section 265 Tax-Exempt Obligations (including the Installment Sale Agreement) that exceed the aggregate amount of \$10,000,000 during calendar year 2012, unless it first obtains an opinion of Bond Counsel to the effect that such issuance, borrowing or allocation will not adversely affect the treatment of the Installment Sale Agreement as a "qualified tax-exempt obligation" for the purpose and within the meaning of section 265(b)(3) of the Code.

(d) The Installment Sale Agreement has not been sold in conjunction with any other tax exempt obligations.

Section 5.12. Maintenance of Tax-Exemption. The City shall take all actions necessary to assure the exclusion of interest with respect to the Installment Sale Agreement from the gross income of the Assignee to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

ARTICLE VI

'DISCLAIMER OF WARRANTIES; ACCESS'

Section 6.1. Disclaimer of Warranties. The Authority and the Assignee make no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City of the 2012 Project, or any other representation or warranty with respect to the 2012 Project. In no event shall the Authority or the Assignee be liable for incidental, indirect, special or consequential damages in connection with or arising out of this Installment Sale Agreement for the existence, furnishing, functioning or City's use of the 2012 Project.

Section 6.2. Access to the Enterprise. The City agrees that the Authority and the Assignee, and any duly authorized representative thereof, shall have the right at all reasonable times to enter upon and to examine and inspect the Enterprise. The City further agrees that the Authority and the Assignee, and any duly authorized representative thereof, shall have such rights of access to the Enterprise as may be reasonably necessary to cause the proper maintenance of the Enterprise in the event of failure by the City to perform its obligations hereunder.

Section 6.3. Release and Indemnification Covenants. The City shall and hereby agrees to indemnify and save the Authority and the Assignee and their respective officers, agents, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Enterprise by the City, (b) any breach or default on the part of the City in the performance of any of its obligations under this Installment Sale Agreement, (c) any negligence or willful misconduct of the City or of any of its agents, contractors, servants, employees or licensees with respect to the Enterprise, (d) any act or negligence of any sublessee of the City with respect to the Enterprise, or (e) the presence on, under or about, or release from, the Enterprise of any substance, material or waste which is, or which becomes, regulated or classified as hazardous or toxic under State, federal or local law. No indemnification is made under this Section 6.3 or elsewhere in this Installment Sale Agreement for adjudicated willful misconduct or negligence by the Authority or the Assignee, or their respective officers, employees, successors or assigns. The rights of the Assignee and the obligations of the City under this Section 6.3 shall survive the termination of this Installment Sale Agreement.

Section 6.4. Non-Liability of Authority for Enterprise Obligations. The Authority and its successor and assigns shall have no obligation and shall incur no liabilities or debts whatsoever for the obligations, liabilities and debts of the City incurred in connection with the Enterprise.

ARTICLE VII

ASSIGNMENT, SALE AND AMENDMENT

Section 7.1. Assignment by the Authority. The Authority's rights under this Installment Sale Agreement, including the right to receive and enforce payment of the Installment Payments to be made by the City under this Installment Sale Agreement have been pledged and assigned to the Assignee pursuant to the Assignment Agreement, to which pledge and assignment the City hereby consents.

Section 7.2. Assignment by the City. This Installment Sale Agreement may not be assigned by the City.

Section 7.3. Sale of Enterprise. Except as provided herein, the City covenants that the Enterprise shall not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole. Neither the Net Revenues nor any other funds pledged or otherwise made available to secure payment of the Installment Payments shall be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed or used except as authorized by the terms of this Installment Sale Agreement. The City shall not enter into any agreement which impairs the operation of the Enterprise or any part of it necessary to secure adequate Net Revenues to pay the Installment Payments, or which otherwise would impair the rights of the Assignee and the owners of any Parity Obligations with respect to the Net Revenues. If any substantial part of the Enterprise shall be sold, the payment therefor shall either (a) be used for the acquisition or construction of improvements, extensions or replacements of 2012 Project constituting part of the Enterprise, or (b) to the extent not so used, be paid to the Assignee to be applied to prepay the Installment Payments or any Parity Obligations, in accordance with written instructions of the City filed with the Assignee.

Section 7.4. Amendment of Installment Sale Agreement. The City and the Authority shall have the right to modify or amend this Installment Sale Agreement without the consent of any of the Assignee or any of the owners of Parity Obligations, but only if such amendment or modification does not cause the interest component of the Installment Payments to be includable in gross income for federal income tax purposes in the opinion of Bond Counsel, and only if such amendment or modification does not materially adversely affect the interests of the Assignee or the owners of any Parity Obligations in the opinion of Bond Counsel, and only if such amendment or modification is for any one or more of the following purposes:

- (a) to provide for the issuance of Parity Obligations pursuant to Section 4.9;
- (b) to add to the covenants and agreements of the City contained in this Installment Sale Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the City;
- (c) to cure any ambiguity, or to cure, correct or supplement any defective provision contained herein, or in any other respect whatsoever as the Authority and the City may deem necessary or desirable; or
- (d) to amend any provision thereof for the purpose of complying with the applicable requirements of the Tax Code.

ARTICLE VIII
EVENTS OF DEFAULT

Section 8.1. Events of Default Defined. The following events shall be Events of Default hereunder:

(a) Failure by the City to pay any Installment Payment when and as the same become due and payable hereunder.

(b) Failure by the City to pay any Additional Payment when due and payable hereunder, and the continuation of such failure for a period of ten (10) days.

(c) Failure by the City to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), for a period of sixty (60) days after written notice specifying such failure and requesting that it be remedied has been given to the City by the Authority or the Assignee; *provided, however,* that if the City shall notify the Authority and the Assignee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such 60-day period, such failure shall not constitute an event of default hereunder if the City shall commence to cure such failure within such sixty (60) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The filing by the City of a voluntary petition in bankruptcy, or failure by the City promptly to lift any execution, garnishment or attachment, or adjudication of the City as a bankrupt, or assignment by the City for the benefit of creditors, or the entry by the City into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the City in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

(e) The occurrence and continuation of any event of default under and as defined in the instruments authorizing the issuance of any Parity Obligations.

Section 8.2. Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Assignee as assignee of the Authority shall have the right, at its option and without any further demand or notice, to:

(a) declare all principal components of the unpaid Installment Payments, together with accrued interest thereon at the effective rate of interest per annum from the immediately preceding Installment Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall immediately become due and payable;

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

(c) as a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Assignee hereunder, cause the appointment of a receiver or receivers of the Gross Revenues and other amounts pledged hereunder, with such powers as the court making such appointment shall confer.

The provisions of the preceding clause (a), however, are subject to the condition that if, at any time after the principal components of the unpaid Installment Payments shall have been so declared due and payable pursuant to the preceding clause (a), and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall deposit with the Assignee a sum sufficient to pay all principal components of the Installment Payments coming due prior to such declaration and all matured interest components (if any) of the Installment Payments, with interest on such overdue principal and interest components calculated at the net effective rate of interest per annum hereof, and the reasonable expenses of the Assignee (including any fees and expenses of its attorneys), and any and all other defaults known to the Assignee (other than in the payment of the principal and interest components of the Installment Payments due and payable solely by reason of such declaration) shall have been made good, then, and in every such case, with the written consent of the Assignee, shall rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

Section 8.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Installment Sale Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article VIII it shall not be necessary to give any notice, other than such notice as may be required in this Article VIII or by law.

Section 8.4. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Installment Sale Agreement should default under any of the provisions hereof and the nondefaulting party, the Assignee should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party, the Assignee or such Owner, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred.

Section 8.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Installment Sale Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 8.6. Assignee to Exercise Rights. Such rights and remedies as are given to the Authority under this Article VIII have been assigned by the Authority to the Assignee, to which assignment the City hereby consents.

Section 8.7. Rights of the Owners of Parity Obligations. Notwithstanding anything in this Article VIII to the contrary, it is hereby acknowledged and agreed that the rights of the Assignee hereunder in and to the Net Revenues and the Enterprise shall be exercised on a parity and proportionate basis with the rights of the owners of any Parity Obligations and any fiduciary acting for the benefit of such owners. The provisions of this Article VIII, and the provisions of any instruments authorizing the issuance of any Parity Obligations, shall be construed in accordance with the foregoing sentence.

ARTICLE IX

PREPAYMENT OF INSTALLMENT PAYMENTS

Section 9.1. Security Deposit. Notwithstanding any other provision of this Installment Sale Agreement, the City may on any date secure the payment of Installment Payments in whole or in part by irrevocably depositing with the Assignee or any other fiduciary an amount of cash which is either (a) sufficient to pay all such Installment Payments, including the principal and interest components thereof, in accordance with the Installment Payment schedule set forth in Exhibit A, or (b) invested in whole or in part in Federal Securities in such amount as will, in the written opinion of an Independent Accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Installment Payments when due pursuant to Section 4.4(a) or when due on any optional prepayment date pursuant to Section 9.2, as the City shall instruct at the time of said deposit. In the event of a security deposit pursuant to this Section 9.1 with respect to all of the Installment Payments, all obligations of the City under this Installment Sale Agreement, and all security provided by this Installment Sale Agreement for said obligations, shall cease and terminate, excepting only the obligation of the City to make, or cause to be made, all of such Installment Payments from such security deposit, and the obligation of the City to compensate and indemnify the Assignee pursuant to Sections 4.10 and 6.3. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of Installment Payments in accordance with the provisions of this Installment Sale Agreement.

Section 9.2. Optional Prepayment. The City may exercise its option to prepay the principal components of the Installment Payments in whole, or in part among Installment Payment Dates on a *pro rata* basis in integral multiples of \$5,000, on any Installment Payment Date on and after September 1, 2017, upon 30 days' notice to the Assignee, by paying a prepayment price equal to the aggregate principal components of the Installment Payments to be prepaid, together with the interest component of the Installment Payment required to be paid on or accrued to such date and a premium equal to 1% of the principal amount prepaid.

Section 9.3. Mandatory Prepayment From Proceeds of Insurance or Eminent Domain. The City shall be obligated to prepay the Installment Payments in whole, or in part among Installment Payment Dates on a *pro rata* basis in any integral multiple of \$5,000, on any date from and to the extent of any proceeds of insurance award or condemnation award with respect to the Enterprise theretofore paid to the Assignee for such purpose pursuant to Sections 5.4 or 5.6. The City and the Authority hereby agree that such proceeds, to the extent remaining after payment of any delinquent Installment Payments, shall be deposited in the Redemption Fund and credited towards the City's obligations under this Section 9.3.

ARTICLE X

MISCELLANEOUS

Section 10.1. Further Assurances. The City agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Authority or the Assignee to carry out the intention or to facilitate the performance of this Installment Sale Agreement, including, without limitation, to perfect and continue the security interests herein intended to be created.

Section 10.2. Notices. Any notice, request, complaint, demand or other communication under this Installment Sale Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy, telex or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by telecopy, telex or other form of telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Assignee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Authority: Brisbane Public Financing Authority
c/o City of Brisbane
50 Park Place
Brisbane, CA 94005
Attention: City Manager
Phone: (415) 467-1515
Fax: (415) 467-4989

If to the City: City of Brisbane
50 Park Place
Brisbane, CA 94005
Attention: City Manager
Phone: (415) 467-1515
Fax: (415) 467-4989

If to the Assignee: City National Bank
555 South Flower Street, 8th Floor
Los Angeles, CA 90071
Attention: Vice President
Phone: (213) 673-9013
Fax: (213) ____ - ____

With a copy to: Municipal Finance Corporation
2945 Townsgate Road, Suite 200
Westlake Village, CA 91361
Phone: (805) 267-7140
Fax: (805) 267-7142

Section 10.5. Third Party Beneficiary. The Assignee shall be and is hereby made a third party beneficiary hereunder with all rights of a third party beneficiary.

Section 10.6. Governing Law. This Installment Sale Agreement shall be construed in accordance with and governed by the laws of the State.

Section 10.7. Binding Effect. This Installment Sale Agreement shall inure to the benefit of and shall be binding upon the Authority and the City, and their respective successors and assigns, subject, however, to the limitations contained herein.

Section 10.8. Severability of Invalid Provisions. If any one or more of the provisions contained in this Installment Sale Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Installment Sale Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Installment Sale Agreement, and this Installment Sale Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the City each hereby declares that it would have entered into this Installment Sale Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Installment Sale Agreement may be held illegal, invalid or unenforceable.

Section 10.9. Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Installment Sale Agreement. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Installment Sale Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Installment Sale Agreement as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

Section 10.10. Execution of Counterparts. This Installment Sale Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

Section 10.11. Waiver of Personal Liability. No member of the City Council, officer, agent or employee of the City shall be individually or personally liable for the payment of Installment Payments or Additional Payments or be subject to any personal liability or accountability by reason of this Installment Sale Agreement; but nothing herein contained shall relieve any such member of the City Council, officer, agent or employee from the performance of any official duty provided by law or by this Installment Sale Agreement.

IN WITNESS WHEREOF, the Authority and the City have caused this Installment Sale Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

BRISBANE PUBLIC FINANCING
AUTHORITY, as seller

By _____
Executive Director

Attest:

Secretary

CITY OF BRISBANE, as Purchaser

By _____
City Manager

Attest:

City Clerk

EXHIBIT A
SCHEDULE OF INSTALLMENT PAYMENTS

<u>Installment Payment Date</u>	<u>Principal Component</u>	<u>Interest Component (1)</u>	<u>Total Installment Payment</u>
03/01/13	—	\$79,013.91	\$ 79,013.91
09/01/13	\$137,000	62,107.00	199,107.00
03/01/14	—	59,736.90	59,736.90
09/01/14	142,000	59,736.90	201,736.90
03/01/15	—	57,280.30	57,280.30
09/01/15	141,000	57,280.30	198,280.30
03/01/16	—	54,841.00	54,841.00
09/01/16	151,000	54,841.00	205,841.00
03/01/17	—	52,228.70	52,228.70
09/01/17	155,000	52,228.70	207,228.70
03/01/18	—	49,547.20	49,547.20
09/01/18	159,000	49,547.20	208,547.20
03/01/19	—	46,756.50	46,756.50
09/01/19	168,000	46,756.50	214,756.50
03/01/20	—	43,890.10	43,890.10
09/01/20	171,000	43,890.10	214,890.10
03/01/21	—	40,931.80	40,931.80
09/01/21	184,000	40,931.80	224,931.80
03/01/22	—	37,748.60	37,748.60
09/01/22	187,000	37,748.60	224,748.60
03/01/23	—	34,513.50	34,513.50
09/01/23	189,000	34,513.50	223,513.50
03/01/24	—	31,243.80	31,243.80
09/01/24	201,000	31,243.80	232,243.80
03/01/25	—	27,766.50	27,766.50
09/01/25	203,000	27,766.50	230,766.50
03/01/26	—	24,254.60	24,254.60
09/01/26	215,000	24,254.60	239,254.60
03/01/27	—	20,535.10	20,535.10
09/01/27	216,000	20,535.10	236,535.10
03/01/28	—	16,798.30	16,798.30
09/01/28	227,000	16,798.30	243,798.30
03/01/29	—	12,871.20	12,871.20
09/01/29	238,000	12,871.20	250,871.20
03/01/30	—	8,753.80	8,753.80
09/01/30	243,000	8,753.80	251,753.80
03/01/31	—	4,549.90	4,549.90
09/01/31	263,000	4,549.90	267,549.90
Totals	\$3,590,000	\$1,389,696.51	\$4,979,696.51

(1) Applicable interest rate is 3.46% per annum.

EXHIBIT B

DESCRIPTION OF 2002 PROJECT

The 2002 Project consist of capital improvements associated with the City's and the GVMID's water and sewer utility systems. The major project identified for the sewer system is the replacement of the Valley Drive Sewage Lift Station (VDLS), the main pumping station that conveys the City's raw sewage to San Francisco's treatment facilities. The station is more than 40 years old and requires an upgrade to a flow capacity of 5.5 million gallons per day. Other potential projects include replacement of aged pumps in other sewage lift stations, and replacement of sewer lines that have reached the end their expected service life. Projects identified for the water system include modifications to all four of the City's reservoirs in preparation for its water supplier's conversion in disinfection process from chlorination to chloramination; the installation of pressure reducing stations to assist in the balancing of pressures between higher and lower elevation service zones; and a rehabilitation/replacement project for the pumping facilities that supply City Zones 3 and 4. Other projects include the addition of water reservoirs to provide fire storage for maximum expected flows, and the replacement of water lines that have reached their expected service life.

ASSIGNMENT AGREEMENT

For Value Received, the BRISBANE PUBLIC FINANCING AUTHORITY (the "Authority") without recourse does hereby sell, assign and transfer to CITY NATIONAL BANK (the "Assignee"), and its successors and assigns, (i) all of its rights, title and interest in and to the Installment Sale Agreement, dated as of July 1, 2012, by and between the Authority, as seller, and the City of Brisbane (the "City"), as purchaser (said Installment Sale Agreement and any supplements, amendments, annexations, extensions or renewals thereof is referred to hereinafter as the "Installment Sale Agreement"), (ii) all of its rights, title and interest in and to the Acquisition Agreement, dated as of July 1, 2012, by and between the City, as seller, and the Authority, as purchaser (the "Acquisition Agreement"), and (iii) all moneys, sums and amounts now due or hereinafter to become due under the Installment Sale Agreement. The Acquisition Agreement and the Installment Sale Agreement delivered to the Assignee are duly executed duplicate originals that comprise the entire writing, obligation and agreement between the Authority and the City respecting the leases made thereunder and the Installment Payments made therefor.

The Authority represents and warrants as follows:

- (1) it has made no prior sale or assignment of any interest covered hereby;
- (2) that the Installment Sale Agreement and Acquisition Agreement are genuine and in all respects are what they purport to be; and
- (3) that Assignee is not liable for and does not assume responsibility for the performance of any of the covenants, agreements, duties or obligations specified in the Installment Sale Agreement to be kept, paid or performed by the Authority, with exception of such covenants, agreements, duties and obligations (if any) which are expressly made the responsibility of Assignee under the Installment Sale Agreement.

The Authority further represents and warrants that as of the date of this Assignment Agreement, the Installment Sale Agreement and Acquisition Agreement are in full force and effect and the City is not in default of any of the terms set forth therein.

By its acceptance of this Assignment Agreement, the Assignee represents and warrants (i) the price it has paid in consideration for assignment of the Installment Sale Agreement is \$3,590,000; (ii) that it reasonably expects to hold the Installment Sale Agreement for its own account and does not presently expect to sell, assign, or otherwise transfer the Installment Sale Agreement, subject to the Assignee's right to dispose of or otherwise deal with its property (including the Installment Sale Agreement) as it determines to be in its best interests from time to time; and (iii) that it will treat the Installment Sale Agreement as an investment for federal income tax purposes.

This Assignment Agreement shall be construed and governed in accordance with the laws of the State of California applicable to contracts made and performed in the State of California. Any provision of this Assignment 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 Assignment Agreement.

This Assignment Agreement binds and inures to the benefit of the parties and their respective successors and assigns. In the event of litigation between the Authority and the Assignee arising under this Assignment Agreement, the prevailing party shall be entitled to recover from the other party all costs and expenses, including attorneys' fees which may be those of in-house counsel, incurred by the prevailing party in exercising any of its rights or remedies hereunder or enforcing any of the terms, conditions or provisions of this Assignment Agreement.

The Site and the Facility which are the subject of the Installment Sale Agreement are set forth in Exhibits A and B attached hereto and by this reference incorporated herein.

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

Dated as of July 1, 2012

BRISBANE PUBLIC FINANCING
AUTHORITY

By _____
Name _____
Title _____

ACCEPTANCE OF ASSIGNMENT:

CITY NATIONAL BANK, as Assignee

By _____
Name _____
Title _____

EXHIBIT A

DESCRIPTION OF THE 2002 PROJECT

The 2002 Project consist of capital improvements associated with the City's and the GVMID's water and sewer utility systems. The major project identified for the sewer system is the replacement of the Valley Drive Sewage Lift Station (VDLS), the main pumping station that conveys the City's raw sewage to San Francisco's treatment facilities. The station is more than 40 years old and requires an upgrade to a flow capacity of 5.5 million gallons per day. Other potential projects include replacement of aged pumps in other sewage lift stations, and replacement of sewer lines that have reached the end their expected service life. Projects identified for the water system include modifications to all four of the City's reservoirs in preparation for its water supplier's conversion in disinfection process from chlorination to chloramination; the installation of pressure reducing stations to assist in the balancing of pressures between higher and lower elevation service zones; and a rehabilitation/replacement project for the pumping facilities that supply City Zones 3 and 4. Other projects include the addition of water reservoirs to provide fire storage for maximum expected flows, and the replacement of water lines that have reached their expected service life.

LETTER AGREEMENT FOR PURCHASE

June 19, 2012

City of Brisbane
50 Park Place
Brisbane, CA 94005
Attention: City Manager

Re: \$3,590,000 Installment Sale Agreement, dated as of July 1, 2012, by and between the Brisbane Public Financing Authority and the City of Brisbane, assigned to City National Bank

Ladies and Gentlemen:

The undersigned, City National Bank ("CNB"), offers, upon the following terms, to acquire (i) the rights, title and interest of the Brisbane Public Financing Authority (the "Authority") under the Installment Sale Agreement (hereinafter defined), including its rights to the Installment Payments to be made by the City of Brisbane (the "City") under the Installment Sale Agreement dated as of July 1, 2012 (the "Installment Sale Agreement"), by and between the City and the Authority, by entering into an Assignment Agreement, dated as of July 1, 2012 (the "Assignment Agreement"), with the Authority, and (ii) the rights, title and interest of the Authority under the Acquisition Agreement, dated as of July 1, 2012 (the "Acquisition Agreement"), by and between the City and the Authority. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Installment Sale Agreement.

1. *Purchase and Purchase Price; Terms of City's Obligations.* The City agrees to execute and deliver the Acquisition Agreement and the Installment Sale Agreement, and CNB agrees to purchase the City's obligations under the Installment Sale Agreement at a purchase price of \$3,590,000. The Installment Payments under the Installment Sale Agreement and the interest rates applicable thereto shall be as shown in Exhibit A hereto.

2. *Use of Funds.* The purchase price paid by CNB shall be used by the City to (i) refund and defease the 2002 Bonds, and (iv) pay the costs related to the preparation, execution and delivery of the Installment Sale Agreement, the Acquisition Agreement, the Assignment Agreement and documents related to the refunding and defeasance of the 2002 Bonds.

3. *Disposition of Proceeds.* Upon the Closing Date, as defined below, purchase price paid by CNB shall be transferred as follows:

(a) CNB shall transfer, via wire transfer, to The Bank of New York Mellon Trust Company, N.A., as trustee for the 2002 Bonds and as escrow bank, the amount of \$3,545,000.00 to be applied to the refunding and defeasance of the 2002 Bonds. Wire instructions:

THE BANK OF NEW YORK MELLON
ABA #021000018
GLA 111-565
Account Name: TBD
Account Number: TBD

(b) CNB shall transfer, via wire transfer, the following amounts to the following entities, in respect of the payment of the costs of the financing transaction:

(i) to JNA Consulting Group, \$17,500.00 (invoice with wire information to be provided prior to the Closing Date);

(ii) to Quint & Thimmig LLP, \$25,000.00 (invoice with wire information to be provided prior to the Closing Date); and

(iii) to The Bank of New York Mellon Trust Company, N.A., \$1,000.00 (invoice with wire information to be provided prior to the Closing Date).

(d) CNB shall transfer to the City, \$1,500.00, to be applied to the City's costs of the transaction. Wire instructions to be provided prior to the Closing Date.

4. *Closing.* At 8:00 a.m. California Time, on July 12, 2012, or at such other time or on such earlier or later date as CNB and the City mutually agree upon (the "Closing Date"), the City will deliver (or cause to be delivered) the Acquisition Agreement and the Installment Sale Agreement executed by the City and the Authority, and the Assignment Agreement executed by the Authority and CNB, and CNB will pay the purchase price for the City's obligations as set forth in Section 1 hereof in federal or other immediately available funds.

5. *Representations and Warranties of the City.* The City represents and warrants to CNB that all representations and warranties of the City set forth in the Installment Sale Agreement are true and correct on the date hereof and are made for the benefit of CNB as if set forth herein.

6. *Conditions Precedent to the Closing.* Other conditions precedent to the Closing are:

(a) The delivery by the City of a certified copy of (i) the resolution of the City Council of the City authorizing the execution and delivery by the City of the Acquisition Agreement and the Installment Sale Agreement, together with an incumbency certificate of the City, and (ii) the resolution of the Board of Directors of the Authority authorizing the execution and delivery by the Authority of the Acquisition Agreement, the Installment Sale Agreement and the Assignment Agreement, together with an incumbency certificate of the Authority;

(b) The delivery by the City of the fully executed Acquisition Agreement, Installment Sale Agreement and Assignment Agreement in form and substance acceptable to CNB;

(c) The execution and delivery by the City of an Internal Revenue Service Form 8038-G in a form acceptable to Bond Counsel and CNB;

(d) Delivery of a legal opinion addressed to the City and CNB, dated the Closing Date, of Quint & Thimmig LLP, as Special Counsel, with respect to (i) the validity and enforceability of the Installment Sale Agreement, the Acquisition Agreement, and the Assignment Agreement by and against the City and the Authority (as applicable), and (ii) the tax-exempt status of the interest component of the Installment Payments, in form and substance acceptable to CNB;

(e) The delivery of a certificate dated the Closing Date and signed by the City Manager or such other officer of the City as the City Council of the City may approve, to the effect that:

(i) to the best knowledge of the City, there are no actions or proceedings against the City pending or threatened that adversely affect the City's ability to pay the Installment Payments or to perform its obligations under the Acquisition Agreement and Installment Sale Agreement;

(ii) the representations and warranties of the City contained in this agreement and the Installment Sale Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; and

(iii) the City acknowledges receipt from CNB of the purchase price for the City's obligations under the Installment Sale Agreement, including the Installment Payments;

(f) The execution and delivery by the City of a certificate as to arbitrage;

(g) The delivery by CNB of an investor letter in form and substance as attached hereto as Exhibit B; and

(g) such other documents as may be reasonably requested by CNB.

7. *Events Permitting CNB to Terminate.* CNB may terminate its obligation to purchase the City's obligations under the Installment Sale Agreement before the Closing Date if any of the following occurs:

(a) any legislative, executive or regulatory action (including the introduction of legislation) or any court decision that, in the judgment of CNB, casts sufficient doubt on the legality of or the tax-exempt status of the interest component of obligations such as those represented by the Installment Sale Agreement and the Installment Payments so as to materially impair the marketability or to materially reduce the market price of such obligations;

(b) any action by the Securities and Exchange Commission or a court that would require registration of the Installment Sale Agreement under the Securities Act of 1933, as amended; or

(c) any event occurs or becomes known that has a material adverse effect on the financial condition of the City or on the ability of the City or the Authority to perform under the Acquisition Agreement, the Installment Sale Agreement or the Assignment Agreement.

IN WITNESS WHEREOF, the parties hereto have executed and entered into this Letter Agreement for Purchase by their officers thereunto duly authorized as of the day and year first above written.

CITY NATIONAL BANK

By _____
Name _____
Title _____

The foregoing is hereby agreed to and accepted as of the date first above written:

CITY OF BRISBANE

By _____
Name _____
Title _____

EXHIBIT A

<u>Installment Payment Date</u>	<u>Principal Component</u>	<u>Interest Component (1)</u>	<u>Total Installment Payment</u>
03/01/13	—	\$79,013.91	\$ 79,013.91
09/01/13	\$137,000	62,107.00	199,107.00
03/01/14	—	59,736.90	59,736.90
09/01/14	142,000	59,736.90	201,736.90
03/01/15	—	57,280.30	57,280.30
09/01/15	141,000	57,280.30	198,280.30
03/01/16	—	54,841.00	54,841.00
09/01/16	151,000	54,841.00	205,841.00
03/01/17	—	52,228.70	52,228.70
09/01/17	155,000	52,228.70	207,228.70
03/01/18	—	49,547.20	49,547.20
09/01/18	159,000	49,547.20	208,547.20
03/01/19	—	46,756.50	46,756.50
09/01/19	168,000	46,756.50	214,756.50
03/01/20	—	43,890.10	43,890.10
09/01/20	171,000	43,890.10	214,890.10
03/01/21	—	40,931.80	40,931.80
09/01/21	184,000	40,931.80	224,931.80
03/01/22	—	37,748.60	37,748.60
09/01/22	187,000	37,748.60	224,748.60
03/01/23	—	34,513.50	34,513.50
09/01/23	189,000	34,513.50	223,513.50
03/01/24	—	31,243.80	31,243.80
09/01/24	201,000	31,243.80	232,243.80
03/01/25	—	27,766.50	27,766.50
09/01/25	203,000	27,766.50	230,766.50
03/01/26	—	24,254.60	24,254.60
09/01/26	215,000	24,254.60	239,254.60
03/01/27	—	20,535.10	20,535.10
09/01/27	216,000	20,535.10	236,535.10
03/01/28	—	16,798.30	16,798.30
09/01/28	227,000	16,798.30	243,798.30
03/01/29	—	12,871.20	12,871.20
09/01/29	238,000	12,871.20	250,871.20
03/01/30	—	8,753.80	8,753.80
09/01/30	243,000	8,753.80	251,753.80
03/01/31	—	4,549.90	4,549.90
09/01/31	263,000	4,549.90	267,549.90
Totals	\$3,590,000	\$1,389,696.51	\$4,979,696.51

(1) Applicable interest rate is 3.46% per annum.

EXHIBIT B

FORM OF INVESTOR LETTER

City of Brisbane
50 Park Place
Brisbane, CA 94005

Brisbane Public Financing Authority
50 Park Place
Brisbane, CA 94005

Re: \$3,590,000 Installment Sale Agreement, dated as of July 1, 2012, by and between the Brisbane Public Financing Authority and the City of Brisbane, assigned to City National Bank

Ladies and Gentlemen:

The undersigned, City National Bank ("CNB"), has agreed to acquire (i) the rights, title and interest of the Brisbane Public Financing Authority (the "Authority") under the Installment Sale Agreement, dated as of July 1, 2012 (the "Installment Sale Agreement"), by and between the City of Brisbane (the "City") and the Authority, including its rights to the Installment Payments to be made by the City under the Installment Sale Agreement. In connection with such purchase, CNB hereby agrees and certifies to the Authority and the City that:

(a) CNB has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other obligations of a nature similar to the Installment Sale Agreement to be able to evaluate the risks and merits of the investment represented by the purchase of the rights, title and interest of the Authority under the Installment Sale Agreement.

(b) CNB is acquiring the rights, title and interest of the Authority under the Installment Sale Agreement for its own account and not with a view to, or for sale in connection with, any distribution thereof or any part thereof. CNB has not offered to sell, solicited offers to buy, or agreed to sell the rights, title and interest of the Authority under the Installment Sale Agreement or any part thereof, and CNB has no current intention of reselling or otherwise disposing of the rights, title and interest of the Authority under the Installment Sale Agreement *provided, however*, such representation shall not preclude CNB from transferring or selling of the rights, title and interest of the Authority under the Installment Sale Agreement assigned to CNB in accordance with the Installment Sale Agreement. CNB is not acting in a broker-dealer capacity in connection with its purchase of the rights, title and interest of the Authority under the Installment Sale Agreement.

(c) As a sophisticated investor, CNB has made its own credit inquiry and analysis with respect to the City and the Installment Sale Agreement and has made an independent credit decision based upon such inquiry and analysis and in reliance on the truth, accuracy, and completeness of the representations and warranties of the City set forth in the Installment Sale Agreement and in the information set forth in any materials submitted to CNB by the City. CNB acknowledges that it has reviewed information, including financial statements and other financial information, regarding the City and that CNB has had the opportunity to ask questions of and receive answers from knowledgeable individuals concerning the City and the Installment Sale Agreement. CNB is able and willing to bear the economic risk of the purchase

and ownership of the rights, title and interest of the Authority under the Installment Sale Agreement.

(d) CNB understands that the Installment Sale Agreement has not been registered under the United States Securities Act of 1933 or under any state securities laws. CNB agrees that it will comply with any applicable state and federal securities laws then in effect with respect to any disposition of the Installment Sale Agreement by it, and further acknowledges that any current exemption from registration of the Installment Sale Agreement does not affect or diminish such requirements.

(e) CNB has authority to purchase the rights, title and interest of the Authority under the Installment Sale Agreement and to execute any instruments and documents required to be executed by CNB in connection with the purchase of the rights, title and interest of the Authority under the Installment Sale Agreement. The undersigned is a duly appointed, qualified, and acting officer of CNB and is authorized to cause CNB to make the representations and warranties contained herein on behalf of CNB.

(f) CNB has been informed that the Installment Sale Agreement (i) has not been and will not be registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any jurisdiction, and (ii) will not be listed on any stock or other securities exchange.

(g) CNB acknowledges that rights, title and interest of the Authority under the Installment Sale Agreement are transferable with certain requirements, as described in the Installment Sale Agreement.

(h) CNB has been informed that the Installment Sale Agreement is exempt from the requirements of Rule 15c2-12 of the Securities and Exchange Commission and that the City has not undertaken to provide any continuing disclosure with respect to the Installment Sale Agreement.

CITY NATIONAL BANK

By _____
Name _____
Title _____

ESCROW DEPOSIT AND TRUST AGREEMENT

by and among the

BRISBANE PUBLIC FINANCING AUTHORITY,

the

CITY OF BRISBANE

and

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Escrow Bank

Dated July 12, 2012

Relating to the Refunding of the outstanding
Brisbane Public Financing Authority
(San Mateo County, California)
Revenue Bonds, 2002 Series A
(Water and Wastewater Systems Financing Project)

ESCROW DEPOSIT AND TRUST AGREEMENT

This ESCROW DEPOSIT AND TRUST AGREEMENT (this "Escrow Agreement") is dated this 12th day of July, 2012, by and among the BRISBANE PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority organized and existing under the laws of the State of California (the "Authority"), the CITY OF BRISBANE, a municipal corporation and general law organized and existing under the laws of the State of California (the "City"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under the laws of the United States of America, as escrow bank and as 2002 Trustee (as defined herein)(the "Escrow Bank");

WITNESSETH:

WHEREAS, the Authority has heretofore issued its \$4,450,000 Brisbane Public Financing Authority (San Mateo County, California) Revenue Bonds, 2002 Series A (Water and Wastewater Systems Financing Project), of which \$3,660,000 is currently outstanding, for the benefit of the City (the "2002 Bonds"), the proceeds of which were used to finance and refinance the costs of the acquisition, construction, installation and equipping of improvements to the combined water supply, treatment and distribution and wastewater treatment and processing enterprise of the City (the "2002 Project");

WHEREAS, the 2002 Bonds were issued pursuant to the terms of an indenture, dated as August 1, 2002 (the "2002 Indenture"), by and between the Authority and BNY Western trust Company, since succeeded by The Bank of New York Mellon Trust Company, N.A., as trustee thereunder (the "2002 Trustee");

WHEREAS, in order to provide for the repayment of the 2002 Bonds, the Authority sold the 2002 Project to the City pursuant to an installment sale agreement, dated as of August 1, 2002 (the "2002 Installment Sale Agreement"), under which the City agreed to make installment payments to the Authority (the "2002 Installment Payments") in sufficient amounts in each year to pay the full amount of principal of and interest on the 2002 Bonds;

WHEREAS, the City has determined that, as a result of favorable financial market conditions and for other reasons, it is in the best interests of the City at this time to refinance the City's obligation to make the 2002 Installment Payments and, as a result thereof, to provide for the payment of the principal of and interest on the 2002 Bonds to and including September 1, 2012, and to provide for the redemption of the 2002 Bonds maturing on and after September 1, 2013, on September 1, 2012, at the redemption price equal to 100% of the principal amount thereof, and to that end, the City proposes to enter into a new installment sale agreement, dated as of July 1, 2012, by and between the Authority and the City (the "2012 Installment Sale Agreement");

WHEREAS, the Authority and the City propose to provide for the payments described above and to appoint the Escrow Bank as its agent for the purpose of applying said deposit to provide for the payment of the 2002 Installment Payments in accordance with the instructions provided by this Escrow Agreement and of applying said 2002 Installment Payments to the payment of the principal of, the interest on and the redemption price of the 2002 Bonds and the Escrow Bank desires to accept said appointment;

WHEREAS, to obtain moneys to make such deposit, the Authority proposes to assign and transfer certain of its rights under the 2012 Installment Sale Agreement to City National Bank (the "Assignee"), pursuant to that certain Assignment Agreement, dated as of July 1, 2012, by and between the Authority and the Assignee (the "Assignment Agreement"), whereby the Assignee will make a payment of \$3,590,000 to or to the order of the City;

WHEREAS, the Authority and the City wishes to provide for the payment described above and to enter into this Escrow Agreement for the purpose of providing the terms and conditions for the deposit and application of amounts so deposited;

WHEREAS, the Escrow Bank has full powers to act with respect to the escrow and trust created herein and to perform the duties and obligations to be undertaken pursuant to this Escrow Agreement.

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

Section 1. Definitions. Capitalized terms used, but not otherwise defined, herein, shall have the meanings ascribed thereto in the 2002 Indenture.

Section 2. Appointment of Escrow Bank. The Authority and the City hereby appoint the Escrow Bank as escrow bank for all purposes of this Escrow Agreement and in accordance with the terms and provisions of this Escrow Agreement, and the Escrow Bank hereby accepts such appointment.

Section 3. Establishment of Escrow Fund. There is hereby created by the Authority and the City with, and to be held by, the Escrow Bank as security for the payment of the 2002 Bonds as hereinafter set forth, an irrevocable escrow to be maintained in trust by the Escrow Bank on behalf of the City and for the benefit of the owners of the 2002 Bonds, said escrow to be designated the "Escrow Fund." All moneys deposited in the Escrow Fund shall be held as a special fund for the payment of the principal of, interest on and redemption price of the 2002 Bonds in accordance with the provisions of this Escrow Agreement. If at any time the Escrow Bank shall receive actual knowledge that the moneys in the Escrow Fund will not be sufficient to make any payment required by Section 5 hereof, the Escrow Bank shall notify the City of such fact and the City shall immediately cure such deficiency.

Section 4. Deposit into Escrow Fund; Investment of Amounts.

(a) The City shall cause to be transferred to the Escrow Bank for deposit into the Escrow Fund the amount of \$3,747,624.38 in immediately available funds, derived as follows:

(i) \$3,545,000.00 from amounts paid by the Assignee pursuant to the Assignment Agreement, and

(ii) \$202,624.38 from amounts held by the 2002 Trustee in the funds and accounts held with respect to the 2002 Bonds (the "2002 Funds").

(b) The Escrow Bank shall hold all amounts deposited in the Escrow Fund in cash, uninvested. The moneys deposited with and held by the Escrow Bank in the Escrow Fund shall be used solely for the uses and purposes set forth herein.

(c) The Escrow Bank shall not be liable or responsible for any loss resulting from its full compliance with the provisions of this Escrow Agreement.

Section 5. Instructions as to Application of Deposit.

(a) The total amount of moneys deposited in the Escrow Fund pursuant to Section 4 shall be applied by the Escrow Bank for the sole purpose of paying the principal of and interest on the 2002 Bonds to and including September 1, 2012, and for paying the redemption price of the 2002 Bonds maturing on and after September 1, 2013, on September 1, 2012, all in the amounts set forth in Exhibit A attached hereto and by this reference incorporated herein.

(b) The Authority and the City hereby instruct the Escrow Bank, in its capacity as 2002 Trustee, to give notice of redemption of the 2002 Bonds, and the Escrow Bank, as 2002 Trustee, hereby agrees to give notice of redemption of the 2002 Bonds maturing on and after September 1, 2013, on September 1, 2012, in accordance with the applicable provisions of the 2002 Indenture and the notice of redemption attached hereto as Exhibit B.

Section 6. Application of 2002 Bond Funds. The 2002 Trustee, is hereby directed to withdraw all amounts on deposit in the 2002 Funds (\$202,624.38) and transfer such sum to the Escrow Fund.

Any amounts remaining on deposit in any fund or account established under the 2002 Indenture for the 2002 Bonds, including any investment earnings received after the redemption date of 2002 Bonds, shall be transferred by the Escrow Bank to the City.

Section 7. Application of Certain Terms of 2002 Indenture. All of the terms of the 2002 Indenture relating to the making of payments of principal and interest with respect to the 2002 Bonds are incorporated in this Escrow Agreement as if set forth in full herein. The provisions of the 2002 Indenture relating to the limitations from liability and protections afforded the 2002 Trustee and the resignation and removal of the 2002 Trustee are also incorporated in this Escrow Agreement as if set forth in full herein and shall be the procedure to be followed with respect to any resignation or removal of the Escrow Bank hereunder.

Section 8. Compensation to Escrow Bank. The City shall pay the Escrow Bank full compensation for its duties under this Escrow Agreement, including out-of-pocket costs such as publication costs, prepayment or redemption expenses, legal fees and other costs and expenses relating hereto. Under no circumstances shall amounts deposited in the Escrow Fund be deemed to be available for said purposes.

Section 9. Liabilities and Obligations of Escrow Bank. The Escrow Bank shall have no obligation to make any payment or disbursement of any type or incur any financial liability in the performance of its duties under this Escrow Agreement unless the City shall have deposited sufficient funds with the Escrow Bank. The Escrow Bank may rely and shall be protected in acting upon the written instructions of the City or its agents relating to any matter or action as Escrow Bank under this Escrow Agreement.

The Escrow Bank and its respective successors, assigns, agents and servants shall not be held to any personal liability whatsoever, in tort, contract, or otherwise, in connection with the execution and delivery of this Escrow Agreement, the establishment of the Escrow Fund, the acceptance of the moneys or any securities deposited therein, the purchase of the securities to be purchased pursuant hereto, the retention of such securities or the proceeds thereof, the sufficiency of the securities or any uninvested moneys held hereunder to accomplish the purposes set forth in Section 5 hereof, or any payment, transfer or other application of moneys or securities by the Escrow Bank in accordance with the provisions of this Escrow Agreement or by reason of any non-negligent act, non-negligent omission or non-negligent error of the Escrow Bank made in good faith in the conduct of its duties. The recitals of fact contained in

the "whereas" clauses herein shall be taken as the statement of the Authority, the City, and the Escrow Bank assumes no responsibility for the correctness thereof. The Escrow Bank makes no representations as to the sufficiency of the securities to be purchased pursuant hereto and any uninvested moneys to accomplish the purposes set forth in Section 5 hereof or to the validity of this Escrow Agreement as to the Authority and the City and, except as otherwise provided herein, the Escrow Bank shall incur no liability in respect thereof. The Escrow Bank shall not be liable in connection with the performance of its duties under this Escrow Agreement except for its own negligence, willful misconduct or default, and the duties and obligations of the Escrow Bank shall be determined by the express provisions of this Escrow Agreement, and no implied covenants or obligations shall be read into this Escrow Agreement against the Escrow Bank. The Escrow Bank may consult with counsel, who may or may not be counsel to the Authority or the City, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Bank shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Escrow Agreement, such matter (except the matters set forth herein as specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of counsel) may be deemed to be conclusively established by a written certification of the City.

Anything in this Escrow Agreement to the contrary notwithstanding, in no event shall the Escrow Bank be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Bank has been advised of the likelihood of such loss or damage and regardless of the form of action.

The Escrow Bank agrees to accept and act upon instructions or directions pursuant to this Escrow Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Escrow Bank shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the City elects to give the Escrow Bank e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Bank in its discretion elects to act upon such instructions, the Escrow Bank's understanding of such instructions shall be deemed controlling. The Escrow Bank shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Bank's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The City agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Bank, including without limitation the risk of the Escrow Bank acting on unauthorized instructions, and the risk of interception and misuse by third parties.

The City hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated), to the extent permitted by law, to indemnify, protect, save and hold harmless the Escrow Bank and its respective directors, officers, employees, successors, assigns, agents and servants from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, at any time, the Escrow Bank (whether or not also indemnified against by any other person under any other agreement or instrument) and in any way relating to or arising out of the execution and delivery of this Escrow Agreement, the establishment of the Escrow Fund, the retention of the moneys therein and any payment, transfer or other application of moneys or securities by the Escrow Bank in accordance with the provisions of this Escrow Agreement, or as may arise by reason of any act,

omission or error of the Escrow Bank made in good faith in the conduct of its duties; provided, however, that the City shall not be required to indemnify the Escrow Bank against its own negligence or misconduct. The indemnities contained in this Section 9 shall survive the termination of this Escrow Agreement or the resignation or removal of the Escrow Bank.

Section 10. Amendment. This Escrow Agreement may be modified or amended at any time by a supplemental agreement which shall become effective when the written consents of the owners of one hundred percent (100%) in aggregate principal amount of the 2002 Bonds shall have been filed with the Escrow Bank. This Escrow Agreement may be modified or amended at any time by a supplemental agreement, without the consent of any such owners, but only (1) to add to the covenants and agreements of any party, other covenants to be observed, or to surrender any right or power herein or therein reserved to the City, (2) to cure, correct or supplement any ambiguous or defective provision contained herein, (3) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which, in the opinion of counsel, shall not materially adversely affect the interests of the owners of the 2002 Bonds, and that such amendment will not cause interest on the 2002 Bonds to become subject to federal income taxation. In connection with any contemplated amendment or revocation of this Escrow Agreement, prior written notice thereof and draft copies of the applicable legal documents shall be provided by the City to each rating agency then rating the 2002 Bonds.

Section 11. Severability. If any section, paragraph, sentence, clause or provision of this Escrow Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence clause or provision shall not affect any of the remaining provisions of this Escrow Agreement. Notice of any such invalidity or unenforceability shall be provided to each rating agency then rating the 2002 Bonds.

Section 12. Notice of Escrow Bank and City. Any notice to or demand upon the Escrow Bank may be served and presented, and such demand may be made, at the Principal Corporate Trust Office of the Escrow Bank as specified by the Escrow Bank as 2002 Trustee in accordance with the provisions of the 2002 Indenture. Any notice to or demand upon the City shall be deemed to have been sufficiently given or served for all purposes by being mailed by first class mail, and deposited, postage prepaid, in a post office letter box, addressed to such party as provided in the 2002 Installment Sale Agreement (or such other address as may have been filed in writing by the City with the Escrow Bank).

Section 13. Merger or Consolidation of Escrow Bank. Any company into which the Escrow Bank may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Bank may sell or transfer all or substantially all of its corporate trust business, provided such company shall be eligible to act as trustee under the 2002 Indenture, shall be the successor hereunder to the Escrow Bank without the execution or filing of any paper or any further act.

Section 14. Governing Law. This Escrow Agreement shall be governed by the laws of the State of California.

IN WITNESS WHEREOF, the City and the Escrow Bank have each caused this Escrow Agreement to be executed by their duly authorized officers all as of the date first above written.

BRISBANE PUBLIC FINANCING
AUTHORITY

By _____
Name _____
Title _____

Attest:

Secretary

CITY OF BRISBANE

By _____
Name _____
Title _____

Attest:

City Clerk

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Escrow Bank

By _____
Name _____
Title _____

EXHIBIT A

PAYMENT AND REDEMPTION SCHEDULE OF 2002 BONDS

<u>Redemption Date</u>	<u>Maturing Principal</u>	<u>Redeemed Principal</u>	<u>Interest</u>	<u>Redemption Premium</u>	<u>Total Payment</u>
9/1/12	\$115,000	\$3,545,000	\$87,624.38	—	\$3,747,624.38

EXHIBIT B

NOTICE OF FULL/FINAL REDEMPTION OF

Brisbane Public Financing Authority
(San Mateo County, California)
Revenue Bonds, 2002 Series A
(Water and Wastewater Systems Financing Project)

Maturity Date	Amount Called	Premium	Redemption Price (1)	Interest Rate	CUSIP Number
9/1/2013	\$ 120,000	—	\$ 120,000	4.000%	10973K CP0
9/1/2014	125,000	—	125,000	4.100	10973K CQ8
9/1/2015	125,000	—	125,000	4.250	10973K CR6
9/1/2016	135,000	—	135,000	4.375	10973K CS4
9/1/2017	140,000	—	140,000	4.500	10973K CT2
9/1/2018	145,000	—	145,000	4.600	10973K CU9
9/1/2019	155,000	—	155,000	4.700	10973K CV7
9/1/2020	160,000	—	160,000	4.750	10973K CW5
9/1/2021	175,000	—	175,000	4.800	10973K CX3
9/1/2022	180,000	—	180,000	5.000	10973K CY1
9/1/2023	185,000	—	185,000	5.000	10973K CZ8
9/1/2026	625,000	—	625,000	5.000	10973K DC8
9/1/2031	1,275,000	—	1,275,000	5.000	10973K DH7

(1) Accrued interest to be added.

NOTICE is hereby given that the Brisbane Public Financing Authority (the "Authority") has called for redemption on September 1, 2012 (the "Redemption Date"), the outstanding Brisbane Public Financing Authority (San Mateo County, California) Revenue Bonds, 2002 Series A (Water and Wastewater Systems Financing Project), described above (the "Bonds"), in the aggregate principal amount of \$3,545,000, at a price equal to 100% of the principal amount thereof, plus accrued interest to the date fixed for redemption (the "Redemption Price"). The Bonds are being called for redemption on the Redemption Date pursuant to the provisions of the governing documents of the Bonds.

On the Redemption Date, the Redemption Price will become due and payable upon each Certificate and interest with respect thereto shall cease to accrue from and after the Redemption Date.

Payment of principal will be made upon presentation on and after September 1, 2012, at the following addresses:

<u>First Class/Registered/Certified:</u> The Bank of New York Mellon Global Corporate Trust P.O. Box 396 East Syracuse New York 13057	<u>Express Delivery Only:</u> The Bank of New York Mellon Global Corporate Trust 111 Sanders Creek Parkway East Syracuse New York 13057	<u>By Hand Only:</u> The Bank of New York Mellon Global Corporate Trust Corporate Trust Window 101 Barclay Street, 1 st Floor E. New York, New York 10286
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Owners of Bonds presenting their certificates in person for the same day payment must surrender their certificate by 1:00 p.m. on the prepayment date and a check will be available for pickup after 2:00 p.m. Checks not picked up by 4:30 p.m. will be mailed to the Bondholder by first class mail.

Interest with respect to the principal amount designated to be redeemed shall cease to accrue on and after the Redemption Date.

If payment of the Redemption Price is to be made to the registered owner of the Bond you are not required to endorse the Bond to collect the Redemption Price.

Under the Economic Growth and Tax Relief Reconciliation Act of 2002 (the "Act") 28% will be withheld if tax identification number is not properly certified. The Form W-9 may be obtained from the Internal Revenue Service.

Dated: _____, 2012

The Bank of New York Mellon Trust
Company, N.A., as Trustee

FORM OF OPINION OF SPECIAL COUNSEL

[Letterhead of Quint & Thimmig LLP]

July 12, 2012

City of Brisbane
50 Park Place
Brisbane, CA 94005

City National Bank

Re: \$3,590,000 Installment Sale Agreement, dated as of July 1, 2012, by and between the Brisbane Public Financing Authority and the City of Brisbane, assigned to City National Bank

Ladies and Gentlemen:

We have acted as special counsel to the City of Brisbane (the "City") in connection with the execution and delivery of the \$3,590,000 Installment Sale Agreement, dated as of July 1, 2012 (the "Installment Sale Agreement"), and the Acquisition Agreement, dated as of July 1, 2012 (the "Acquisition Agreement"), each by and between the City and the Brisbane Public Financing Authority (the "Authority"). The Authority has assigned its rights under the Installment Sale Agreement and the Acquisition Agreement to City National Bank (the "Assignee"), pursuant to an Assignment Agreement, dated as of July 1, 2012, by and between the Authority and the Assignee (the "Assignment Agreement"). Capitalized terms used herein and not otherwise defined have the meanings ascribed thereto in the Installment Sale Agreement.

In connection with this opinion, we have examined such law and such certified proceedings, certifications, and papers as we have deemed necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon the representations of the City contained in the Installment Sale Agreement and the certified proceedings and other certifications of public officials and others furnished to us. In the course of our representation, nothing has come to our attention that caused us to believe that any of the factual representations upon which we have relied are untrue, but we have not undertaken to verify them by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The City has been duly created and is validly existing as a municipal corporation and general law city under and by virtue of the laws of the State of California with the power to enter into the Acquisition Agreement and the Installment Sale Agreement and to perform the agreements on its part contained therein.

2. The Acquisition Agreement and the Installment Sale Agreement have been duly authorized, executed, and delivered by the City and the Authority and constitute the valid and

binding obligations of the City and the Authority enforceable in accordance with their respective terms.

3. The obligation of the City to make Installment Payments pursuant to the Installment Sale Agreement 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 and does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

4. The assignment of the Installment Payments and certain other rights by the Authority to the Assignee under the Assignment Agreement constitutes the valid and binding obligation of the Authority enforceable in accordance with its terms.

5. Subject to the City's compliance with certain covenants, the interest component of the Installment Payments interest is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended (the "Code"), but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such covenants could cause the interest component of the Installment Payments to be includable in gross income for federal income tax purposes retroactively to the date of delivery of the Installment Sale Agreement. It is also our opinion that the Installment Sale Agreement is a "qualified tax exempt obligation" under section 265(b)(3) of the Code.

6. The interest component of the Installment Payments is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any collateral tax consequences arising with respect to the Installment Sale Agreement.

The rights of the Assignee and the enforceability of the Acquisition Agreement, the Installment Sale Agreement and the Assignment Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and may also be subject to the exercise of judicial discretion in accordance with principles of equity or otherwise in appropriate cases.

With respect to the opinions expressed herein, the enforceability of the Installment Sale Agreement is subject to the limitations on the imposition of certain fees and charges by the City related to its municipal sewer system under Articles XIIC and XIID of the California Constitution.

In rendering this opinion, we have relied upon certifications of the City, the Authority and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Very truly yours,