



AGENDA
CITY OF EL CENTRO
FINANCING AUTHORITY
NOVEMBER 18, 2014

City Hall

Regular Meeting

6:00 PM

CITY HALL
COUNCIL CHAMBERS
1275 MAIN STREET
EL CENTRO, CA 92243

Financing Authority Members may be reached at (760) 336-8989

Chairperson:	Cheryl Viegas-Walker	Executive Director: Ruben Duran
Agency Members:	Efrain Silva	City Attorney: Kris Becker
	Jason Jackson	Secretary: L. Diane Caldwell
	Sedalia Sanders	
	Alex Cardenas	

This is a Public Meeting. If there is an item on the Agenda on which you wish to be heard, you are asked to complete a blue speaker slip and submit it to the Secretary prior to the start of the meeting. **Persons wishing to address the Financing Authority are not required to identify themselves (Government Code §54953.3); however, this information assists the Mayor by ensuring that all persons wishing to address the Agency are recognized and also assists the Secretary in preparing the Financing Authority meeting minutes.** When the item is announced and your name is called, please step to the podium and state your name for the record. Unless the Chairperson extends the time, there is a three (3) minute time limit for each public presentation. If you wish to address the Financing Authority, concerning any other matter not appearing on the agenda, you may do so during the public comment portion of the agenda.

6:00 P.M. OPEN SESSION

ALL TIMES ARE APPROXIMATE AND MAY VARY

CALL TO ORDER:

ROLL CALL BY CITY CLERK

PLEDGE OF ALLEGIANCE

INVOCATION

NEW BUSINESS

1. Adopt Resolution No. FA 14 - OF THE GOVERNING BOARD OF THE EL CENTRO FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$35,500,000 AGGREGATE PRINCIPAL AMOUNT OF ITS WATER REVENUE REFUNDING BONDS, 2014 SERIES A AND NOT TO EXCEED \$32,500,000 AGGREGATE PRINCIPAL AMOUNT OF ITS WASTEWATER REVENUE REFUNDING BONDS, 2014 SERIES A; APPROVING TWO TRUST AGREEMENTS, TWO INSTALLMENT SALE AGREEMENTS, TWO ASSIGNMENT AGREEMENTS, TWO PRELIMINARY OFFICIAL STATEMENTS, TWO ESCROW AGREEMENTS AND TWO BOND PURCHASE AGREEMENTS, AND AUTHORIZING THE TAKING OF CERTAIN ACTIONS IN CONNECTION THEREWITH

PRESENTATION: Leticia Salcido, Director of Finance

RECOMMENDATION:

PUBLIC COMMENTS

*The City Council welcomes your input. At this time, members of the public may address the City Council on any matter not listed on the posted agenda. Pursuant to the Brown Act, no action will be taken on any issue brought forth under Public Comments. We ask that you please complete a "Speaker Slip" and submit it to the City Clerk prior to the start of the meeting. Although you are not required to identify yourself (Gov't Code §54953.3); this information on the "Speaker Slip" assists the Mayor that all persons wishing to address the Council are recognized and also assists the City Clerk in preparing the City Council meeting minutes. Unless the Mayor extends the time, there is a three (3) minute time limit for each public presentation. * Any information provided on the "Speaker Slip" is voluntary and will be public record.*

ADJOURNMENT



Financing Authority

SCHEDULED

RESOLUTION (ID # 1140)

Meeting: 11/18/14 06:00 PM
 Department: Finance
 Category: Bond
 Prepared By: Richard Romero
 Initiator: Leticia Salcido
 Sponsors:
 DOC ID: 1140

Adopt Resolution No. FA 14 - OF THE GOVERNING BOARD OF THE EL CENTRO FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$35,500,000 AGGREGATE PRINCIPAL AMOUNT OF ITS WATER REVENUE REFUNDING BONDS, 2014 SERIES A AND NOT TO EXCEED \$32,500,000 AGGREGATE PRINCIPAL AMOUNT OF ITS WASTEWATER REVENUE REFUNDING BONDS, 2014 SERIES A; APPROVING TWO TRUST AGREEMENTS, TWO INSTALLMENT SALE AGREEMENTS, TWO ASSIGNMENT AGREEMENTS, TWO PRELIMINARY OFFICIAL STATEMENTS, TWO ESCROW AGREEMENTS AND TWO BOND PURCHASE AGREEMENTS, AND AUTHORIZING THE TAKING OF CERTAIN ACTIONS IN CONNECTION THEREWITH

CITY MANAGER'S RECOMMENDATION:

Approve the issuance by the El Centro Financing Authority of Water Revenue Refunding Bonds, 2014 Series A (the "2014 Water Refunding Bonds") and Wastewater Revenue Refunding Bonds, 2014 Series A (the "2014 Wastewater Refunding Bonds" and, together with the 2014 Water Refunding Bonds, the "2014 Bonds") by adopting the following:

1. Resolution No. FA __ - RESOLUTION OF THE GOVERNING BOARD OF THE EL CENTRO FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$35,500,000 AGGREGATE PRINCIPAL AMOUNT OF ITS WATER REVENUE REFUNDING BONDS, 2014 SERIES A AND NOT TO EXCEED \$32,500,000 AGGREGATE PRINCIPAL AMOUNT OF ITS WASTEWATER REVENUE REFUNDING BONDS, 2014 SERIES A; APPROVING TWO TRUST AGREEMENTS, TWO INSTALLMENT SALE AGREEMENTS, TWO ASSIGNMENT AGREEMENTS, TWO PRELIMINARY OFFICIAL STATEMENTS, TWO ESCROW AGREEMENTS AND TWO BOND PURCHASE AGREEMENTS, AND AUTHORIZING THE TAKING OF CERTAIN ACTIONS IN CONNECTION THEREWITH

The proceeds of the sale of the 2014 Bonds will be used to (I) refund all or a portion of the El Centro Financing Authority Water Revenue Bonds, 2006 Series A, of which \$28,850,000 in principal amount is currently outstanding and refund all or a portion of the El Centro Financing Authority Wastewater Revenue Bonds, 2006 Series A, of which \$28,345,000 in principal amount is currently outstanding (collectively, the "Refunded Bonds"); (ii) finance projects for the Water System and Wastewater System, (iii) fund a reserve account for each series of 2014 Bonds and

(iv) pay certain costs of issuance of each series of 2014 Bonds.

FISCAL IMPACT:

Estimated fiscal impact from refunding 2006 Water/Wastewater bonds as stated in the attached refunding analysis

STRATEGIC PLANNING PROGRAM 2013-2018 RELATION:

N/A

DUE DILIGENCE CHECK FOR CONTRACTORS/CONSULTANTS: DID THE DEPARTMENT VERIFY CURRENT EL CENTRO BUSINESS LICENSE, CONTRACTORS LICENSE, REFERENCE CHECKS, INSURANCE, ETC:

Yes

BACKGROUND:

On June 21, 2006 the \$33,120,000 Water Revenue Bonds, 2006 Series A and \$32,500,000 Wastewater Revenue Bonds, 2006 Series A were issued to finance certain capital improvements to the water system and the wastewater system.

DISCUSSION:

The issuance of the 2014 Bonds contemplates the refunding of the outstanding Refunded Bonds. The proposed refunding will take advantage of lower interest rates to reduce the annual interest expense of the Refunded Bonds. In addition, proceeds of the applicable series of 2014 Bonds will finance additional improvements to the Water System and Wastewater System.

To maintain the tax-exempt status of the 2014 Bonds, the Authority is required to comply with certain federal tax regulations set forth in each Trust Agreement. You have been provided with a copy of the current drafts of these and certain other documents listed below for consideration by the Authority, each of which is a necessary part of the proposed refunding:

Trust Agreements. The Trust Agreements are between the Authority and U.S. Bank National Association (the "Trustee") and provide for the issuance, delivery and security for the applicable series of 2014 Bonds. Each Trust Agreement will set forth the interest rates on the applicable series of 2014 Bonds and provide for the early prepayment of such bonds, if applicable. Each Trust Agreement also

provides for a reserve fund to support the payment of principal and interest if necessary of the applicable series of 2014 Bonds.

Installment Sale Agreements. The City agrees to purchase a portion of the Water System and Wastewater System from the Authority and to make periodic payments (the "Installment Sale Payments") to the Authority for the purchase of such portions of each system in the Installment Sale Agreements. The Installment Payments under the respective Installment Sale Agreements are equivalent in time and amount to pay the principal and interest due on each series of 2014 Bonds. The Installment Sale Agreements also require the City to comply with certain federal tax requirements.

Assignment Agreements. Each Assignment Agreement assigns the Installment Payments to be made by the City under each Installment Sale Agreement to the Trustee for payment of the applicable series of 2014 Bonds.

Bond Purchase Agreements. The Bond Purchase Agreements will set forth the terms of the sale of each series of 2014 Bonds by the Authority to the Underwriter, including representations and warranties of the Authority and conditions precedent to the purchase of each series of 2014 Bonds by the Underwriter.

Preliminary Official Statements. The Preliminary Official Statements constitute the Authority's offering documents used by the Underwriter to market each series of 2014 Bonds to the public. Each Preliminary Official Statement contains detailed information relating to the management and operation of the water system or the wastewater system of the City, as applicable, as well as the terms of the applicable series of 2014 Bonds. The Preliminary Official Statements also describe certain risks associated with the 2014 Bonds. After the interest rates are set for each series of the 2014 Bonds at pricing, final Official Statements will be prepared.

Escrow Agreements. The Escrow Agreements provide for the deposit of moneys or securities in an escrow account to refund the applicable series of Refunded Bonds. Each Escrow Agreement sets forth the manner in which funds are to be held and or invested, if applicable, pending their expenditure and the schedule on which the Refunded Bonds will be refunded.

Resolution No. FA __ provides for the issuance of the 2014 Bonds.

CONCLUSION:

RESOLUTION NO. FA 14-

RESOLUTION OF THE GOVERNING BOARD OF THE EL CENTRO FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$35,500,000 AGGREGATE PRINCIPAL AMOUNT OF ITS WATER REVENUE REFUNDING BONDS, 2014 SERIES A AND NOT TO EXCEED \$32,500,000 AGGREGATE PRINCIPAL AMOUNT OF ITS WASTEWATER REVENUE REFUNDING BONDS, 2014 SERIES A; APPROVING TWO TRUST AGREEMENTS, TWO INSTALLMENT SALE AGREEMENTS, TWO ASSIGNMENT AGREEMENTS, TWO PRELIMINARY OFFICIAL STATEMENTS, TWO ESCROW AGREEMENTS AND TWO BOND PURCHASE AGREEMENTS, AND AUTHORIZING THE TAKING OF CERTAIN ACTIONS IN CONNECTION THEREWITH

WHEREAS, the El Centro Financing Authority (the “Authority”), is a Joint Powers Authority (a public body, corporate and politic) duly created, established and authorized to transact business and exercise its powers, all under and pursuant to the Joint Exercise of Powers Act (Articles 1 through 4 of Chapter 5, Division 7, Title 1 of the California Government Code) (the “Act”) and the powers of such Authority include the power to issue bonds for any of its corporate purposes; and

WHEREAS, the City of El Centro (the “City”) owns and operates the water system of the City (the “Water System”) and the wastewater system of the City (the “Wastewater System”); and

WHEREAS, to finance certain improvements to the Water System the Authority issued \$33,120,000 in aggregate principal amount of El Centro Financing Authority Water Revenue Bonds, 2006 Series A, of which \$28,850,000 in principal amount is currently outstanding (the “Prior Water Bonds”) and to finance certain improvements to the Wastewater System the Authority issued \$32,500,000 in aggregate principal amount of El Centro Financing Authority Wastewater Revenue Bonds, 2006 Series A, of which \$28,345,000 in principal amount is currently outstanding (the “Prior Wastewater Bonds” and, together with the Prior Water Bonds, the “Prior Bonds”); and

WHEREAS, the City desires to refund all or a portion of the Prior Water Bonds (the “Water Refunded Bonds”) and to refund all or a portion of the Prior Wastewater Bonds (the “Wastewater Refunded Bonds” and, together with the Water Refunded Bonds, the “Refunded Bonds”); and

WHEREAS, the City desires to finance additional improvements to the Water System and the Wastewater System; and

WHEREAS, it has been proposed that the Authority assist the City in providing funds to refund the Refunded Bonds and finance additional improvements to the Water System and the Wastewater System by entering into two Installment Sale Agreements (the “2014 Installment Sale Agreements”) with the City and providing for the issuance of Water Revenue Refunding

Bonds, 2014 Series A (the “2014 Water Refunding Bonds”) and Wastewater Revenue Refunding Bonds, 2014 Series A (the “2014 Wastewater Refunding Bonds”) and, together with the 2014 Water Refunding Bonds, the “2014 Refunding Bonds”) pursuant to two Trust Agreements, each dated as of December 1, 2014 (the “Trust Agreements”), between the Authority and U.S. Bank National Association, as trustee relating to the 2014 Water Refunding Bonds and 2014 Wastewater Refunding Bonds, respectively; and

WHEREAS, the City has determined that it is necessary and desirable to enter into the 2014 Installment Sale Agreements, whereby the Authority will refund the respective Refunded Bonds and finance additional improvements to the Water System and the Wastewater System, the City will purchase a portion of the Water System and a portion of the Wastewater System from the Authority in consideration for installment payments to be made under the 2014 Installment Sale Agreements with respect to each system; and

WHEREAS, the City has approved the use of the proceeds of the 2014 Refunding Bonds to refund the Refunded Bonds and to finance additional improvements to the Water System and the Wastewater System and has approved the purchase of a portion of the Water System and a portion of the Wastewater System from the Authority by means of the respective 2014 Installment Sale Agreements.

NOW, THEREFORE, THE GOVERNING BOARD OF THE EL CENTRO FINANCING AUTHORITY DOES HEREBY RESOLVE AS FOLLOWS:

1. That the Authority hereby approves the issuance and delivery of the 2014 Water Refunding Bonds in one or more series in an amount not to exceed \$35,500,000 in accordance with the terms and conditions of the Trust Agreement for such bonds and approves the issuance and delivery of the 2014 Wastewater Refunding Bonds in one or more series in an amount not to exceed \$32,500,000 in accordance with the terms and conditions of the Trust Agreement for such bonds, each Trust Agreement substantially in the form on file with the Secretary, with such revisions, amendments and completions as shall be approved by the Executive Director, the Chairman, or the Vice-Chairman of the Authority, or their respective designee (each, a “Responsible Officer”) with the advice of counsel to the Authority, such approval to be conclusively evidenced by the execution and delivery thereof.

2. That the Authority hereby approves the 2014 Installment Sale Agreement relating to the 2014 Water Refunding Bonds and approves the 2014 Installment Sale Agreement relating to the 2014 Wastewater Refunding Bonds, substantially in the forms on file with the Secretary, with such revisions, amendments and completions as shall be approved by a Responsible Officer with the advice of counsel to the Authority, such approval to be conclusively evidenced by the execution and delivery thereof.

3. That the Authority hereby approves the Assignment Agreement relating to the 2014 Water Refunding Bonds and approves the Assignment Agreement relating to the 2014 Wastewater Refunding Bonds, substantially in the forms on file with the Secretary, with such revisions, amendments and completions as shall be approved by a Responsible Officer with the

advice of counsel to the Authority, such approval to be conclusively evidenced by the execution and delivery thereof.

4. That the Authority hereby approves the Bond Purchase Agreement relating to the 2014 Water Refunding Bonds and approves the Bond Purchase Agreement relating to the 2014 Wastewater Refunding Bonds, substantially in the forms on file with the Secretary, with such revisions, amendments and completions as shall be approved by a Responsible Officer with the advice of counsel to the Authority, such approval to be conclusively evidenced by the execution and delivery thereof. The Bond Purchase Agreement for the 2014 Water Refunding Bonds shall provide for an underwriter's discount of not greater than 1.0% of the principal amount of the 2014 Water Refunding Bonds and an average coupon of not greater than 6.0%. The Bond Purchase Agreement for the 2014 Wastewater Refunding Bonds shall provide for an underwriter's discount of not greater than 1.0% of the principal amount of the 2014 Wastewater Refunding Bonds and an average coupon of not greater than 6.0%.

5. That the Authority hereby approves the Escrow Agreement relating to the Water Refunded Bonds and approves the Escrow Agreement relating to the Wastewater Refunded Bonds, substantially in the forms on file with the Secretary, with such revisions, amendments and completions, as shall be approved by a Responsible Officer with the advice of counsel to the Authority, such approval to be conclusively evidenced by the execution and delivery thereof.

6. That the Authority hereby approves the Preliminary Official Statement relating to the 2014 Water Refunding Bonds and approves the Preliminary Official Statement relating to the 2014 Wastewater Refunding Bonds, substantially in the forms on file with the Secretary, with such revisions, amendments and completions as shall be approved by a Responsible Officer, with the advice of counsel to the Authority, to make either Preliminary Official Statement final as of its date, except for the omission of certain information, as permitted by Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"). A Responsible Officer may authorize the use of one or more Preliminary Official Statements and Final Official Statements in connection with the 2014 Refunding Bonds. A Responsible Officer of the Authority is authorized and directed to execute and deliver one or more final Official Statements in substantially the form of the applicable Preliminary Official Statement, with such additions and changes as may be approved by counsel and the Responsible Officer executing the same, such approval to be conclusively evidenced by the execution and delivery thereof.

7. That any Responsible Officer is hereby authorized and directed to execute and deliver any and all documents and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by this Resolution, including but not limited to retaining the services of an independent certified public accountant as verification agent in connection with the refunding of the Refunded Bonds and obtaining one or more municipal bond insurance policies and/or reserve sureties for all or a portion of the 2014 Refunding Bonds. All prior actions by any Responsible Officer and any other officer of the Authority relating to the transactions contemplated by this Resolution are hereby approved, ratified and confirmed.

8. That the Secretary of the Authority shall certify to the adoption of this Resolution, and thenceforth and thereafter the same shall be in full force and effect. Notwithstanding the foregoing, such certification and any of the other duties and responsibilities assigned to the Secretary pursuant to this Resolution may be performed by an Assistant Secretary with the same force and effect as if performed by the Secretary hereunder.

PASSED AND ADOPTED at a regular meeting of the El Centro Financing Authority of the City of El Centro, California, held on the 18th day of November, 2014.

EL CENTRO FINANCING AUTHORITY

By _____
Cheryl Viegas-Walker, Chairperson

ATTEST:

By _____
L. Diane Caldwell, Authority Secretary

APPROVED AS TO FORM:
Office of the City Attorney

By _____
Kris M. Becker, Authority Counsel

STATE OF CALIFORNIA)
COUNTY OF IMPERIAL) ss
CITY OF EL CENTRO)

I, L. Diane Caldwell, Authority Secretary of the Financing Authority of the City of El Centro, California, do hereby certify that the foregoing Resolution No. FA 14-_____ was duly and regularly adopted at a regular meeting of the Financing Authority of the City of El Centro, California, held on the 18th day of November, 2014, by the following vote:

- AYES:
- NOES:
- ABSENT:
- ABSTAINED:

By _____
L. Diane Caldwell, Authority Secretary

ASSIGNMENT AGREEMENT

by and between

EL CENTRO FINANCING AUTHORITY

as Authority

and

U.S. BANK NATIONAL ASSOCIATION

as Trustee

Dated as of December 1, 2014

Relating to

[\$Par Amount]

WATER REVENUE REFUNDING BONDS
2014 SERIES A

ASSIGNMENT AGREEMENT

This Assignment Agreement, dated as of December 1, 2014, is made by and between the EL CENTRO FINANCING AUTHORITY (the “Authority”), a joint exercise of powers authority duly organized and existing under the laws of the State of California and U.S. BANK NATIONAL ASSOCIATION, as trustee (the “Trustee”), a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as trustee;

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

SECTION 1. Assignment.

The Authority, for good and valuable consideration, does hereby irrevocably assign and transfer to the Trustee, for the benefit of the Owners of the Authority’s Water Revenue Refunding Bonds, 2014 Series A (the “Bonds”), all of its rights and interest in the 2014 Installment Sale Agreement (excepting only its rights under Section 8.10 thereof), including, without limitation, its rights to receive and collect Installment Payments from the City of El Centro (the “City”) under the 2014 Installment Sale Agreement, its rights to the pledge of Net Water Revenues, the right to receive and collect any proceeds of any insurance maintained thereunder, or of any condemnation award rendered with respect to the 2014 Water Project, and the right to exercise such rights and remedies as are conferred on the Authority by the 2014 Installment Sale Agreement as may be necessary to enforce payment of the Installment Payments when due or otherwise to protect its interests in the event of a default by the City. The Installment Payments shall be applied, and the rights so assigned shall be exercised, by the Trustee as provided in the Trust Agreement for the benefit of the Owners of the Bonds.

SECTION 2. Acceptance.

The Trustee hereby accepts the foregoing assignment for the benefit of the owners of the Bonds subject to the terms and provisions of the Trust Agreement, and all Installment Payments shall be applied and the rights so assigned shall be exercised by the Trustee as provided in the Trust Agreement.

SECTION 3. Conditions.

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

SECTION 4. Partial Invalidity.

If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Trustee or the Authority shall be contrary to law, then such

agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The Trustee and the Authority hereby declare that they would have executed this Assignment Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 5. California Law.

THE ASSIGNMENT AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 6. Execution in Counterparts.

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

SECTION 7. [Bond Insurer Consent for Amendment

This Assignment Agreement may not be amended without the written consent of the Bond Insurer.]

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

EL CENTRO FINANCING AUTHORITY

By: _____
Chairperson

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

Attachment: Assignment Agreement - 2014 El Centro Water Refunding (2) (1140 : Approve authorizing the issuance of Water & Wastewater

Fulbright & Jaworski LLP – Draft 11/14/14

TRUST AGREEMENT

between the

EL CENTRO FINANCING AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION
as Trustee

Dated as of December 1, 2014

[\$Par Amount]
El Centro Financing Authority
Water Revenue Refunding Bonds,
2014 Series A

Attachment: Trust Agreement - El Centro 2014 Water Refunding (2) (1140 : Approve authorizing the issuance of Water & Wastewater Refunding

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THIS TRUST AGREEMENT made and entered into and dated as of December 1, 2014 (this “Trust Agreement”) between U.S. BANK NATIONAL ASSOCIATION (the “Trustee”), a national banking association duly organized and existing under and by virtue of the laws of the United States of America, and the EL CENTRO FINANCING AUTHORITY (the “Authority”), a public entity and agency, duly organized and existing pursuant to an agreement entitled “Joint Exercise of Powers Agreement” by and between the City of El Centro and the Successor Agency to the Redevelopment Agency of the City of El Centro, formerly the Redevelopment Agency of the City of El Centro;

W I T N E S S E T H:

WHEREAS, the Authority is a joint exercise of powers authority duly organized and operating pursuant to Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California;

WHEREAS, Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (“Article 4”) authorizes and empowers the Authority to issue bonds to assist local agencies in financing and refinancing projects and programs consisting of certain public improvements or working capital or liability and other insurance needs whenever a local agency determines that there are significant public benefits from so doing;

WHEREAS, the City of El Centro (the “City”) has determined that the consummation of the transactions contemplated in the Agreement (as hereinafter defined) and this Trust Agreement will result in savings to the City and other public benefits;

WHEREAS, the Authority is empowered pursuant to the Agreement and the aforementioned Article 4 to assist in the financing and/or refinancing of the projects, as described in the Agreement and to reduce the borrowing costs of the City through the issuance of its bonds;

WHEREAS, to refund the El Centro Financing Authority Water Revenue Bonds, 2006 Series A, currently outstanding in the aggregate principal amount of \$_____ (the “Refunded Bonds”) the Authority has determined to issue its Water Revenue Refunding Bonds, 2014 Series A (the “2014 Series A Bonds”), in the aggregate principal amount of \$[Par Amount];

WHEREAS, the 2014 Series A Bonds shall be issued pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of State of California;

WHEREAS, to provide for the authentication and delivery of the Bonds (as hereinafter defined), to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof premium, if any, and interest thereon, the Authority has authorized the execution and delivery of this Trust Agreement; and

WHEREAS, all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal obligations of the Authority payable in accordance with their terms, and to constitute this Trust Agreement a valid and binding agreement of the parties hereto for the uses

and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Trust Agreement have been in all respects duly authorized;

NOW, THEREFORE, THIS TRUST AGREEMENT WITNESSETH, that in order to secure the payment of the principal of, premium, if any, and the interest on all Bonds at any time issued and outstanding under this Trust Agreement, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the holders thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective holders from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; EQUAL SECURITY

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any Supplemental Trust Agreement and of any certificate, opinion, request or other document herein or therein mentioned have the meanings herein specified. All other capitalized terms used herein without definition shall have the meanings set forth in the Agreement.

Act

The term “Act” means the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto.

Agreement

The term “Agreement” means the 2014 Water Installment Sale Agreement, dated as of December 1, 2014, between the Authority and the City as originally executed and as it may from time to time be amended or supplemented pursuant to the provisions hereof and thereof.

Authority

The term “Authority” means, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California and a Joint Exercise of Powers Agreement, dated July 1, 1996, between the Successor Agency to the Redevelopment Agency of the City of El Centro, formerly the Redevelopment Agency of the City of El Centro, and the City, as supplemented and amended.

Bond Counsel

The term “Bond Counsel” means (a) Fulbright & Jaworski LLP or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally recognized

experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

Bonds, 2014 Series A Bonds, Serial Bonds, Term Bonds

The term “Bonds” or “2014 Series A Bonds” means all bonds of the Authority authorized by and at any time Outstanding pursuant hereto and executed, issued and delivered in accordance with Article II. The term “Serial Bonds” means Bonds for which no sinking fund payments are provided. The term “Term Bonds” means Bonds which are payable on or before their specified maturing dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

[Bond Insurance Policy

The term “Bond Insurance Policy” means the insurance policy issued by the Bond Insurer guaranteeing the scheduled payment when due of principal of and interest on the 2014 Series A Bonds as provided therein.]

[Bond Insurer

The term “Bond Insurer” shall mean _____, or any successor thereto or assignee thereof.]

Business Day

The term “Business Day” means a day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in the city in which the Trustee maintains its Principal Corporate Trust Office are authorized or required by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed.

Certificate of the Authority

The term “Certificate of the Authority” means an instrument in writing signed by the Executive Director, Chairman or Vice-Chairman of the Authority, or by any other officer of the Authority duly authorized by the Authority for that purpose.

City

The term “City” means the City of El Centro, a charter city, duly organized and existing under and by virtue of the Constitution and laws of the State.

Closing Date

The term “Closing Date” means December ____, 2014, being the date of delivery of the Bonds.

Code

The term “Code” means the Internal Revenue Code of 1986.

Continuing Disclosure Agreement

The term “Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement between the City and the Trustee, in its capacity as Trustee and as Dissemination Agent, dated the date of issuance and delivery of the 2014 Series A Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

Defeasance Obligations

The term “Defeasance Obligations” means: (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Bond Insurer, pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, or (5) subject to the prior written consent of the Bond Insurer, securities eligible for “AAA” defeasance under the then existing criteria of S&P or any combination thereof, shall be used to effect defeasance of the Bonds.

Escrow Agent

The term “Escrow Agent” means U.S. Bank National Association, as escrow agent under the Escrow Agreement.

Escrow Agreement

The term “Escrow Agreement” means the Escrow Agreement, dated as of December 1, 2014, by and between the Authority and the Escrow Agent, relating to the defeasance of the El Centro Financing Authority Water Revenue Bonds, 2006 Series A.

Expense Fund

The term “Expense Fund” means the fund by that name established and maintained pursuant to Section 2.11(a).

Financial Newspaper

The term “Financial Newspaper” means The Wall Street Journal or The Bond Buyer, or any other newspaper or journal printed in the English language, publishing financial news and selected by the Trustee, who shall be under no liability by reason of such selection.

Fiscal Year

The term “Fiscal Year” means the twelve-month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

Holder

The term “Holder” means any person who shall be the registered owner of any Outstanding Bond.

Independent Certified Public Accountant

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

Information Services

The term “Information Services” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board, at www.emma.msrb.org; provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, Information Services shall mean such other organization or organizations providing information with respect to called Bonds as the Authority may designate in Written Certificate of the Authority delivered to the Trustee.

Installment Sale Payments; 2014 Installment Sale Payments

The term “Installment Sale Payments” shall have the meaning ascribed to such term in the Agreement. “2014 Installment Sale Payments” shall have the meaning ascribed to such term in the Agreement.

Interest Payment Date

The term “Interest Payment Date” means April 1 and October 1 of each year, commencing April 1, 2015.

Joint Powers Agreement

The term “Joint Powers Agreement” means the Joint Exercise of Powers Agreement by and between the City of El Centro and the Successor Agency to the Redevelopment Agency of the City of El Centro, formerly the Redevelopment Agency of the City of El Centro, dated as of July 1, 1996, as originally executed and as it may from time to time be amended or supplemented pursuant to the provisions hereof and thereof.

Maximum Annual Debt Service

The term “Maximum Annual Debt Service” shall have the meaning set forth in the Agreement.

Moody’s Investors Service

The term “Moody’s Investors Service” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, and any successor thereto.

Net Proceeds

The term “Net Proceeds” shall have the meaning ascribed to such term in the Agreement.

Opinion of Counsel

The term “Opinion of Counsel” means a written opinion of Fulbright & Jaworski LLP or such other counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Authority.

Outstanding

The term “Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 6.02) all Bonds except

- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds paid or deemed to have been paid within the meaning of Section 8.01; and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Authority pursuant hereto.

Permitted Investments

The term “Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (the Trustee is entitled to conclusively rely on a Written Request of the Authority directing investment in such Permitted Investment as a certification by the Authority to the Trustee that such Permitted Investment is a legal investment under the laws of the State), but only to the extent that the same are acquired at fair market value:

(a) Direct 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 the principal of and interest on which are fully guaranteed by the United States of America, including instruments evidencing a direct ownership interest in securities described in this clause such as Stripped Treasury Coupons rated or assessed in the highest Rating Category by S&P and Moody’s and held by a custodian for safekeeping on behalf of holders of such securities.

(b) Bonds or notes which are exempt from federal income taxes and for the payment of which cash or obligations described in clause (a) of this definition in an amount sufficient to pay the principal of, premium, if any, and interest on when due have been irrevocably deposited with a trustee or other fiscal depository and which are rated in the highest rating category by S&P and Moody’s.

(c) Obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Government National Mortgage Association, Farmer's Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration; provided that with respect to the funds and accounts established under this Indenture, such obligations shall at no time exceed an amount equal to ten percent (10%) of the aggregate principal amount of the Bonds Outstanding.

(d) Deposit accounts, certificates of deposit or savings accounts (i) fully insured by the Federal Deposit Insurance Corporation or (ii) with banks whose short term obligations are rated no lower than "A-1" by S&P and "P-1" by Moody's including those of the Trustee and its affiliates.

(e) U.S. dollar denominated deposit accounts, unsecured certificates of deposit, and federal funds or banker's acceptances with a maximum term of one year of any bank that has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" by Moody's and "A-1" or "A" or better by S&P (including the Trustee).

(f) Repurchase obligations with a term not exceeding 30 days pursuant to a written agreement between the Trustee and either a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the SIPC or a federally chartered commercial bank whose long-term debt obligations are rated "A" or better by S&P and Moody's, with respect to any security described in clause (a); provided that the securities which are the subject of such repurchase obligation (i) must be free and clear of all liens, (ii) in the case of a SIPC dealer, were not acquired pursuant to a repurchase or reverse repurchase agreement, (iii) must be deposited with the Trustee and maintained through weekly market valuations in an amount equal to 104% of the invested funds plus accrued interest; and further provided that the Trustee must have a valid first perfected security interest in such securities.

(g) Taxable government money market portfolios that have a rating by S&P of "Am-G" or "Am" or better and rated in one of the three highest rating categories of Moody's consisting of securities issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States, subject to a maximum permissible limit equal to six months of principal and interest on the Bonds including portfolios of the Trustee and its affiliates.

(h) Tax-exempt government money market portfolios that have a rating by S&P of "Am-G" or "Am" or better and rated in one of the three highest rating categories of Moody's consisting of securities which are rated in the highest Rating Categories of S&P and Moody's subject to a maximum permissible limit equal to six months of principal and interest on the Bonds.

(i) Money market funds registered under the Investment Company Act of 1940, the shares in which are registered under the Securities Act of 1933 and that have a rating by S&P of "AAAm-G" or "AAAm" and rated in one of the two highest Rating Categories of Moody's, including those managed or advised by the Trustee or its affiliates.

(j) The Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

(k) Investment agreements, including guaranteed investment contracts (“GICs”) forward purchase agreements and reserve fund put agreements with banks or other financial institutions rated, or guaranteed by institutions rated, or with senior unsecured debt rated, by S&P and Moody’s, in one of the two highest rating categories assigned by such agencies.

(l) Any other investments which meet the criteria established by applicable published investment guidelines issued by each Rating Agency then rating the Bonds.

(m) [Any other investments approved by the Bond Insurer in writing.]

Principal Corporate Trust Office

The term “Principal Corporate Trust Office” means the corporate trust office of the Trustee located at 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Corporate Trust Services or such other office or offices as the Trustee shall designate from time to time.

Rating Agencies

The term “Rating Agencies” means S&P or, if S&P no longer maintain a rating on the Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Bonds, but, in each instance, only so long as S&P or other nationally recognized rating agency then maintains a rating on the Bonds.

Rebate Fund

The term “Rebate Fund” means the fund by that name established and maintained pursuant to this Trust Agreement.

Record Date

The term “Record Date” means the 15th day of the calendar month immediately preceding each Interest Payment Date.

Redevelopment Agency

The term “Redevelopment Agency” means the Successor Agency to the Redevelopment Agency of the City of El Centro and any successor thereto.

Refunded Bonds

The term “Refunded Bonds” means the El Centro Financing Authority Water Revenue Bonds, 2006 Series A.

Representation Letter

The term “Representation Letter” means the letters and agreements relating to the 2014 Series A Bonds, filed with The Depository Trust Company, New York, New York.

Reserve Account

The term “Reserve Account” means the account by that name established and maintained pursuant to Section 3.03.

Reserve Account Credit Instrument

The term “Reserve Account Credit Instrument” shall have the meaning ascribed to that term in Section 3.03(c).

Reserve Account Requirement

The term “Reserve Account Requirement” means, as of any date of calculation, an amount equal to the least of (i) ten percent (10%) of the original issue price of the 2014 Series A Bonds; (ii) one hundred twenty-five percent (125%) of average Annual Debt Service on the 2014 Series A Bonds as of the Closing Date; and (iii) Maximum Annual Debt Service on all 2014 Series A Bonds Outstanding.

Responsible Officer

The term “Responsible Officer” means any member of the Board of Directors of the Authority or any other person authorized by resolution of the Board of Directors of the Authority to act on behalf of the Authority under or with respect to the Agreement or this Trust Agreement.

Revenues

The term “Revenues” means all Installment Sale Payments and other payments paid by the City and received by the Authority pursuant to the Agreement and all interest or other income from, any investment of any money in any fund or account (other than the Rebate Fund) pursuant to Section 3.04.

S&P

The term “S&P” means Standard & Poor’s Ratings Service, a corporation organized and existing under the laws of the State of New York, and any successors thereto.

Securities Depositories

The term “Securities Depositories” means The Depository Trust Company, New York, New York and its successors and assigns or if (i) the then Securities Depository resigns from its functions as depository of the Bonds or (ii) the Authority discontinues use of the then Securities Depository, any other securities depository which agrees to follow the procedures required to be

followed by a securities depository in connection with the Bonds and which is selected by the Authority in a Written Request of the Authority delivered to the Trustee.

State

The term “State” means the State of California.

Supplemental Trust Agreement

The term “Supplemental Trust Agreement” means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory hereof or supplemental hereto; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized hereunder.

System; Water System

The term “System” means the Water System. The term “Water System” has the meaning ascribed to such term in the Agreement.

Tax Certificate

The term “Tax Certificate” means the Tax Certificate delivered by the Authority and the City at the time of the issuance and delivery of a series of Bonds, as the same may be amended or supplemented in accordance with its terms.

Trust Agreement

The term “Trust Agreement” means this Trust Agreement, dated as of December 1, 2014, between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions hereof.

Trustee

The term “Trustee” means U.S. Bank National Association, or any other association or corporation that may at any time be substituted in its place as provided in Section 5.01.

Written Request of the Authority

The term “Written Request of the Authority” means an instrument in writing signed by the Executive Director of the Authority or by any other officer of the Authority duly authorized by the Authority for that purpose.

2014 Water Project

The term “2014 Water Project” has the meaning ascribed to such term in the Agreement.

SECTION 1.02. Equal Security. In consideration of the acceptance of the Bonds by the Holders thereof, this Trust Agreement shall be deemed to be and shall constitute a

contract between the Authority and the Holders from time to time of all Bonds authorized, executed, issued and delivered hereunder and then Outstanding to secure the full and final payment of the interest on and principal of and redemption premiums, if any, on all Bonds which may from time to time be authorized, executed, issued and delivered hereunder, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements and covenants set forth herein to be performed by or on behalf of the Authority shall be for the equal and proportionate benefit, protection and security of all Holders of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, sale, execution, issuance or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

ISSUANCE OF 2014 SERIES A BONDS

SECTION 2.01. Authorization and Purpose of 2014 Series A Bonds. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the 2014 Series A Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of the 2014 Series A Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and that the Authority is now duly authorized, pursuant to each and every requirement of the Act, to issue the 2014 Series A Bonds in the form and manner provided herein for the purpose of providing funds to refund the Refunded Bonds and to finance the 2014 Water Project. The 2014 Series A Bonds shall be entitled to the benefit, protection and security of the provisions hereof.

SECTION 2.02. Terms of the 2014 Series A Bonds. The 2014 Series A, Bonds shall be designated “El Centro Financing Authority Water Revenue Refunding Bonds, 2014 Series A” and shall be in the aggregate principal amount of \$[Par Amount]. The 2014 Series A Bonds shall be dated their date of delivery, shall be issued only in fully registered form in denominations of five thousand dollars (\$5,000) or any integral multiple of five thousand dollars (\$5,000) (not exceeding the principal amount of 2014 Series A Bonds maturing at any one time), and shall mature on the dates and in the principal amounts and bear interest at the rates (based on a 360-day year comprised of twelve 30 day months) as set forth in the following schedule:

Maturity Date (October 1)	Principal Amount	Interest Rate
	\$	%

Except as otherwise provided in the Representation Letter, the principal of the 2014 Series A Bonds shall be payable in lawful money of the United States of America by check at the Principal Corporate Trust Office of the Trustee.

The 2014 Series A Bonds shall bear interest at the rates set forth above, payable semiannually on each Interest Payment Date. Each 2014 Series A Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is an Interest Payment Date, in which event such Bond shall bear interest from such date, or unless such date of authentication is prior to the Record Date for the first Interest Payment Date, in which event such Bond shall bear interest from the Closing Date; provided, however, that if at the time of authentication of any 2014 Series A Bond interest is then in default on the Outstanding 2014 Series A Bonds, such 2014 Series A Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding 2014 Series A Bonds. Except as otherwise provided in the Representation Letter, payment of interest on the 2014 Series A Bonds due on or before the maturity or prior redemption thereof shall be made to the person whose name appears in the 2014 Series A Bonds registration books kept by the Trustee pursuant to Section 2.08 as the registered owner thereof as of the close of business 15 days immediately preceding an Interest Payment Date (the "Record Date"), whether or not such day is a Business Day, such interest to be paid by check mailed by first class mail to such registered owner at the address as it appears in such books.

The Holder of \$1,000,000 or more in aggregate principal amount of 2014 Series A Bonds may request in writing that the Trustee pay the interest thereon by wire transfer to an account in the United States, such request to be filed with the Trustee not later than the applicable Record Date.

Payment of the principal of the 2014 Series A Bonds shall be made upon the surrender thereof at maturity or on redemption prior to maturity at the Principal Corporate Trust Office of the Trustee.

SECTION 2.03. Redemption of 2014 Series A Bonds.

(a) Extraordinary Redemption. The 2014 Series A Bonds are subject to redemption by the Authority on any date prior to their respective stated maturities, upon notice as hereinafter provided, as a whole, or in part, pro rata by maturity, from payments made by the Authority from the Net Proceeds received by the City due to a prepayment of the City's 2014 Installment Sale Payments pursuant to Section 3.03(a) of the Agreement, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

(b) Optional Redemption. The 2014 Series A Bonds maturing on or before October 1, 20__ are not subject to optional redemption prior to their maturities. The 2014 Series A Bonds maturing on or after October 1, 20__ shall be subject to redemption prior to their respective maturities at the option of the Authority from prepaid 2014 Installment Sale Payments under the Agreement on or after October 1, 20__, as a whole or in part (in such maturities as are designated to the Trustee by the Authority or, if the Authority fails to designate such maturities, on a proportional basis among maturities) on any date, at a redemption price of par, together with interest accrued thereon to the date fixed for redemption.

(c) Mandatory Sinking Fund Redemption. [The 2014 Series A Bonds maturing on October 1, 20__, October 1, 20__, October 1, 20__ and October 1, 20__ are also subject to redemption prior to their respective stated maturities, in part by lot, from mandatory sinking account payments deposited in the 20__ Term Bonds Sinking Account, the 20__ Term Bonds Sinking Account, the 20__ Term Bonds Sinking Account and the 20__ Term Bonds Sinking Account, respectively, pursuant to Section 3.03(b), at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.]

If less than all the Outstanding Term Bonds of any maturity are called for redemption at any one time, upon the written direction from the Authority, the Authority shall revise the sinking account payment schedule to reduce mandatory sinking account payments required to be made with respect to such Bonds (in an amount equal to the amount of Outstanding Term Bonds to be redeemed) to the extent practicable, to achieve approximately equal Annual Debt Service on the Bonds Outstanding following such redemption.

(d) Notice of Redemption. The Authority shall give the Trustee written notice of its intention to redeem 2014 Series A Bonds hereunder at least thirty (30) days prior to the date fixed for such redemption. Notice of redemption shall be mailed by first-class mail, by the Trustee, not less than twenty (20) nor more than sixty (60) days prior to the redemption date to (i) the respective Holders of the 2014 Series A Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) one or more Information Services. Notice of redemption to the Securities Depositories and the Information Services shall be given by first-class mail or facsimile transmission. Each notice of redemption shall state the date of such notice, the redemption price (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and,

if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the 2014 Series A Bonds of such maturity to be redeemed and, in the case of 2014 Series A Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said 2014 Series A Bonds the redemption price, if any, thereof and in the case of a 2014 Series A Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such 2014 Series A Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice shall not invalidate any of the proceedings taken in connection with such redemption.

If notice of redemption has been duly given and money for the payment of the redemption price of the 2014 Series A Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice 2014 Series A Bonds so called for redemption shall become due and payable, and from and after the date so designated interest on such 2014 Series A Bonds shall cease to accrue, and the Holders of such 2014 Series A Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Any notice given pursuant to this paragraph may be rescinded by written notice given to the Trustee by the Authority and the Trustee shall provide notice of such rescission as soon thereafter as practicable in the same manner, and to the same recipients, as notice of such redemption was given pursuant to this Section, but in no event later than the date set for redemption.

All 2014 Series A Bonds redeemed pursuant to the provisions of this section shall be cancelled and destroyed by the Trustee and shall not be reissued.

SECTION 2.04. Form of 2014 Series A Bonds. The 2014 Series A Bonds and the authentication endorsement and assignment to appear thereon shall be substantially in the forms set forth in Exhibit A hereto attached and by this reference herein incorporated.

SECTION 2.05. Execution of 2014 Series A Bonds. The Executive Director of the Authority, or a Responsible Officer is hereby authorized and directed to execute each of the 2014 Series A Bonds on behalf of the Authority and the Secretary of the Authority is hereby authorized and directed to countersign each of the 2014 Series A Bonds on behalf of the Authority. The signatures of such Executive Director and Secretary may be manual, printed, lithographed or engraved by facsimile reproduction. In case any officer whose signature appears on the 2014 Series A Bonds shall cease to be such officer before the delivery of the 2014 Series A Bonds to the purchaser thereof, such signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery of the 2014 Series A Bonds.

Only those 2014 Series A Bonds bearing thereon a certificate of authentication in the form hereinbefore recited, executed manually and dated by the Trustee, shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the 2014 Series A Bonds so

authenticated and registered have been duly authorized, executed, issued and delivered hereunder and are entitled to the benefit, protection and security hereof.

SECTION 2.06. Transfer and Payment of 2014 Series A Bonds. Any 2014 Series A Bonds may, in accordance with its terms, be transferred in the books required to be kept pursuant to the provisions of Section 2.08 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such 2014 Series A Bonds for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. Whenever any 2014 Series A Bonds or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of the same series and maturity for a like aggregate principal amount in authorized denominations. The Trustee shall require the payment by the Holder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege.

The Authority and the Trustee may deem and treat the registered owner of any 2014 Series A Bonds as the absolute owner of such 2014 Series A Bonds for the purpose of receiving payment thereof and for all other purposes, whether such 2014 Series A Bonds shall be overdue or not, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of and redemption premium, if any, on such 2014 Series A Bonds shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on such 2014 Series A Bonds to the extent of the sum or sums so paid.

The Trustee shall not be required to issue, register the transfer of or exchange any 2014 Series A Bonds during the fifteen (15) days preceding each Interest Payment Date, or to register the transfer of or exchange any 2014 Series A Bonds which has been selected for redemption in whole or in part, from and after the day of mailing of a notice of redemption of such 2014 Series A Bonds selected for redemption in whole or in part as provided in Section 2.03.

SECTION 2.07. Exchange of 2014 Series A Bonds. 2014 Series A Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee for a like aggregate principal amount of 2014 Series A Bonds of the same series and maturity of other authorized denominations. The Trustee shall require the payment by the Holder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege. The Trustee shall not be required to make any such exchange during the fifteen (15) days preceding each Interest Payment Date.

SECTION 2.08. 2014 Series A Bond Registration Books. The Trustee will keep at its Principal Corporate Trust Office sufficient books for the registration and transfer of the 2014 Series A Bonds which shall at all times be open to inspection by the Authority during regular business hours with reasonable prior notice, and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the 2014 Series A Bonds in such books as hereinabove provided.

SECTION 2.09. Mutilated, Destroyed, Stolen or Lost 2014 Series A Bonds. If any 2014 Series A Bond shall become mutilated the Trustee at the expense of the

Holder shall thereupon authenticate and deliver a new 2014 Series A Bond of like tenor in exchange and substitution for the 2014 Series A Bond so mutilated, but only upon surrender to the Trustee of the 2014 Series A Bond so mutilated. Every mutilated 2014 Series A Bond so surrendered to the Trustee shall be cancelled.

If any 2014 Series A Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Holder, shall thereupon authenticate and deliver, a new 2014 Series A Bond of like tenor in lieu of and in substitution for the 2014 Series A Bond so lost, destroyed or stolen.

The Trustee may require payment of a reasonable sum for each new 2014 Series A Bond issued under this Section 2.09 and of the expenses which may be incurred by the Authority and the Trustee in the premises. Any 2014 Series A Bond issued under the provisions of this Section in lieu of any 2014 Series A Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Bonds of the same series secured by this Trust Agreement. Neither the Authority nor the Trustee shall be required to treat both the original 2014 Series A Bond and any replacement 2014 Series A Bond as being Outstanding for the purpose of determining the principal amount of 2014 Series A Bonds which may be issued hereunder or for the purpose of determining any percentage of 2014 Series A Bonds Outstanding hereunder, but both the original and replacement 2014 Series A Bond shall be treated as one and the same.

SECTION 2.10. Temporary 2014 Series A Bonds. The 2014 Series A Bonds issued under this Trust Agreement may be initially issued in temporary form exchangeable for definitive 2014 Series A Bonds when ready for delivery. The temporary 2014 Series A Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority, shall be in fully registered form and may contain such reference to any of the provisions of this Trust Agreement as may be appropriate. Every temporary 2014 Series A Bond shall be executed and authenticated as authorized by the Authority, in accordance with the terms of the Act. If the Authority issues temporary 2014 Series A Bonds it will execute and furnish definitive 2014 Series A Bonds without delay and thereupon the temporary 2014 Series A Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Corporate Trust Office of the Trustee, and the Trustee shall deliver in exchange for such temporary 2014 Series A Bonds an equal aggregate principal amount of definitive 2014 Series A Bonds of authorized denominations. Until so exchanged, the temporary 2014 Series A Bonds shall be entitled to the same benefits under this Trust Agreement as definitive 2014 Series A Bonds delivered hereunder.

SECTION 2.11. Procedure for the Issuance of 2014 Series A Bonds
Deposit and Use of Proceeds of 2014 Series A Bonds and Certain Other Moneys; Deposit to Reserve Account. At any time after the sale of the 2014 Series A Bonds in accordance with the Act, the Authority shall execute the 2014 Series A Bonds for issuance hereunder and shall deliver them to the Trustee, and thereupon the 2014 Series A Bonds shall be delivered by the Trustee to the purchaser thereof upon the Written Request of the Authority and upon receipt of payment therefor from the purchaser thereof. Upon receipt of payment for the 2014 Series A

Bonds from the purchaser thereof in the amount of \$_____, the Trustee shall deposit and transfer the proceeds received from such sale as follows:

(a) The Trustee shall deposit in the Expense Fund, which the Trustee hereby agrees to establish and maintain the initial amount of \$_____. Amounts in the Expense Fund shall be withdrawn by the Trustee for the purpose of paying costs of issuance of the 2014 Series A Bonds, upon a requisition of the Authority specifying the payee, the amount and the purpose of the payment and certifying that the payment has not been previously paid from the Expense Fund. Any amounts remaining on deposit in the Expense Fund on August 1, 2014 shall be withdrawn and transferred to the Trustee for deposit in the Principal Account and the Trustee shall close the Expense Fund.

(b) The Trustee shall deposit in the Water Acquisition Fund, which the Trustee hereby agrees to establish and maintain the initial amount of \$_____. Amounts in the Water Acquisition Fund shall be withdrawn by the Trustee for the purpose of paying costs of the 2014 Water Project, upon a requisition in the form attached hereto as Exhibit B of the City specifying the payee, the amount and the purpose of the payment and certifying that the payment has not been previously paid from the Water Acquisition Fund. Any amounts remaining on deposit in the Water Acquisition Fund upon receipt by the Trustee of a certificate of completion of the 2014 Water Project, stating that the 2014 Water Project has been completed for purpose of this Section 2.11(b), shall be withdrawn and transferred to the Trustee for deposit in the Principal Account.

(c) The Trustee shall transfer to the Escrow Agent for deposit into the escrow fund established under the Escrow Agreement the amount of \$_____.

(d) The Trustee shall deposit \$_____ in the Reserve Account, representing the Reserve Account Requirement.

(d) The Trustee shall transfer \$_____ to the Bond Insurer to pay the premium for the Bond Insurance Policy.

SECTION 2.12. Validity of 2014 Series A Bonds. The validity of the issuance of the 2014 Series A Bonds shall not be dependent on or affected in any way by the proceedings taken by the Authority for the refunding of the Refunded Bonds or the financing of the 2014 Water Project or by any contracts made by the Authority or its agents in connection therewith, and shall not be dependent upon the completion of the 2014 Water Project or upon the performance by any person, firm or corporation of his or its obligation with respect thereto. The recital contained in the 2014 Series A Bonds that the same are issued pursuant to the Act and pursuant hereto shall be conclusive evidence of their validity and of the regularity of their issuance, and all 2014 Series A Bonds shall be incontestable from and after their issuance. The 2014 Series A Bonds shall be deemed to be issued, within the meaning hereof, whenever the definitive 2014 Series A Bonds (or any temporary 2014 Series A Bonds exchangeable therefor) shall have been delivered to the purchaser thereof and the proceeds of sale thereof received.

SECTION 2.13. Special Covenants as to Book-Entry Only System for 2014 Series A Bonds. (a) Except as otherwise provided in subsections (b) and (c) of this Section 2.13, all of the 2014 Series A Bonds initially issued shall be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), or such other nominee as DTC shall request pursuant to the Representation Letter. Payment of the interest on any 2014 Series A Bond registered in the name of Cede & Co. shall be made on each Interest Payment Date for such 2014 Series A Bonds to the account, in the manner and at the address indicated in or pursuant to the Representation Letter.

(b) The 2014 Series A Bonds initially shall be issued in the form of a single authenticated fully registered bond for each stated maturity of such 2014 Series A Bonds, representing the aggregate principal amount of the 2014 Series A Bonds of such maturity. Upon initial issuance, the ownership of all such 2014 Series A Bonds shall be registered in the registration records maintained by the Trustee pursuant to Section 2.08 hereof in the name of Cede & Co., as nominee of DTC, or such other nominee as DTC shall request pursuant to the Representation Letter. The Trustee, the Authority and any paying agent may treat DTC (or its nominee) as the sole and exclusive owner of the 2014 Series A Bonds registered in its name for the purposes of payment of the principal or redemption price of and interest on such 2014 Series A Bonds, selecting the 2014 Series A Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Holders hereunder, registering the transfer of 2014 Series A Bonds, obtaining any consent or other action to be taken by Holders of the 2014 Series A Bonds and for all other purposes whatsoever; and neither the Trustee nor the Authority or any paying agent shall be affected by any notice to the contrary. Neither the Trustee nor the Authority or any paying agent shall have any responsibility or obligation to any Participant (which shall mean, for purposes of this Section 2.13, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the 2014 Series A Bonds under or through DTC or any Participant, or any other person which is not shown on the registration records as being a Holder, with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC or any Participant of any amount in respect of the principal or redemption price of or interest on the 2014 Series A Bonds (iii) any notice which is permitted or required to be given to Holders of 2014 Series A Bonds hereunder, (iv) the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the 2014 Series A Bonds, or (v) any consent given or other action taken by DTC as Holder of 2014 Series A Bonds. The Trustee shall pay all principal of and premium, if any, and interest on the 2014 Series A Bonds only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letter, and all such payments shall be valid and effective to satisfy fully and discharge the Authority’s obligations with respect to the principal of and premium, if any, and interest on the 2014 Series A Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the 2014 Series A Bonds will be transferable to such new nominee in accordance with subsection (f) of this Section 2.13.

(c) In the event that the Authority determines that it is in the best interests of the beneficial owners of the 2014 Series A Bonds that they be able to obtain bond certificates, the Trustee shall, upon the written instruction of the Authority, so notify DTC, whereupon DTC

shall notify the Participants of the availability through DTC of bond certificates. In such event, the 2014 Series A Bonds will be transferable in accordance with subsection (f) of this Section 2.13. DTC may determine to discontinue providing its services with respect to the 2014 Series A Bonds at any time by giving written notice of such discontinuance to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the 2014 Series A Bonds will be transferable in accordance with subsection (f) of this Section 2.13. Whenever DTC requests the Authority and the Trustee to do so, the Trustee and the Authority will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all certificates evidencing the 2014 Series A Bonds then Outstanding. In such event, the 2014 Series A Bonds will be transferable to such securities depository in accordance with subsection (f) of this Section 2.13, and thereafter, all references in this Trust Agreement to DTC or its nominee shall be deemed to refer to such successor securities depository and its nominee, as appropriate.

(d) Notwithstanding any other provision of this Trust Agreement to the contrary, so long as all 2014 Series A Bonds Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on each such 2014 Series A Bond and all notices with respect to each such 2014 Series A Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) The Trustee is hereby authorized and requested to execute and deliver the Representation Letter, if required by DTC, and, in connection with any successor nominee for DTC or any successor depository, enter into comparable arrangements, and shall have the same rights with respect to its actions thereunder as it has with respect to its actions under this Trust Agreement.

(f) If any transfer or exchange of 2014 Series A Bonds is authorized under subsection (b) or (c) of this Section 2.13, such transfer or exchange shall be accomplished upon receipt by the Trustee from the registered owner thereof of the 2014 Series A Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of Sections 2.06 and 2.07 hereof. In the event 2014 Series A Bond certificates are issued to Holders other than Cede & Co., its successor as nominee for DTC as holder of all the 2014 Series A Bonds, another securities depository as holder of all the 2014 Series A Bonds, or the nominee of such successor securities depository, the provisions of Sections 2.06 and 2.07 hereof shall also apply to, among other things, the registration, exchange and transfer of the 2014 Series A Bonds and the method of payment of principal of, premium, if any, and interest on the 2014 Series A Bonds.

ARTICLE III

REVENUES

SECTION 3.01. Pledge of Revenues. All Revenues and any other amounts (including proceeds of the sale of the 2014 Series A Bonds) held by the Trustee in any fund or account established hereunder (other than amounts on deposit in the Rebate Fund created pursuant to Section 4.03) are hereby irrevocably pledged to the payment of the interest and premium, if any, on and principal of the 2014 Series A Bonds as provided herein, and the

Revenues shall not be used for any other purpose while any of the 2014 Series A Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys of the Water System there may be applied such sums for such purposes as are permitted hereunder. This pledge shall constitute a first pledge of and charge and lien upon the Revenues and all other moneys on deposit in the funds and accounts established hereunder (other than amounts on deposit in the Rebate Fund created pursuant to Section 4.03) for the payment of the interest on and principal of the Bonds in accordance with the terms hereof and thereof. The Authority hereby assigns to the Trustee all of the Authority's rights and remedies under the Agreement.

SECTION 3.02. Receipt and Deposit of Revenues in the Water Revenue Fund. To carry out and effectuate the pledge, charge and lien contained herein, the Authority agrees and covenants that all Revenues when and as received shall be received by the Authority in trust hereunder for the benefit of the Holders and shall be deposited when and as received by the Authority in a 2014 water revenue fund (the "Water Revenue Fund"), which fund is hereby created and which fund the Authority hereby agrees and covenants to maintain with the Trustee so long as any 2014 Series A Bonds shall be Outstanding hereunder. All Revenues shall be accounted for through and held in trust in the Water Revenue Fund, and the Authority shall have no beneficial right or interest in any of the Revenues except only as herein provided. All Revenues, whether received by the Authority in trust or deposited with the Trustee as herein provided, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses hereinafter in this Article set forth, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority.

SECTION 3.03. Establishment and Maintenance of Accounts for Use of Money in the Water Revenue Fund. Subject to Section 4.03, all money in the Water Revenue Fund shall be, set aside by the Trustee in the following respective special accounts within the Water Revenue Fund (each of which is hereby created and each of which the Authority hereby covenants and agrees to cause to be maintained with the Trustee) in the following order of priority:

- (a) Interest Account,
- (b) Principal Account,
- (c) Reserve Account, and
- (d) Surplus Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this section.

(a) Interest Account. On or before each April 1 and October 1 and any redemption date, the Trustee shall set aside from the Water Revenue Fund and deposit in the Interest Account that amount of money which is equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such April 1 or October 1, as the case may be.

No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(b) Principal Account. On or before each October 1, commencing October 1, 2015, the Trustee shall set aside from the Water Revenue Fund and deposit in the Principal Account an amount of money equal to the aggregate amount of all sinking fund payments required to be made on such October 1 into the respective sinking fund accounts for all Outstanding Term Bonds and the aggregate principal amount of all Outstanding Serial Bonds maturing on such October 1.

No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such October 1 plus the aggregate amount of all sinking fund payments required to be made on such October 1 for all Outstanding Term Bonds.

The Trustee shall establish and maintain within the Principal Account a separate subaccount for the Term Bonds of each maturity, designated as the “_____ Sinking Account” (the “Sinking Account”), inserting therein the series (if necessary) and maturity (if more than one such account is established for such series) designation of such Bonds. With respect to each Sinking Account, on each mandatory sinking account payment date established for such Sinking Account, the Trustee shall apply the mandatory sinking account payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the maturity for which such Sinking Account was established, upon the notice and in the manner provided in Article II; provided that, at any time prior to giving such notice of such redemption, the Trustee may upon the Written Request of the Authority, apply moneys in such Sinking Account to the purchase of Term Bonds of such maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account), as may be directed by the Authority, except that the purchase price (excluding accrued interest) shall not exceed the redemption price that would be payable for such Bonds upon redemption by application of such Mandatory Sinking Account Payment. If, during the twelve-month period immediately preceding said mandatory sinking account payment date, the Trustee has purchased Term Bonds of such maturity with moneys in such Sinking Account, such Bonds so purchased shall be applied, to the extent of the full principal amount thereof, to reduce said mandatory sinking account payment.

The Trustee shall establish and maintain within the Principal Account a separate account for the 2014 Series A Term Bonds maturing on October 1, 20___, designated as the 20___ Term Bonds Sinking Account. Subject to the terms and conditions set forth in this Section and Section 2.03(c), the 2014 Series A Term Bonds maturing on October 1, 20___ shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the amounts and upon the dates hereby established for the 20___ Term Bonds Sinking Account as follows:

20__ Term Bonds Sinking Account

Mandatory Sinking Account
Payment Date (October 1)

Mandatory Sinking
Account Payments

\$

*

* Maturity Date.

The Trustee shall establish and maintain within the Principal Account a separate account for the 2014 Series A Term Bonds maturing on October 1, 20__, designated as the 20__ Term Bonds Sinking Account. Subject to the terms and conditions set forth in this Section and Section 2.03(c), the 2014 Series A Term Bonds maturing on October 1, 20__ shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the amounts and upon the dates hereby established for the 20__ Term Bonds Sinking Account as follows:

20__ Term Bonds Sinking Account

Mandatory Sinking Account
Payment Date (October 1)

Mandatory Sinking
Account Payments

\$

*

* Maturity Date.

The Trustee shall establish and maintain within the Principal Account a separate account for the 2014 Series A Term Bonds maturing on October 1, 20__, designated as the 20__ Term Bonds Sinking Account. Subject to the terms and conditions set forth in this Section and Section 2.03(c), the 2014 Series A Term Bonds maturing on October 1, 20__ shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the amounts and upon the dates hereby established for the 20__ Term Bonds Sinking Account as follows:

2031 Term Bonds Sinking Account

Mandatory Sinking Account
Payment Date (October 1)

Mandatory Sinking
Account Payments

\$

*

* Maturity Date.

The Trustee shall establish and maintain within the Principal Account a separate account for the 2014 Series A Term Bonds maturing on October 1, 20__, designated as the 20__ Term Bonds Sinking Account. Subject to the terms and conditions set forth in this Section and Section 2.03(c), the 2014 Series A Term Bonds maturing on October 1, 20__ shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the amounts and upon the dates hereby established for the 20__ Term Bonds Sinking Account as follows:

2035 Term Bonds Sinking Account

<u>Mandatory Sinking Account Payment Date (October 1)</u>	<u>Mandatory Sinking Account Payments</u>
	\$

*

* Maturity Date.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as they shall become due and payable, whether at maturity or redemption, except that any money in any sinking fund account shall be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such sinking fund account was created.

(c) Reserve Account.

(1) (1) The Reserve Account Requirement shall initially be satisfied by the deposit of \$_____ into the Reserve Account and reference is made to Section 9.03 hereof. On or before the last day of each month, so long as any 2014 Series A Bonds are Outstanding, beginning in [January 2015], the Trustee shall set aside from the Water Revenue Fund and deposit in the Reserve Account the amount of money that shall be required either (i) to maintain the Reserve Account in the full amount of the Reserve Account Requirement or (ii) to repay any and all obligations due and payable under the terms and conditions of any letter of credit provided for in Section 3.03(c)(2)(A) or insurance policy provided for in Section 3.03(c)(2)(B). No deposit need be made in the Reserve Account so long as there shall be on deposit therein a sum equal to at least the amount required by this Section 3.03(c) to be on deposit therein.

(2) (A) In lieu of making the Reserve Account Requirement deposit in compliance with Section 3.03(c)(1) herein, the Authority may deliver an unconditional, irrevocable letter of credit issued to the Trustee by a financial institution having unsecured debt obligations rated at least "AA" by S&P, in an amount, together with moneys, Permitted Investments, insurance policies or surety bonds (as described in Section 3.03(c)(2)(B)) on deposit in the Reserve Account, equal to the Reserve Account Requirement. Such letter of credit

shall be payable in one or more draws upon presentation by the beneficiary of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal of or interest on the 2014 Series A Bonds. The draws shall be payable within two days of presentation of the sight draft. Such letter of credit shall have a term no less than three (3) years. The issuer of such letter of credit shall be required to notify the Authority and the Trustee, not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date. If such notice indicates that the expiration date shall not be extended, the Authority shall deposit in the Reserve Account an amount sufficient to cause the cash or Permitted Investments on deposit in the Reserve Account, together with any other irrevocable letter of credit, insurance policy of surety bond for the Reserve Account pursuant to this paragraph (A) or paragraph (B) below (“Reserve Account Credit Instrument”), to equal the Reserve Account Requirement on all outstanding Bonds, such deposit to be paid in equal installments on at least a semi-annual basis over the remaining term of the letter of credit, unless the Reserve Account Credit Instrument is replaced by a Reserve Account Credit Instrument meeting the requirements set forth above. The letter of credit shall permit a draw in full not less than two weeks prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The Trustee is herein directed to draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Reserve Account is fully funded in its required amount.

(B) In lieu of making the Reserve Account Requirement deposit in compliance with Section 3.03(c)(1) herein, or in replacement of moneys then on deposit in the Reserve Account (which shall be transferred by the Trustee to the City), the Authority may also deliver an insurance policy or surety bond issued to the Trustee securing an amount, together with moneys, Permitted Investments or letters of credit on deposit in the Reserve Account, no less than the Reserve Account Requirement, issued by a company licensed to issue an insurance policy guaranteeing timely payment of debt service on the 2014 Series A Bonds (or, with the prior written consent of the Bond Insurer, a company other than a municipal bond insurer) whose claims-paying ability is rated in one of the two highest rating categories of the Rating Agencies. Repayment of any draw under any such insurance policy, and any expenses and accrued interest related to such draw (collectively the “Costs”) shall commence in the first month following each such draw, and shall be paid at the time specified in Section 3.03(c)(1) in an amount not less than one-twelfth (1/12th) of the aggregate of the Costs related to such draw. If and to the extent that cash has also been deposited in the Reserve Account, all such cash shall be used (including any investments purchased with such cash, which shall be liquidated and the proceeds thereof applied as required hereunder) prior to any drawing under the insurance policy. If the Authority shall fail to repay any Costs in accordance herewith, the insurance company issuing such insurance policy shall be entitled to exercise any and all remedies available at law or hereunder, including but not limited to Article VII hereof, other than (i) an acceleration of the interest on or principal of the 2014 Series A Bonds as provided for in Section 7.01; or (ii) any other remedy which would adversely affect the 2014 Series A Holders. If such insurance policy for any reason lapses or expires, the Authority shall immediately implement the actions described in the

preceding paragraph 3.03(c)(2)(A) to replenish the Reserve Account or otherwise make the required deposits to the Reserve Account. The Trustee shall ascertain the necessity for a claim upon any insurance policy and provide notice to the insurance company issuing such policy in accordance with the terms and conditions of such insurance policy not less than five (5) Business Days prior to any April 1 or October 1 upon which such a claim may be made.

(C) The use of any Reserve Account Credit Instrument shall be subject to receipt of an opinion of counsel and in form and substance satisfactory to the Bond Insurer as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Bond Insurer. In addition, the use of an irrevocable letter of credit shall be subject to receipt of an opinion of counsel acceptable to the Bond Insurer and in form and substance satisfactory to the Bond Insurer to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against the Authority (or any other account party under the letter of credit).

(D) The obligation to reimburse the issuer of a Reserve Account Credit Instrument for any fees, expenses, claims or draws upon such Reserve Account Credit Instrument shall be subordinate to the payment of debt service on the Bonds. The right of the issuer of a Reserve Account Credit Instrument to payment or reimbursement of its fees and expenses shall be subordinated to cash replenishment of the Reserve Account, and, subject to the second succeeding sentence, its right to reimbursement for claims or draws shall be senior to the cash replenishment of the Reserve Account. The Reserve Account Credit Instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Reserve Account Credit Instrument to reimbursement will be further subordinated to cash replenishment of the Reserve Account to an amount equal to the difference between the full original amount available under the Reserve Account Credit Instrument and the amount then available for further draws or claims. If (a) the issuer of a Reserve Account Credit Instrument becomes insolvent or (b) the issuer of a Reserve Account Credit Instrument defaults in its payment obligations thereunder or (c) the claims-paying ability of the issuer of the insurance policy or surety bond constituting a Reserve Account Credit Instrument falls below the two highest rating categories or (d) the rating of the issuer of the letter of credit constituting a Reserve Account Credit Instrument falls below the three highest rating categories, the obligation to reimburse the issuer of the Reserve Account Credit Instrument shall be subordinate to the cash replenishment of the Reserve Account.

(E) If (a) the revolving reinstatement feature described in the preceding paragraph (D) is suspended or terminated or (b) the rating of the claims paying ability of the issuer of the surety bond or insurance policy constituting a Reserve Account Credit Instrument falls below the two highest rating categories or (c) the rating of the issuer of the letter of credit constituting a Reserve Account Credit Instrument falls below the three highest rating categories, the Authority shall either (i) deposit into the Reserve Account an amount sufficient to cause the cash or Permitted Investments on deposit in the Reserve Account to equal the Reserve Account Requirement on all outstanding 2014 Series A Bonds, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (ii) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of this Section 3.03(c) within six months of such occurrence. In the event (a) the rating of the claims paying ability of the issuer of the surety bond or insurance policy constituting a Reserve Account Credit Instrument falls below “A,” or (b) the rating of the issuer of the letter of credit constituting a Reserve Account Credit Instrument falls below “A” or (c) the issuer of the Reserve Account Credit Instrument defaults in its payment obligations or (d) the issuer of the Reserve Account Credit Instrument becomes insolvent, the Authority shall either (i) deposit into the Reserve Account an amount sufficient to cause the cash or Permitted Investments on deposit in the Reserve Account to equal to Reserve Account Requirement on all outstanding 2014 Series A Bonds, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (ii) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in Section 3.03(c)(2)(A) or (B) within six months of such occurrence.

(F) Where applicable, the amount available for draws or claims under the Reserve Account Credit Instrument may be reduced by the amount of cash or Permitted Investments deposited in the Reserve Account pursuant to clause (1) of the preceding subparagraph (E).

(G) If the Authority chooses the above described alternatives to a cash-funded Reserve Account, any amounts owed by the Authority to the issuer of such Reserve Account Credit Instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to this Trust Agreement or the Agreement for any purpose.

(H) The Trustee shall ascertain the necessity for a claim or draw upon the Reserve Account Credit Instrument and provide notice to the issuer of the Reserve Account Credit Instrument in accordance with its terms not later than three days (or such longer period as may be necessary depending on the permitted time period for honoring a draw under the Reserve Account Credit Instrument) prior to each Interest Payment Date.

(I) Cash on deposit in the Reserve Account shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied

as required) prior to any drawing on any Reserve Account Credit Instrument. If and to the extent that more than one Reserve Account Credit Instrument is deposited in the Reserve Account, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

(3) All money in the Reserve Account (including all amounts which may be obtained from letters of credit, insurance policies and surety bonds on deposit in the Reserve Account) shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account or the Principal Account, in that order, in the event of any deficiency at any time in either of such accounts, but solely for the purpose of paying the interest or principal of or redemption premiums, if any, on the 2014 Series A Bonds or for the retirement of all the 2014 Series A Bonds then Outstanding, except that so long as the Authority is not in default hereunder, any cash amounts in the Reserve Account in excess of the amount required by this subsection (3) to be on deposit therein shall be withdrawn from the Reserve Account and deposited in the Water Revenue Fund.

(4) Whenever the amount on deposit in the Reserve Account falls below the Reserve Account Requirement, the Trustee shall send a notice to the City in writing stating the amount of the deficiency resulting from (i) delinquencies in payments under the Agreement and (ii) a decline in the value of investments in the Reserve Account. Pursuant to Section 3.02(b) of the Agreement, the City shall deposit with the Trustee the requisite amount from the Water Revenue Fund under the Agreement to replenish the Reserve Account. In the event that any part of the deficiency in the Reserve Account is due to a decline in the value of investments in the Reserve Account, such replenishment shall be made from the Water Revenue Fund under the Agreement in proportion to the principal amount of 2014 Installment Sale Payments remaining unpaid under the Agreement, and the written notice from the Trustee shall specify such amount.

(d) Surplus Account. The Trustee, on or before October 1 of each year, beginning on October 1, 2015, shall deposit in the Surplus Account all money remaining in the Water Revenue Fund after the deposits required by Section 4.03 and subsections (a), (b) and (c) of this section have been made. On October 31 of each year, beginning on October 31, 2015, the Trustee, if the Authority is not then in default hereunder, shall disburse the money in the Surplus Account to the City.

SECTION 3.04. Deposit and Investments of Money in Accounts and Funds. Subject to Section 4.03, all money held by the Trustee in any of the accounts or funds established pursuant hereto shall be invested in Permitted Investments at the Written Request of the Authority. If the Authority fails to direct the Trustee to invest any such moneys, they shall be invested in Permitted Investments of the type described in paragraph (i) thereof. All money held in the Reserve Account shall be invested in Permitted Investments with a term to maturity not exceeding five years or invested in Permitted Investments of the type described in paragraph (k) thereof. All investments hereunder shall be valued by the Trustee semi-annually, as follows: (a) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times), the average of the bid and asked prices for such investments so published on or most recently prior to such time of

determination; (b) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times, the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service; (c) as to certificates of deposit and bankers acceptances, the face amount thereof, plus accrued interest; and (d) as to any investment not specified above, the value thereof established by prior agreement between the Authority, the Trustee and the Bond Insurer.

Subject to Section 4.03, all investment earnings or profits received on any money held in the funds and accounts established hereunder shall be deposited in the Water Revenue Fund (except for investment earnings on the Rebate Fund, which shall be retained therein).

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority with periodic cash transaction statements that include detail for all investment transactions made by the Trustee under this Trust Agreement.

ARTICLE IV

COVENANTS OF THE AUTHORITY

SECTION 4.01. Punctual Payment and Performance. The Authority will punctually pay out of the Revenues the interest on and the principal of and redemption premiums, if any, to become due on every Bond issued hereunder in strict conformity with the terms hereof and of the Bonds, and will faithfully observe and perform all the agreements and covenants to be observed or performed by the Authority contained herein and in the Bonds.

SECTION 4.02. Against Encumbrances. The Authority will not make any pledge of or place any charge or lien upon the Revenues except as provided herein, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except the Bonds.

SECTION 4.03. Tax Covenants.

(a) Special Definitions. When used in this Section, the following terms have the following meanings:

“*Computation Date*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Gross Proceeds*”, with respect to an issue of governmental obligations, means any Proceeds of that issue (as defined below), and any “replacement proceeds” of that issue (as defined in section 1.148-1(c) of the Tax Regulations).

“*Investment*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Nonpurpose Investment*” means any “investment property” (as defined in section 148(b) of the Code), in which Gross Proceeds of an issue are invested that is not acquired to carry out the governmental purposes of that issue.

“*Original Facilities*” means any property the acquisition, construction or improvement of which was financed directly or indirectly with Gross Proceeds of the Original Issue.

“*Original Issue*” refers to the El Centro Financing Authority Water Revenue Bonds, 2006 Series A.

“*Proceeds*”, with respect to an issue of governmental obligations, has the meaning set forth in has the meaning set forth in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds of, but not replacement proceeds in respect of, that issue).

“*Rebate Amount*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Tax Regulations*” means the United States Treasury Regulations promulgated pursuant to sections 103 and 141 through 150 of the Code.

“*Yield*” of

(1) any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations; and

(2) the 2014 Series A Bonds has the meaning set forth in section 1.148-4 of the Tax Regulations.

For purposes of this Section, the Authority has treated and will treat Proceeds of the 2014 Series A Bonds as being used, ratably, for the same purposes as were the Proceeds of the Original Issue.

(b) Not to Cause Interest to Become Taxable. The Authority shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) or any of the Original Facilities in a manner that if made or omitted, respectively, might cause the interest on any of the 2014 Series A Bonds to fail to be excluded pursuant to section 103(a) of the Code from the gross income of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Authority receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect such exclusion from gross income of interest on any 2014 Series A Bond, the Authority shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as would not cause any 2014 Series A Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the Authority shall at all times prior to the payment and cancellation of the last 2014 Series A Bond to be paid and canceled:

(1) require that one or more state or local governmental agencies exclusively own, operate and possess all of the Original Facilities, and not use or permit the use of any portion of the Original Facilities (including through contractual arrangements with terms different than those applicable to the general public or otherwise) or of any other property acquired, constructed or improved with Gross Proceeds of the 2014 Series A Bonds or of the Original Issue in any activity carried on by a Nongovernmental Person that would create private business use described in section 141(b)(1) of the Code; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity in respect of the use by any Nongovernmental Person of Gross Proceeds of the 2014 Series A Bonds or of the Original Issue, or any portion of the Original Facilities, other than taxes of general application within the jurisdiction of the Authority or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except as would not cause any 2014 Series A Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the Authority has not used, and shall not use, Proceeds of the Original Issue or of the 2014 Series A Bonds to make or finance any loan to any person or entity other than a state or local government. For purposes of the foregoing covenant, Proceeds are considered to be “loaned” to a person or entity in any transaction that for federal income tax purposes is treated as a loan of such monies, or if: (1) property acquired, constructed or improved with such Proceeds is sold or leased to such person or entity in a transaction that creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits of such Proceeds, or burdens and benefits of ownership of any property acquired, constructed or improved with such Proceeds, are otherwise transferred in a transaction that is the economic equivalent of a loan. For purposes of this covenant, the Authority will treat any transaction constituting a loan of Proceeds of the Original Issue as resulting in a loan of Proceeds of the 2014 Series A Bonds.

(e) No Financing of Nongovernmental Output Property. Except as would not cause any 2014 Series A Bond to be a “private activity bond”, no portion of the Proceeds or the Original Issue have been, and no portion of the Proceeds of the 2014 Series A Bonds will be, used (directly or indirectly) for the acquisition of any interest in any Nongovernmental Output Property. As set forth above, for purposes of the preceding sentence, the Authority will treat Proceeds of the 2014 Series A Bonds as used ratably for the same purposes as were the proceeds of the Original Issue.

(f) Not to Invest at Higher Yield. Except as would not cause any 2014 Series A Bond to become an “arbitrage bond” within the meaning of section 148 of the Code and the Tax Regulations and rulings thereunder, the Authority shall not at any time prior to the final maturity of the 2014 Series A Bonds directly or indirectly invest Gross Proceeds of the 2014 Series A Bonds in any Investment, if as a result of such investment the Yield of any Investment acquired with such Gross Proceeds, whether then held or previously disposed of, would materially exceed the Yield of such 2014 Series A Bond (within the meaning of said section 148).

(g) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Tax Regulations and rulings thereunder, the Authority shall not take or omit to take any action that would cause any 2014 Series A Bond to be “federally guaranteed” within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.

(h) Information Report. The Authority shall timely file or cause to be filed any information required by section 149(e) of the Code with respect to the 2014 Series A Bonds with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(i) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Tax Regulations and rulings thereunder:

(1) The Authority shall account for all Gross Proceeds of the 2014 Series A Bonds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last 2014 Series A Bond is discharged. However, to the extent permitted by law, the Authority may commingle Gross Proceeds of the 2014 Series A Bonds with its other money, provided that the Authority separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the Authority shall calculate or cause to be calculated the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Tax Regulations and rulings thereunder. The Trustee may rely conclusively upon the Authority’s determinations, calculations and certifications required by this Section. The Trustee shall have no responsibility to independently make any calculation of determination or to review the Authority’s calculations hereunder. The Authority will maintain a copy of the calculation with its official transcript of proceedings relating to the issuance of the 2014 Series A Bonds until six years after the final Computation Date.

(3) To assure the excludability of the interest on 2014 Series A Bonds from the gross income of the owners thereof for federal income tax purposes, the Authority shall deposit in the Rebate Fund and cause the Trustee to pay to the United States the amount that when added to the future value of previous rebate payments made for the 2014 Series A Bonds equals (A) in the case of a Final Computation Date as defined in section 1.148-3(e)(2) of the Tax Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (B) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such a date. In all cases such Rebate payments shall be made by the Authority (or by the Trustee at the direction of the Authority) at the times and in the amounts as are or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder for execution and filing by the Authority.

(4) The Authority shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3) above, and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under section 1.148-3(h) or other provision of the Tax Regulations.

(j) Not to Divert Arbitrage Profits. Except as would not cause the 2014 Series A Bonds to be “arbitrage bonds” under section 148 of the Code, the Authority shall not at any time prior to the final maturity of the 2014 Series A Bonds enter into any transaction that would reduce the amount required to be paid to the United States pursuant to paragraph (h) of this Section because such transaction results in a smaller profit, or a larger loss, than would have resulted if the transaction had been at arm’s length and had the Yield on the 2014 Series A Bonds not been relevant to either party.

(k) 2014 Series A Bonds Not Hedge Bonds.

(1) The Authority represents that none of the bonds of the Original Issue was, and that none of the 2014 Series A Bonds will be, a “hedge bond” within the meaning of section 149(g) of the Code.

(2) Without limitation of the foregoing, the Authority warrants that (A) on each date of issuance of the Original Issue the Authority reasonably expected (based upon its own knowledge and upon representations made by other governmental persons upon the issuance of those obligations) that within the three-year period commencing on such date no less than 85% of the spendable proceeds of the Original Issue would be expended for the governmental purposes thereof, and (B) the Authority believes and represents that at no time was more than 50% of the proceeds of the Original Issue invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more; and further the Authority further represents and warrants, with respect to the application of Proceeds of the 2014 Series A Bonds other than for refunding purposes, (A) the Authority will not issue the 2014 Series A Bonds unless on the date of the issuance of the 2014 Series A Bonds it reasonably expects that within the three-year period commencing on such date of issuance at least 85% of such spendable proceeds of the 2014 Series A Bonds will be expended for the governmental purpose of the 2014 Series A Bonds and (B) at no time will more than 50% of such spendable proceeds of the 2014 Series A Bonds be invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more.

(l) Elections. The Authority hereby directs and authorizes any Responsible Officer to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such Responsible Officer (after consultation with Bond Counsel) deems necessary or appropriate in connection with the 2014 Series A Bonds, in the Tax Certificate relating to the 2014 Series A Bonds or similar or other appropriate certificate, form or document.

(m) Weighted Average Maturity of the 2014 Series A Bonds. The Authority represents that the weighted average maturity of the 2014 Series A Bonds is not in excess of one-hundred twenty percent (120%) of the average remaining economic life of the Original Facilities, determined in accordance with the provisions of section 147(b) of the Code and within the meaning of section 1313(a)(1)(B)(i) of the Tax Reform Act of 1986 and section 1.148-1(c)(4)(B) of the Treasury Regulations.

(n) Rebate Fund.

(1) In addition to the other funds and accounts created pursuant hereto, the Trustee shall establish and maintain a fund separate from any other fund or account established and maintained hereunder designated the “Rebate Fund” (the “Rebate Fund”) in connection with the 2014 Series A Bonds. Within the Rebate Fund, the Trustee shall maintain such accounts or subaccounts as are specified in a Written Request of the Authority to the Trustee pursuant to the Tax Certificate. The Trustee shall deposit moneys in the Rebate Fund pursuant to a Written Request of the Authority. Subject to the transfer provisions provided in subparagraph (5) below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the federal government of the United States of America, and none of the Authority, the Trustee or the Holder of any 2014 Series A Bond shall have any right in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section and by the Tax Certificate (which is incorporated herein by reference). The Trustee shall be deemed conclusively to have complied with the provisions of this Section 4.03 and the Tax Certificate if it follows the Written Request of the Authority, including supplying all necessary information in the manner provided in the Tax Certificate, and except as otherwise expressly provided herein, shall not be required to take any actions hereunder in the absence of written directions by the Authority, and shall have no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Certificate or this Section. The Trustee agrees to comply with all Written Requests of the Authority given pursuant to the Tax Certificate.

(2) Upon a Written Request of the Authority, an amount shall be deposited into the Rebate Fund by the Trustee from deposits by the Authority, if and to the extent required, so that the balance of the amount on deposit thereto shall be equal to the Rebate Requirement. Computations of the Rebate Requirement shall be furnished by or on behalf of the Authority in accordance with the Tax Certificate. The Authority shall provide the Trustee with a Certificate of the Authority evidencing that the computation of the Rebate Requirement has been made.

(3) The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section, other than from moneys held in the funds and accounts created hereunder or from other moneys provided to it by the Authority.

(4) The Trustee shall invest all amounts held in the Rebate Fund in Permitted Investments as directed by a Written Request of the Authority. Money, including

investment earnings, shall not be transferred from the Rebate Fund except as provided in subparagraph (5) below.

(5) Upon receipt of a Written Request of the Authority, the Trustee shall remit part or all of the amounts in the Rebate Fund to the United States of America, as so directed. In addition, if the Authority so directs, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or fund as directed by the Written Request of the Authority. Any funds remaining in the Rebate Fund in excess of the Rebate Requirement as of the end of any Bond Year shall be transferred to the Interest Account.

(6) Notwithstanding any other provision hereof, including, in particular, Section 8.01, the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of this Section and the Tax Certificate shall survive the defeasance or payment in full of the 2014 Series A Bonds.

SECTION 4.04. Accounting Records and Reports. The Authority will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee, who shall have no duty to inspect, at reasonable hours and under reasonable conditions. Not more than 180 days after the close of each Fiscal Year, the Authority shall furnish or cause to be furnished to the Trustee a complete financial statement covering receipts, disbursements, allocation and application of Revenues for such Fiscal Year. The Trustee shall have no duty to review such financial statements.

SECTION 4.05. Prosecution and Defense of Suits. The Authority will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the Revenues or to the extent involving the failure of the Authority to fulfill its obligations hereunder; provided that the Trustee or any affected Holder at its election may appear in and defend any such suit, action or proceeding. The Authority will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of such failure by the Authority, and will indemnify and hold harmless the Trustee against any attorney's fees or other expenses which it may incur in connection with any litigation to which it may become a party by reason of its actions hereunder, except for any loss, cost, damage or expense resulting from the active or passive negligence or willful misconduct by the Trustee. Notwithstanding any contrary provision hereof, this covenant shall remain in full force and effect even though all Bonds secured hereby may have been fully paid and satisfied.

SECTION 4.06. Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee or any Holder, the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Holders all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

SECTION 4.07. Continuing Disclosure. The Trustee hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement as applicable to it. Notwithstanding any other provision of this Trust Agreement, failure of the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an event of default; however, the Trustee, to the extent indemnified to its satisfaction from and against any liability or expense, shall, at the written request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Holders of at least 25% aggregate principal amount of Outstanding 2014 Series A Bonds, or any Holder or Beneficial Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Trustee, as the case may be, to comply with its obligations under this Section.

ARTICLE V

THE TRUSTEE

SECTION 5.01. The Trustee. U.S. Bank National Association shall serve as the Trustee for the Bonds for the purpose of receiving all money which the Authority is required to deposit with the Trustee hereunder and for the purpose of allocating, applying and using such money as provided herein and for the purpose of paying the interest on and principal of any redemption premiums, if any, on the Bonds presented for payment at the Principal Corporate Trust Office of the Trustee, with the rights and obligations provided herein. The Authority agrees that it will at all times maintain a Trustee having a principal office in San Francisco or Los Angeles, California.

The Authority may, upon not less than 14 days' prior written notice (which notice may be waived by the Trustee) and with the written consent of the Bond Insurer, unless there exists any event of default as defined in Section 7.01, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor shall be a bank or trust company doing business and having a principal office in San Francisco or Los Angeles, California, having (or if such bank or trust company is a member of a bank holding company system, its bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least seventy-five million dollars (\$75,000,000) and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Authority shall remove the Trustee if requested by the Bond Insurer for any material breach of its duties under this Trust Agreement. The Trustee may at any time resign by giving written notice of such resignation to the Authority and by mailing to the Bond Insurer and the Holders notice of such resignation. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing. No resignation or removal of the Trustee shall become effective until a successor, acceptable to the Bond Insurer, has been appointed and has accepted the duties of Trustee. The Bond Insurer shall be furnished with written notice of the resignation or removal of the Trustee and the appointment of any successor thereto. If, within thirty (30) days after notice of the removal or resignation of the

Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustees having the qualifications required hereby.

The Trustee is hereby authorized to redeem the Bonds when duly presented for payment at maturity or on redemption prior to maturity. The Trustee shall cancel all Bonds upon payment thereof or upon the surrender thereof by the Authority and shall destroy such Bonds and a certificate of destruction shall be delivered to the Authority. The Trustee shall keep accurate records of all Bonds paid and discharged and cancelled by it.

The Authority shall from time to time, subject to any agreement between the Authority and the Trustee then in force, pay to the Trustee compensation for its services, reimburse the Trustee for all its advances and expenditures including but not limited to advances to and fees and expenses of independent accountants and counsel or other experts employed by it and reasonably required in the exercise and performance of its rights and obligations hereunder, and, to the extent permitted by law, indemnify and hold the Trustee harmless against liabilities, costs, claims, expenses, of any kind whatsoever, including without limitations, fees and expenses of its attorneys and advisors, not arising from the Trustee's own active or passive negligence or willful misconduct, which the Trustee may incur in the exercise and performance of its rights and obligations hereunder. Such indemnity shall survive the resignation or removal of the Trustee and defeasance of the Bonds.

SECTION 5.02. Liability of Trustee. The recitals of facts, agreements and covenants herein and in the Bonds shall be taken as recitals of facts, agreements and covenants of the Authority, and the Trustee assumes no responsibility for the correctness of the same or makes any representation as to the sufficiency or validity hereof or of the Bonds, or shall incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it herein, in the Bonds or in law or equity. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct. The Trustee shall perform only such duties as are expressly provided herein, and no implied duties or obligations shall be read into this Trust Agreement against the Trustee.

The Trustee shall not be bound to recognize any person as the Holder of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

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

The Trustee shall not be liable for any error of judgment made in good faith, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Trust Agreement. The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty.

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement at the request, order or direction of any of the Holders pursuant to the provisions of this Trust Agreement unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

The Trustee shall not be deemed to have knowledge of any event of default hereunder or event of default under the Agreement unless and until the President or any Vice President, Assistant Vice President or Trust Officer shall have actual knowledge thereof or shall have received written notice thereof at its Principal Corporate Trust Office. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds or as to the existence of an event of default hereunder.

No provision of this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers. The Trustee has no obligation or liability to the Holders for the payment of interest, principal or redemption premium, if any, with respect to the Bonds.

The Trustee shall not be bound to ascertain or inquire as to the validity or genuineness of any collateral given to or held by it. The Trustee shall not be responsible for the recording or filing of any document relating to this Trust Agreement or of financing statements (or continuation statements in connection therewith) or of any supplemental instruments or documents of further assurance as may be required by law in order to perfect the security interests in any collateral given to or held by it.

The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

The rights given the Trustee under the Agreement are subject in all respects to the privileges and immunities afforded the Trustee under this Trust Agreement.

The Trustee shall be protected in acting upon any notice, requisition, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions,

and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee shall not be bound to recognize any person as the Holder of a Bond unless and until such Bond is submitted for inspection, if required, and his or her title thereto is satisfactorily established, if disputed.

Notwithstanding any other provision of this Trust Agreement, in determining whether the rights of the Holders will be adversely affected by any action pursuant to the terms and provisions of this Trust Agreement, the Trustee shall consider the effect on the Holders as if there were no Bond Insurance Policy.

The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

The Trustee may establish such funds and accounts hereunder as it deems necessary or appropriate to perform its obligations hereunder.

ARTICLE VI

AMENDMENT OF THE TRUST AGREEMENT

SECTION 6.01. Amendment of the Trust Agreement. This Trust Agreement and the rights and obligations of the Authority and of the Holders may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 6.02 and the written consent of the Bond Insurer are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, on any Bond without the express written consent of the Holder of such Bond, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Revenues as provided herein superior to or on a parity with the pledge, charge and lien created hereby for the benefit of the Bonds, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify any rights or obligations of the Trustee, the Authority or the City without their prior written assent thereto, respectively.

This Trust Agreement and the rights and obligations of the Authority and of the Holders may also be amended at any time by a Supplemental Trust Agreement, which shall become binding upon adoption with the prior written notice to the Bond Insurer, but without the consent of any Holders and only to the extent permitted by law and after receipt of an approving Opinion of Counsel, for any purpose that will not materially adversely affect the interests of the Holders, including (without limitation) for any one or more of the following purposes:

(a) to add to the agreements and covenants required herein to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority, or to surrender any right or power reserved herein to or conferred herein on the Authority;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Authority may deem desirable or necessary and not inconsistent herewith; or

(c) to add to the agreements and covenants required herein, such agreements and covenants as may be necessary to qualify this Trust Agreement under the Trust Indenture Act of 1939.

Any provision of this Trust Agreement expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner that affects the rights of the Bond Insurer hereunder without the prior written consent of the Bond Insurer.

Notwithstanding the foregoing, any amendment or supplement to this Trust Agreement shall only become effective fifteen (15) days after written notice of such amendment or supplement, together with a copy thereof, has been provided to the Rating Agencies.

SECTION 6.02. Disqualified Bonds. Bonds owned or held by or for the account of the Authority shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in this article, and shall not be entitled to consent to or take any other action provided in this article.

SECTION 6.03. Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the Authority may determine that the Bonds may bear a notation by endorsement in form approved by the Authority as to such action, and in that case upon demand of the Holder of any Outstanding Bonds and presentation of his Bond for such purpose at the corporate trust office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Authority shall so determine, new Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Holder of any Outstanding Bond a new Bond or Bonds shall be exchanged at the corporate trust office of the Trustee without cost to each Holder for its Bond or Bonds then Outstanding upon surrender of such Outstanding Bonds.

SECTION 6.04. Amendment by Mutual Consent. The provisions of this article shall not prevent any Holder from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF HOLDERS

SECTION 7.01. Events of Default and Acceleration of Maturities. If one or more of the following events (herein called “events of default”) shall happen, that is to say:

(a) if default shall be made by the Authority in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(b) if default shall be made by the Authority in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(c) if default shall be made by the Authority in the performance of any of the agreements or covenants required herein to be performed by the Authority, and such default shall have continued for a period of sixty (60) days after the Authority shall have been given notice in writing of such default by the Trustee; or

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

then and in each and every such case during the continuance of such event of default the Trustee may, with the written consent of the Bond Insurer, and shall, at the written direction of the Bond Insurer or the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding with the written consent of the Bond Insurer, by notice in writing to the Authority, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become due and payable, anything contained herein or in the Bonds to the contrary notwithstanding. The Trustee shall promptly notify all Holders of any such event of default which is continuing and of which the Trustee has notice pursuant to Section 5.02. Such notice shall include a reference to or a summary of the rights and remedies available to the Holders as set forth herein.

Upon the occurrence and continuance of an event of default, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders and the Trustee for the benefit of the Holders under this Trust Agreement, including, without limitation: (i) the right to accelerate the principal of the Bonds as described above and (ii) the right to annul any declaration of acceleration, and the Bond Insurer shall also be entitled to approve all waivers of events of default hereunder. With respect to any reorganization or liquidation plan with respect to the Authority must be acceptable to the Bond Insurer, and in such any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Holders absent a default by the Bond Insurer under the Bond Insurance Policy.

In determining whether an event of default has occurred as described in Section 7.01(a) or (b) or whether payment has been made on the 2014 Series A Bonds, payments made under the Bond Insurance Policy shall not be considered.

For all purposes of this Trust Agreement governing events of default and remedies, except for the giving of notice of default to Holders, the Bond Insurer shall be deemed to be the

sole holder of the 2014 Series A Bonds it has insured for so long as it has not failed to comply with its payment obligations under the Bond Insurance Policy.

The provision above permitting the declaration of the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately is subject to the condition that if at any time after the principal of the Bonds then Outstanding shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered the Authority shall deposit with the Trustee a sum sufficient to pay all matured interest on all the Bonds and all principal of the Bonds matured prior to such declaration, with interest at the rate borne by such Bonds on such overdue interest and principal, and the reasonable expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of interest on and principal of the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Holders of not less than fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding with the written consent of the Bond Insurer, by written notice to the Authority and to the Trustee, may on behalf of the Holders of all the Bonds there Outstanding rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

SECTION 7.02. Application of Funds Upon Acceleration. All moneys in the accounts and funds provided in Sections 2.11, 3.02, 3.03 and 3.04 upon the date of the declaration of acceleration by the Trustee as provided in Section 7.01 and all Revenues (other than Revenues on deposit in the Rebate Fund) thereafter received by the Authority hereunder shall be transmitted to the Trustee and shall be applied by the Trustee in the following order:

First, to the payment of the costs and expenses of the Trustee and then to the payment of the costs and expenses of the Holders in providing for the declaration of such event of default, and in carrying out the provisions of this article, including reasonable compensation to their accountants and counsel;

Second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with (to the extent permitted by law) interest on the overdue interest and principal at the rate borne by such Bonds, and in case such money shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and (to the extent permitted by law) interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal ratably to the aggregate of such interest, principal and interest on overdue interest and principal; and

[Third, amounts owed to the Bond Insurer not paid pursuant to First and Third above.]

SECTION 7.03. Institution of Legal Proceedings by Trustee. If one or more of the events of default shall happen and be continuing, the Trustee may, and upon the written request of the Holders of a majority in principal amount of the Bonds then Outstanding,

or upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Holders of Bonds under this Trust Agreement and under Article V of the Agreement by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties hereunder.

SECTION 7.04. Non-Waiver. Nothing in this article or in any other provision hereof or in the Bonds shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Holders of the Bonds at the respective dates of maturity or upon prior redemption as provided herein from the Revenues as provided herein pledged for such payment, or shall affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein and in the Bonds.

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

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

SECTION 7.05. Actions by Trustee as Attorney-in-Fact. Any action, proceeding or suit which any Holder shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Holders, whether or not the Trustee is a Holder, and the Trustee is hereby appointed (and the successive Holders, by taking and holding the Bonds issued hereunder, shall be conclusively deemed to have so appointed it) the true and lawful attorney-in-fact of the Holders for the purpose of bringing any such action, proceeding or suit and for the purpose of doing and performing any and all acts and things for and on behalf of the Holders as a class or classes as may be advisable or necessary in the opinion of the Trustee as such attorney-in-fact.

SECTION 7.06. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

SECTION 7.07. Limitation on Holders' Right to Sue. No Holder of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon this Trust Agreement, unless (a) such Holder shall have previously given to the Trustee written notice of the occurrence of an event of default as defined in Section 7.01 hereunder; (b) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) said Holders shall have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

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

ARTICLE VIII

DEFEASANCE

SECTION 8.01. Discharge of Bonds.

(a) If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated herein and therein, then the Holders of such Bonds shall cease to be entitled to the pledge of and charge and lien upon the Revenues as provided herein, and all agreements, covenants and other obligations of the Authority to the Holders of such Bonds hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, the Trustee shall pay over or deliver to the Authority all money or securities held by it pursuant hereto which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with Section 2.03, (2) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or (B) Defeasance Obligations, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall

be sufficient, as set forth in a written report of an Independent Certified Public Accountant, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds. If a forward supply contract is employed in connection with such defeasance of the Bonds, (i) the written report of the Independent Certified Accountant shall expressly state that the adequacy of the escrow to accomplish the defeasance relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement and this Trust Agreement, the terms of the escrow agreement and this Trust Agreement shall be controlling. No payment under the Bond Insurance Policy shall be deemed a payment on the Bonds under subsection (a) of this section, and if any payments on the Bonds are made pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding until paid in full by the Authority.

(c) Notwithstanding anything to the contrary set forth in this Section 8.01, the obligations of the Authority under this Trust Agreement shall not be discharged or terminated until all Policy Costs owing to the insurance company in accordance with Section 3.03(c)(2)(B) hereof shall have been paid in full.

SECTION 8.02. Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds which remains unclaimed for two (2) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such Bonds have become due and payable, shall be repaid by the Trustee to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Holders shall not look to the Trustee for the payment of such Bonds; provided, however, that before being required to make any such payment to the Authority, the Trustee may, and at the request of the Authority shall, at the expense of the Authority, cause to be published once a week for two (2) successive weeks in a Financial Newspaper of general circulation in San Francisco and in Los Angeles, California and in the same or a similar Financial Newspaper of general circulation in New York, New York a notice that such money remains unclaimed and that, after a date named in such notice, which date shall not be less than thirty (30) days after the date of the first publication of each such notice, the balance of such money then unclaimed will be returned to the Authority.

**ARTICLE IX
PROVISIONS RELATING TO BOND INSURANCE**

SECTION 9.01. [to come if applicable]

**ARTICLE X
MISCELLANEOUS**

SECTION 10.01. Liability of Authority Limited to Revenues.

Notwithstanding anything contained herein, the Authority shall not be required to advance any money derived from any source other than the Revenues as provided herein for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds or for the performance of any agreements or covenants herein contained. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring any indebtedness.

The Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues under this Trust Agreement. Neither the full faith and credit of the Authority nor that of the City or the Redevelopment Agency is pledged for the payment of the interest on or principal of the Bonds and no tax or other source of funds, other than the Revenues, is pledged to pay the interest on or principal of the Bonds. The payment of the principal of or interest on the Bonds does not constitute a debt, liability or obligation of the Authority, the City or the Redevelopment Agency for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

SECTION 10.02. Benefits of the Trust Agreement Limited to Parties.

Nothing contained herein, expressed or implied, is intended to give to any person other than the Authority, the Trustee, the Bond Insurer and the Holders any right, remedy or claim under or by reason hereof. Any agreement or covenant required herein to be performed by or on behalf of the Authority or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee, the Bond Insurer and the Holders.

SECTION 10.03. Notices. Whenever any notice is required to be given hereunder, such notice shall be mailed, first-class mail, postage prepaid, to the following parties at the following addresses:

If to the Authority: El Centro Financing Authority
1275 Main Street
El Centro, California 92243
Attention: Executive Director

If to the Trustee: U.S. Bank National Association
633 W. Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust Services

If to the Bond Insurer: [to come if applicable]

Attention:

Telephone:

Telecopier:

SECTION 10.04. Successor Is Deemed Included In All References To Predecessor. Whenever herein either the Authority or any member, officer or employee thereof or of the State of California is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions with respect to the Projects that are presently vested in the Authority or such member, officer or employee, and all agreements and covenants required hereby to be performed by or on behalf of the Authority or any member, officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

SECTION 10.05. Execution of Documents by Holders. Any declaration, request or other instrument which is permitted or repaired herein to be executed by Holders may be in one or more instruments of similar tenor and may be executed by Holders in person or by their attorneys appointed in writing. The fact and date of the execution by any Holder or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to make acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to hire the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer. The ownership of any Bonds and the amount, maturity, number and date of holding the same may be proved by the registration books relating to the Bonds at the corporate trust office of the Trustee.

Any declaration, request or other instrument or writing of the Holder of any Bond shall bind all future Holders of such Bond with respect to anything done or suffered to be done by the Authority in good faith and in accordance therewith.

SECTION 10.06. Waiver of Personal Liability. No member, officer or employee of the Authority or the City shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds by reason of their issuance, but nothing herein contained shall relieve any such member, officer or employee from the performance of any official duty provided by the Act or any other applicable provisions of law or hereby.

SECTION 10.07. Acquisition of Bonds by Authority. All Bonds acquired by the Authority, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

SECTION 10.08. Destruction of Cancelled Bonds. Whenever provision is made for the return to the Authority of any Bonds which have been cancelled pursuant to the provisions hereof, the Authority may, by a Written Request of the Authority, direct the Trustee to destroy such Bonds and furnish to the Authority a certificate of such destruction.

SECTION 10.09. Content of Certificates. Every Certificate of the Authority, with respect to compliance with any agreement, condition, covenant or provision provided herein shall include (a) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or provision has been complied with, and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or provision has been complied with.

Any Certificate of the Authority may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person making or giving such certificate knows that the Opinion of Counsel with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters information with respect to which is in the possession of the Authority, upon a representation by an officer or officers of the Authority unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

SECTION 10.10. Publication for Successive Weeks. Any publication required to be made hereunder for successive weeks in a Financial Newspaper may be made in each instance upon any Business Day of the first week and need not be made on the same Business Day of any succeeding week or in the same Financial Newspaper for any subsequent publication, but may be made on different Business Days or in different Financial Newspapers, as the case may be.

SECTION 10.11. Accounts and Funds; Business Days. Any account or fund required herein to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such accounts and funds shall at all times be maintained in accordance with sound industry practice and with due regard for the protection of the security of the Bonds and the rights of the Holders. Any action required to occur hereunder on a day which is not a Business Day shall be required to occur on the next succeeding Business Day.

SECTION 10.12. Article and Section Headings and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith," "hereunder" and other words of similar

import refer to the Trust Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

SECTION 10.13. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority or the Trustee shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of the Bonds, and the Holders shall retain all the benefit, protection and security afforded to them under the Act or any other applicable provisions of law. The Authority and the Trustee hereby declare that they would have executed and delivered this Trust Agreement and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 10.14. Execution in Several Counterparts. This Trust Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 10.15. Amendments to Agreement. The Authority shall not supplement, amend, modify or terminate any of the terms of the Agreement, or consent to any such supplement, amendment, modification or termination, without the written consent of the Trustee and the Bond Insurer. The Trustee shall give such written consent only if (a) such supplement, amendment, modification or termination will not materially adversely affect the interests of the Holders or result in any material impairment of the security hereby given for the payment of the Bonds, or (b) the Trustee first obtains the written consent of the Holders of a majority in principal amount of the Bonds then Outstanding to such supplement, amendment, modification or termination; provided, that no such supplement, amendment, modification or termination shall reduce the amount of 2014 Installment Sale Payments to be made to the Authority or the Trustee by the City pursuant to the Agreement, or extend the time for making such payments, or permit the creation of any lien prior to or on a parity with the lien created by the Agreement on Revenues (except as expressly provided in the Agreement), in each case without the written, consent of all of the Holders of the Bonds then Outstanding.

SECTION 10.16. Governing Law. The terms and provisions of this Trust Agreement shall be governed by the laws of the State.

IN WITNESS WHEREOF, the EL CENTRO FINANCING AUTHORITY has caused this Trust Agreement to be signed in its name by its Chairperson and attested by its Secretary in token of its acceptance of the trusts created hereunder, has caused this Trust Agreement to be signed and attested by its duly authorized officers, all as of the day and year first above written.

EL CENTRO FINANCING AUTHORITY

By: _____
Chairperson

Attest:

Secretary

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Authorized Officer

Attachment: Trust Agreement - El Centro 2014 Water Refunding (2) (1140 : Approve authorizing the issuance of Water & Wastewater Refunding

EXHIBIT A

[FORM OF 2014 SERIES A BOND]

**EL CENTRO FINANCING AUTHORITY
WATER REVENUE REFUNDING BOND
2014 SERIES A**

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK (“DTC”), TO THE EL CENTRO FINANCING AUTHORITY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. R-_____ \$_____

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
	October 1, __20__	_____, 2014	

REGISTERED OWNER:

PRINCIPAL SUM: _____ DOLLARS

The EL CENTRO FINANCING AUTHORITY, a joint exercise of powers authority, duly organized and validly existing under and pursuant to the laws of the State of California (the “Authority”), for value received hereby, promises to pay (but only out of the Revenues hereinafter referred to) to the registered owner identified above or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter provided for) the principal sum specified above, together with interest on such principal sum from the Interest Payment Date (as hereinafter defined) next preceding the date of registration of this Bond (unless this Bond is registered as of an Interest Payment Date, in which event it shall bear interest from that date, or unless this Bond is registered prior to the Record Date for the first Interest Payment Date, in which event it shall bear interest from the Dated Date specified above) until the principal hereof shall have been paid at the interest rate per annum specified above, payable on

April 1, 2015, and semiannually thereafter on each April 1 and October 1 (each an “Interest Payment Date”). Interest due on or before the maturity or prior redemption of this Bond shall be payable by check mailed by first class mail by U.S. Bank National Association, as trustee (the “Trustee”) to the registered owner hereof, provided that the Holders of \$1,000,000 or more in aggregate principal amount of Bonds may request in writing that the Trustee pay the interest thereon by wire transfer to an account in the United States and the Trustee shall comply with such request following the fifteenth day after receipt of such request. The principal hereof is payable in lawful money of the United States of America at the Principal Corporate Trust Office of the Trustee.

This Bond is one of a duly authorized issue of bonds of the Authority designated as its “Water Revenue Refunding Bonds, 2014 Series A” (the “Bonds”) in aggregate principal amount of \$[Par Amount], all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, maturities and interest rates), and is issued under and pursuant to the provisions of the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto (the “Act”) and under and pursuant to the provisions of a Trust Agreement, dated as of December 1, 2014 (the “Trust Agreement”), between the Authority and the Trustee (copies of which are on file at the Principal Corporate Trust Office of the Trustee).

The Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from certain proceeds of the Bonds held in certain funds and accounts pursuant to the Trust Agreement and the revenues (the “Revenues”) derived from Installment Sale Payments and other payments made by the City of El Centro (the “City”) and all interest or other investment income, pursuant to the 2014 Water Installment Sale Agreement, dated as of December 1, 2014 (the “Agreement”), between the Authority and the City, and the Authority is not obligated to pay interest on and principal of the Bonds except from the Revenues. All Bonds are equally and ratably secured in accordance with the terms and conditions of the Trust Agreement by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of the Bonds as provided in the Trust Agreement.

The Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues under the Trust Agreement. Neither the full faith and credit of the Authority nor that of the City or the Successor Agency to the Redevelopment Agency of the City of El Centro (the “Redevelopment Agency”) is pledged for the payment of the interest on or principal of the Bonds and no tax or other source of funds, other than the Revenues, is pledged to pay the interest on or principal of the Bonds. The payment of the principal of or interest on the Bonds does not constitute a debt, liability or obligation of the Authority, the City or the Redevelopment Agency for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

Reference is hereby made to the Act and to the Trust Agreement and any and all amendments thereof and supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, the rights of the

registered owners of the Bonds, security for payment of the Bonds, remedies upon default and limitations thereon, and amendment of the Trust Agreement (with or without consent of the registered owners of the Bonds); and all the terms of the Trust Agreement are hereby incorporated herein and constitute a contract between the Authority and the registered owner of this Bond, to all the provisions of which the registered owner of this Bond, by acceptance hereof, agrees and consents.

The Bonds are subject to redemption by the Authority on any date prior to their respective stated maturities, at the times, in the amounts, at the redemption prices and upon notice as provided in the Trust Agreement.

If an event of default, as defined in the Trust Agreement, shall occur, the principal of all Bonds (and any additional bonds authorized by the Trust Agreement) may be declared due and payable upon the conditions, in the manner and with the effect provided in the Trust Agreement; except that the Trust Agreement provides that in certain events such declaration and its consequences may be rescinded under the circumstances as provided therein.

This Bond is transferable on a register to be kept for that purpose at the above-mentioned office of the Trustee by the registered owner hereof in person or by his duly authorized attorney upon payment of the charges provided in the Trust Agreement and upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount in authorized denominations will be issued to the transferee in exchange therefor. The Authority and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Bond shall be overdue, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary, and payment of the interest on and principal of this Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

This Bond shall not be entitled to any benefit, protection or security under the Trust Agreement or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been executed and dated by the Trustee.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution or laws of the State of California and is not in excess of the amount of Bonds permitted to be issued under the Trust Agreement.

STATEMENT OF INSURANCE

[to come if applicable]

IN WITNESS WHEREOF, the El Centro Financing Authority has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of the Chairperson of the Authority and countersigned by the manual or facsimile signature of the Secretary of the Authority, and has caused this Bond to be dated as of the original issue date specified above.

EL CENTRO FINANCING AUTHORITY

By: _____
Chairperson

Countersigned:

Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION
TO APPEAR ON 2014 SERIES A BONDS]

This is one of the Bonds described in the within-mentioned Trust Agreement which has been authenticated on June 28, 2014.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Authorized Officer

[FORM OF ASSIGNMENT TO
APPEAR ON 2014 SERIES A BONDS]

For value received the undersigned hereby sells, assigns and transfers unto _____ the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

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

Signature Guaranteed: _____

Notice: Signature must be guaranteed by an eligible guarantor institution.

EXHIBIT B
FORM OF REQUISITION

I. Requisition No.: _____.

II. The City of El Centro (the "City") hereby requests U.S. Bank National Association, as trustee (the "Trustee") pursuant to that certain Trust Agreement, dated as of December 1, 2014 (the "Trust Agreement") between the City and the Trustee, to pay from the moneys in the Water Acquisition Fund established pursuant to Section 2.11 of the Trust Agreement, upon receipt of an invoice therefor, an amount not to exceed the total amount shown on Schedule I attached hereto to the order of the persons shown therein, as reimbursement for the costs incurred or expenditures made in connection with the 2014 Water Project.

III. The payees, the purpose for which the cost has been incurred, and the amount of the disbursement requested are itemized on Schedule I hereto.

IV. Each obligation mentioned in Schedule I hereto has been properly incurred and is a proper charge against the Water Acquisition Fund. None of the items for which payment is requested has been reimbursed previously from the Water Acquisition Fund.

Dated: _____, 20__

CITY OF EL CENTRO

By: _____
Authorized Officer

Schedule I

Payee	Purpose	Amount

ASSIGNMENT AGREEMENT

by and between

EL CENTRO FINANCING AUTHORITY

as Authority

and

U.S. BANK NATIONAL ASSOCIATION

as Trustee

Dated as of December 1, 2014

Relating to

[\$Par Amount]

WASTEWATER REVENUE REFUNDING BONDS
2014 SERIES A

ASSIGNMENT AGREEMENT

This Assignment Agreement, dated as of December 1, 2014, is made by and between the EL CENTRO FINANCING AUTHORITY (the “Authority”), a joint exercise of powers authority duly organized and existing under the laws of the State of California and U.S. BANK NATIONAL ASSOCIATION, as trustee (the “Trustee”), a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as trustee;

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

SECTION 1. Assignment.

The Authority, for good and valuable consideration, does hereby irrevocably assign and transfer to the Trustee, for the benefit of the Owners of the Authority’s Wastewater Revenue Refunding Bonds, 2014 Series A (the “Bonds”), all of its rights and interest in the 2014 Installment Sale Agreement (excepting only its rights under Section 8.10 thereof), including, without limitation, its rights to receive and collect Installment Payments from the City of El Centro (the “City”) under the 2014 Installment Sale Agreement, its rights to the pledge of Net Wastewater Revenues, the right to receive and collect any proceeds of any insurance maintained thereunder, or of any condemnation award rendered with respect to the 2014 Wastewater Project, and the right to exercise such rights and remedies as are conferred on the Authority by the 2014 Installment Sale Agreement as may be necessary to enforce payment of the Installment Payments when due or otherwise to protect its interests in the event of a default by the City. The Installment Payments shall be applied, and the rights so assigned shall be exercised, by the Trustee as provided in the Trust Agreement for the benefit of the Owners of the Bonds.

SECTION 2. Acceptance.

The Trustee hereby accepts the foregoing assignment for the benefit of the owners of the Bonds subject to the terms and provisions of the Trust Agreement, and all Installment Payments shall be applied and the rights so assigned shall be exercised by the Trustee as provided in the Trust Agreement.

SECTION 3. Conditions.

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

SECTION 4. Partial Invalidity.

If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Trustee or the Authority shall be contrary to law, then such

agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The Trustee and the Authority hereby declare that they would have executed this Assignment Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 5. California Law.

THE ASSIGNMENT AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 6. Execution in Counterparts.

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

SECTION 7. [Bond Insurer Consent for Amendment

This Assignment Agreement may not be amended without the written consent of the Bond Insurer.]

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

EL CENTRO FINANCING AUTHORITY

By: _____
Chairperson

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By: _____
Authorized Officer

Attachment: Assignment Agreement - 2014 El Centro Wastewater Refunding (2) (1140 : Approve authorizing the issuance of Water &

Fulbright & Jaworski LLP – Draft 11/14/14

TRUST AGREEMENT

between the
EL CENTRO FINANCING AUTHORITY
and
U.S. BANK NATIONAL ASSOCIATION
as Trustee

Dated as of December 1, 2014

[\$Par Amount]
El Centro Financing Authority
Wastewater Revenue Refunding Bonds,
2014 Series A

Attachment: Trust Agreement - 2014 El Centro Wastewater Refunding (2) (1140 : Approve authorizing the issuance of Water & Wastewater

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THIS TRUST AGREEMENT made and entered into and dated as of December 1, 2014 (this “Trust Agreement”) between U.S. BANK NATIONAL ASSOCIATION (the “Trustee”), a national banking association duly organized and existing under and by virtue of the laws of the United States of America, and the EL CENTRO FINANCING AUTHORITY (the “Authority”), a public entity and agency, duly organized and existing pursuant to an agreement entitled “Joint Exercise of Powers Agreement” by and between the City of El Centro and the Successor Agency to the Redevelopment Agency of the City of El Centro, formerly the Redevelopment Agency of the City of El Centro;

W I T N E S S E T H:

WHEREAS, the Authority is a joint exercise of powers authority duly organized and operating pursuant to Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California;

WHEREAS, Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (“Article 4”) authorizes and empowers the Authority to issue bonds to assist local agencies in financing and refinancing projects and programs consisting of certain public improvements or working capital or liability and other insurance needs whenever a local agency determines that there are significant public benefits from so doing;

WHEREAS, the City of El Centro (the “City”) has determined that the consummation of the transactions contemplated in the Agreement (as hereinafter defined) and this Trust Agreement will result in savings to the City and other public benefits;

WHEREAS, the Authority is empowered pursuant to the Agreement and the aforementioned Article 4 to assist in the financing and/or refinancing of the projects, as described in the Agreement and to reduce the borrowing costs of the City through the issuance of its bonds;

WHEREAS, to refund the El Centro Financing Authority Wastewater Revenue Bonds, 2006 Series A, currently outstanding in the aggregate principal amount of \$_____ (the “Refunded Bonds”), the Authority has determined to issue its Wastewater Revenue Refunding Bonds, 2014 Series A (the “2014 Series A Bonds”) in the aggregate principal amount of \$[Par Amount];

WHEREAS, the City will make installment payments under the Agreement (as defined herein) in connection with the 2014 Series A Bonds from Net Wastewater Revenues payable on a basis *pari passu* with the installment payments made by the City in connection with the Authority’s Wastewater Revenue Refunding Bonds, 2012 Series A and the Enterprise Fund Installment Sale Agreement, dated as of December 17, 2002;

WHEREAS, the 2014 Series A Bonds shall be issued pursuant to Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of State of California;

WHEREAS, to provide for the authentication and delivery of the Bonds (as hereinafter defined), to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof premium, if any, and interest thereon, the Authority has authorized the execution and delivery of this Trust Agreement; and

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

NOW, THEREFORE, THIS TRUST AGREEMENT WITNESSETH, that in order to secure the payment of the principal of, premium, if any, and the interest on all Bonds at any time issued and outstanding under this Trust Agreement, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the holders thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective holders from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; EQUAL SECURITY

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any Supplemental Trust Agreement and of any certificate, opinion, request or other document herein or therein mentioned have the meanings herein specified. All other capitalized terms used herein without definition shall have the meanings set forth in the Agreement.

Act

The term “Act” means the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto.

Agreement

The term “Agreement” means the 2014 Wastewater Installment Sale Agreement, dated as of December 1, 2014, between the Authority and the City as originally executed and as it may from time to time be amended or supplemented pursuant to the provisions hereof and thereof.

Authority

The term “Authority” means, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California and a Joint Exercise of Powers Agreement, dated July 1, 1996, between the Successor Agency to the Redevelopment Agency of the City of El Centro, formerly the Redevelopment Agency of the City of El Centro, and the City, as supplemented and amended.

Bond Counsel

The term “Bond Counsel” means (a) Fulbright & Jaworski LLP or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

Bonds, 2014 Series A Bonds, Serial Bonds, Term Bonds

The term “Bonds” or “2014 Series A Bonds” means all bonds of the Authority authorized by and at any time Outstanding pursuant hereto and executed, issued and delivered in accordance with Article II. The term “Serial Bonds” means Bonds for which no sinking fund payments are provided. The term “Term Bonds” means Bonds which are payable on or before their specified maturing dates from sinking fund payments established for that purpose and calculated to retire such Bonds on or before their specified maturity dates.

[Bond Insurance Policy

The term “Bond Insurance Policy” means the insurance policy issued by the Bond Insurer guaranteeing the scheduled payment when due of principal of and interest on the 2014 Series A Bonds when due.]

[Bond Insurer

The term “Bond Insurer” shall mean _____, or any successor thereto or assignee thereof.]

Business Day

The term “Business Day” means a day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in the city in which the Trustee maintains its Principal Corporate Trust Office are authorized or required by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed.

Certificate of the Authority

The term “Certificate of the Authority” means an instrument in writing signed by the Executive Director, Chairman or Vice-Chairman of the Authority, or by any other officer of the Authority duly authorized by the Authority for that purpose.

City

The term “City” means the City of El Centro, a charter city, duly organized and existing under and by virtue of the Constitution and laws of the State.

Closing Date

The term “Closing Date” means December ____, 2014, being the date of delivery of the Bonds.

Code

The term “Code” means the Internal Revenue Code of 1986.

Continuing Disclosure Agreement

The term “Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement between the City and the Trustee, in its capacity as Trustee and as Dissemination Agent, dated the date of issuance and delivery of the 2014 Series A Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

Defeasance Obligations

The term “Defeasance Obligations” means: (1) cash, (2) non-callable direct obligations of the United States of America (“Treasuries”), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) subject to the prior written consent of the Bond Insurer, pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, or (5) subject to the prior written consent of the Bond Insurer, securities eligible for “AAA” defeasance under the then existing criteria of S&P or any combination thereof, shall be used to effect defeasance of the Bonds.

Escrow Agent

The term “Escrow Agent” means U.S. Bank National Association, as escrow agent under the Escrow Agreement.

Escrow Agreement

The term “Escrow Agreement” means the Escrow Agreement, dated as of December 1, 2014, by and between the Authority and the Escrow Agent, relating to the defeasance of the El Centro Financing Authority Wastewater Revenue Bonds, 2006 Series A.

Expense Fund

The term “Expense Fund” means the fund by that name established and maintained pursuant to Section 2.11(a).

Financial Newspaper

The term “Financial Newspaper” means The Wall Street Journal or The Bond Buyer, or any other newspaper or journal printed in the English language, publishing financial news and selected by the Trustee, who shall be under no liability by reason of such selection.

Fiscal Year

The term “Fiscal Year” means the twelve-month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the Authority as its Fiscal Year in accordance with applicable law.

Holder

The term “Holder” means any person who shall be the registered owner of any Outstanding Bond.

Independent Certified Public Accountant

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

Information Services

The term “Information Services” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board, at www.emma.msrb.org; provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, Information Services shall mean such other organization or organizations providing information with respect to called Bonds as the Authority may designate in Written Certificate of the Authority delivered to the Trustee.

Installment Sale Payments; 2014 Installment Sale Payments

The term “Installment Sale Payments” shall have the meaning ascribed to such term in the Agreement. “2014 Installment Sale Payments” shall have the meaning ascribed to such term in the Agreement.

Interest Payment Date

The term “Interest Payment Date” means April 1 and October 1 of each year, commencing April 1, 2015.

Joint Powers Agreement

The term “Joint Powers Agreement” means the Joint Exercise of Powers Agreement by and between the City of El Centro and the Successor Agency to the Redevelopment Agency of the City of El Centro, formerly the Redevelopment Agency of the City of El Centro, dated as of July 1, 1996, as originally executed and as it may from time to time be amended or supplemented pursuant to the provisions hereof and thereof.

Maximum Annual Debt Service

The term “Maximum Annual Debt Service” shall have the meaning set forth in the Agreement.

Moody’s Investors Service

The term “Moody’s Investors Service” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, and any successor thereto.

Net Proceeds

The term “Net Proceeds” shall have the meaning ascribed to such term in the Agreement.

Opinion of Counsel

The term “Opinion of Counsel” means a written opinion of Fulbright & Jaworski LLP or such other counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the Authority.

Outstanding

The term “Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 6.02) all Bonds except:

- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds paid or deemed to have been paid within the meaning of Section 8.01; and
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the Authority pursuant hereto.

Permitted Investments

The term “Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein (the Trustee is entitled to conclusively rely on a Written Request of the Authority directing investment in such Permitted Investment as a certification by the Authority

to the Trustee that such Permitted Investment is a legal investment under the laws of the State), but only to the extent that the same are acquired at fair market value:

(a) Direct 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 the principal of and interest on which are fully guaranteed by the United States of America, including instruments evidencing a direct ownership interest in securities described in this clause such as Stripped Treasury Coupons rated or assessed in the highest Rating Category by S&P and Moody's and held by a custodian for safekeeping on behalf of holders of such securities.

(b) Bonds or notes which are exempt from federal income taxes and for the payment of which cash or obligations described in clause (a) of this definition in an amount sufficient to pay the principal of, premium, if any, and interest on when due have been irrevocably deposited with a trustee or other fiscal depository and which are rated in the highest rating category by S&P and Moody's.

(c) Obligations, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following: Federal Home Loan Bank System, Government National Mortgage Association, Farmer's Home Administration, Federal Home Loan Mortgage Corporation or Federal Housing Administration; provided that with respect to the funds and accounts established under this Indenture, such obligations shall at no time exceed an amount equal to ten percent (10%) of the aggregate principal amount of the Bonds Outstanding.

(d) Deposit accounts, certificates of deposit or savings accounts (i) fully insured by the Federal Deposit Insurance Corporation or (ii) with banks whose short term obligations are rated no lower than "A-1" by S&P and "P-1" by Moody's including those of the Trustee and its affiliates.

(e) U.S. dollar denominated deposit accounts, unsecured certificates of deposit, and federal funds or banker's acceptances with a maximum term of one year of any bank that has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" by Moody's and "A-1" or "A" or better by S&P (including the Trustee).

(f) Repurchase obligations with a term not exceeding 30 days pursuant to a written agreement between the Trustee and either a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the SIPC or a federally chartered commercial bank whose long-term debt obligations are rated "A" or better by S&P and Moody's, with respect to any security described in clause (a); provided that the securities which are the subject of such repurchase obligation (i) must be free and clear of all liens, (ii) in the case of a SIPC dealer, were not acquired pursuant to a repurchase or reverse repurchase agreement, (iii) must be deposited with the Trustee and maintained through weekly market valuations in an amount equal to 104% of the invested funds plus accrued interest; and further provided that the Trustee must have a valid first perfected security interest in such securities.

(g) Taxable government money market portfolios that have a rating by S&P of "Am-G" or "Am" or better and rated in one of the three highest rating categories of Moody's

consisting of securities issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States, subject to a maximum permissible limit equal to six months of principal and interest on the Bonds including portfolios of the Trustee and its affiliates.

(h) Tax-exempt government money market portfolios that have a rating by S&P of “Am-G” or “Am” or better and rated in one of the three highest rating categories of Moody’s consisting of securities which are rated in the highest Rating Categories of S&P and Moody’s subject to a maximum permissible limit equal to six months of principal and interest on the Bonds.

(i) Money market funds registered under the Investment Company Act of 1940, the shares in which are registered under the Securities Act of 1933 and that have a rating by S&P of “AAAm-G” or “AAAm” and rated in one of the two highest Rating Categories of Moody’s, including those managed or advised by the Trustee or its affiliates.

(j) The Local Agency Investment Fund of the State, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

(k) Investment agreements, including guaranteed investment contracts (“GICs”) forward purchase agreements and reserve fund put agreements with banks or other financial institutions rated, or guaranteed by institutions rated, or with senior unsecured debt rated, by S&P and Moody’s, in one of the two highest rating categories assigned by such agencies.

(l) Any other investments which meet the criteria established by applicable published investment guidelines issued by each Rating Agency then rating the Bonds.

(m) [Any other investments approved by the Bond Insurer in writing.]

Principal Corporate Trust Office

The term “Principal Corporate Trust Office” means the corporate trust office of the Trustee located at 633 West Fifth Street, 24th Floor, Los Angeles, California 90071, Attention: Corporate Trust Services or such other office or offices as the Trustee shall designate from time to time.

Rating Agencies

The term “Rating Agencies” means S&P or, if S&P no longer maintain a rating on the Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Bonds, but, in each instance, only so long as S&P or other nationally recognized rating agency then maintains a rating on the Bonds.

Rebate Fund

The term “Rebate Fund” means the fund by that name established and maintained pursuant to this Trust Agreement.

Record Date

The term “Record Date” means the 15th day of the calendar month immediately preceding each Interest Payment Date.

Redevelopment Agency

The term “Redevelopment Agency” means the Successor Agency to the Redevelopment Agency of the City of El Centro and any successor thereto.

Refunded Bonds

The term “Refunded Bonds” means the El Centro Financing Authority Wastewater Revenue Bonds, 2006 Series A.

Representation Letter

The term “Representation Letter” means the letters and agreements relating to the 2014 Series A Bonds, filed with The Depository Trust Company, New York, New York.

Reserve Account

The term “Reserve Account” means the account by that name established and maintained pursuant to Section 3.03.

Reserve Account Credit Instrument

The term “Reserve Account Credit Instrument” shall have the meaning ascribed to that term in Section 3.03(c).

Reserve Account Requirement

The term “Reserve Account Requirement” means, as of any date of calculation, an amount equal to the least of (i) ten percent (10%) of the original issue price of the 2014 Series A Bonds; (ii) one hundred twenty-five percent (125%) of average Annual Debt Service on the 2014 Series A Bonds as of the Closing Date; and (iii) Maximum Annual Debt Service on all 2014 Series A Bonds Outstanding.

Responsible Officer

The term “Responsible Officer” means any member of the Board of Directors of the Authority or any other person authorized by resolution of the Board of Directors of the Authority to act on behalf of the Authority under or with respect to the Agreement or this Trust Agreement.

Revenues

The term “Revenues” means all Installment Sale Payments and other payments paid by the City and received by the Authority pursuant to the Agreement and all interest or other income

from, any investment of any money in any fund or account (other than the Rebate Fund) pursuant to Section 3.04.

S&P

The term “S&P” means Standard & Poor’s Ratings Service, a corporation organized and existing under the laws of the State of New York, and any successors thereto.

Securities Depositories

The term “Securities Depositories” means The Depository Trust Company, New York, New York and its successors and assigns or if (i) the then Securities Depository resigns from its functions as depository of the Bonds or (ii) the Authority discontinues use of the then Securities Depository, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with the Bonds and which is selected by the Authority in a Written Request of the Authority delivered to the Trustee.

State

The term “State” means the State of California.

Supplemental Trust Agreement

The term “Supplemental Trust Agreement” means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory hereof or supplemental hereto; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized hereunder.

System; Wastewater System

The term “System” means the Wastewater System. The term “Wastewater System” has the meaning ascribed to such term in the Agreement.

Tax Certificate

The term “Tax Certificate” means the Tax Certificate delivered by the Authority and the City at the time of the issuance and delivery of a series of Bonds, as the same may be amended or supplemented in accordance with its terms.

Trust Agreement

The term “Trust Agreement” means this Trust Agreement, dated as of December 1, 2014, between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions hereof.

Trustee

The term “Trustee” means U.S. Bank National Association, or any other association or corporation that may at any time be substituted in its place as provided in Section 5.01.

Written Request of the Authority

The term “Written Request of the Authority” means an instrument in writing signed by the Executive Director of the Authority or by any other officer of the Authority duly authorized by the Authority for that purpose.

2014 Wastewater Project

The term “2014 Wastewater Project” has the meaning ascribed to such term in the Agreement.

SECTION 1.02. Equal Security. In consideration of the acceptance of the Bonds by the Holders thereof, this Trust Agreement shall be deemed to be and shall constitute a contract between the Authority and the Holders from time to time of all Bonds authorized, executed, issued and delivered hereunder and then Outstanding to secure the full and final payment of the interest on and principal of and redemption premiums, if any, on all Bonds which may from time to time be authorized, executed, issued and delivered hereunder, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements and covenants set forth herein to be performed by or on behalf of the Authority shall be for the equal and proportionate benefit, protection and security of all Holders of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, sale, execution, issuance or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II**ISSUANCE OF 2014 SERIES A BONDS**

SECTION 2.01. Authorization and Purpose of 2014 Series A Bonds. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the 2014 Series A Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of the 2014 Series A Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and that the Authority is now duly authorized, pursuant to each and every requirement of the Act, to issue the 2014 Series A Bonds in the form and manner provided herein for the purpose of providing funds to refund the Refunded Bonds and to finance the 2014 Wastewater Project. The 2014 Series A Bonds shall be entitled to the benefit, protection and security of the provisions hereof.

SECTION 2.02. Terms of the 2014 Series A Bonds. The 2014 Series A, Bonds shall be designated “El Centro Financing Authority Wastewater Revenue Refunding Bonds, 2014 Series A” and shall be in the aggregate principal amount of \$[Par Amount]. The 2014 Series A Bonds shall be dated their date of delivery, shall be issued only in fully registered

form in denominations of five thousand dollars (\$5,000) or any integral multiple of five thousand dollars (\$5,000) (not exceeding the principal amount of 2014 Series A Bonds maturing at any one time), and shall mature on the dates and in the principal amounts and bear interest at the rates (based on a 360-day year comprised of twelve 30 day months) as set forth in the following schedule:

Maturity Date (October 1)	Principal Amount	Interest Rate
	\$	%

Except as otherwise provided in the Representation Letter, the principal of the 2014 Series A Bonds shall be payable in lawful money of the United States of America by check at the Principal Corporate Trust Office of the Trustee.

The 2014 Series A Bonds shall bear interest at the rates set forth above, payable semiannually on each Interest Payment Date. Each 2014 Series A Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is an Interest Payment Date, in which event such Bond shall bear interest from such date, or unless such date of authentication is prior to the Record Date for the first Interest Payment Date, in which event such Bond shall bear interest from the Closing Date; provided, however, that if at the time of authentication of any 2014 Series A Bond interest is then in default on the Outstanding 2014 Series A Bonds, such 2014 Series A Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding 2014 Series A Bonds. Except as otherwise provided in the Representation Letter, payment of interest on the 2014 Series A Bonds due on or before the maturity or prior redemption thereof shall be made to the person whose name appears in the 2014 Series A Bonds registration books kept by the Trustee pursuant to Section 2.08 as the registered owner thereof as of the close of business 15 days immediately preceding an Interest Payment Date (the "Record Date"), whether or not such day is a Business Day, such interest to be paid by check mailed by first class mail to such registered owner at the address as it appears in such books.

The Holder of \$1,000,000 or more in aggregate principal amount of 2014 Series A Bonds may request in writing that the Trustee pay the interest thereon by wire transfer to an account in the United States, such request to be filed with the Trustee not later than the applicable Record Date.

Payment of the principal of the 2014 Series A Bonds shall be made upon the surrender thereof at maturity or on redemption prior to maturity at the Principal Corporate Trust Office of the Trustee.

SECTION 2.03. Redemption of 2014 Series A Bonds.

(a) Extraordinary Redemption. The 2014 Series A Bonds are subject to redemption by the Authority on any date prior to their respective stated maturities, upon notice as hereinafter provided, as a whole, or in part, pro rata by maturity, from payments made by the Authority from the Net Proceeds received by the City due to a prepayment of the City's 2014 Installment Sale Payments pursuant to Section 3.03(a) of the Agreement, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

(b) Optional Redemption. The 2014 Series A Bonds maturing on or before October 1, 20__ are not subject to optional redemption prior to their maturities. The 2014 Series A Bonds maturing on or after October 1, 20__ shall be subject to redemption prior to their respective maturities at the option of the Authority from prepaid 2014 Installment Sale Payments under the Agreement on or after October 1, 20__, as a whole or in part (in such maturities as are designated to the Trustee by the Authority or, if the Authority fails to designate such maturities, on a proportional basis among maturities) on any date, at a redemption price of par, together with interest accrued thereon to the date fixed for redemption.

(c) Mandatory Sinking Fund Redemption. [The 2014 Series A Bonds maturing; on October 1, 20, October 1, 20__, October 1, 20__ and October 1, 20__ are also subject to redemption prior to their respective stated maturities, in part by lot, from mandatory sinking account payments deposited in the 20__ Term Bonds Sinking Account, the 20__ Term Bonds Sinking Account, the 20__ Term Bonds Sinking Account and the 20__ Term Bonds Sinking Account, respectively, pursuant to Section 3.03(b), at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.]

If less than all the Outstanding Term Bonds of any maturity are called for redemption at any one time, upon the written direction from the Authority, the Authority shall revise the sinking account payment schedule to reduce mandatory sinking account payments required to be made with respect to such Bonds (in an amount equal to the amount of Outstanding Term Bonds to be redeemed) to the extent practicable, to achieve approximately equal Annual Debt Service on the Bonds Outstanding following such redemption.

(d) Notice of Redemption. The Authority shall give the Trustee written notice of its intention to redeem 2014 Series A Bonds hereunder at least thirty (30) days prior to the date fixed for such redemption. Notice of redemption shall be mailed by first-class mail, by the Trustee, not less than twenty (20) nor more than sixty (60) days prior to the redemption date to (i) the respective Holders of the 2014 Series A Bonds designated for redemption at their

addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) one or more Information Services. Notice of redemption to the Securities Depositories and the Information Services shall be given by first-class mail or facsimile transmission. Each notice of redemption shall state the date of such notice, the redemption price (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the 2014 Series A Bonds of such maturity to be redeemed and, in the case of 2014 Series A Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said 2014 Series A Bonds the redemption price, if any, thereof and in the case of a 2014 Series A Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such 2014 Series A Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice shall not invalidate any of the proceedings taken in connection with such redemption.

If notice of redemption has been duly given and money for the payment of the redemption price of the 2014 Series A Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice 2014 Series A Bonds so called for redemption shall become due and payable, and from and after the date so designated interest on such 2014 Series A Bonds shall cease to accrue, and the Holders of such 2014 Series A Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Any notice given pursuant to this paragraph may be rescinded by written notice given to the Trustee by the Authority and the Trustee shall provide notice of such rescission as soon thereafter as practicable in the same manner, and to the same recipients, as notice of such redemption was given pursuant to this Section, but in no event later than the date set for redemption.

All 2014 Series A Bonds redeemed pursuant to the provisions of this section shall be cancelled and destroyed by the Trustee and shall not be reissued.

SECTION 2.04. Form of 2014 Series A Bonds. The 2014 Series A Bonds and the authentication endorsement and assignment to appear thereon shall be substantially in the forms set forth in Exhibit A hereto attached and by this reference herein incorporated.

SECTION 2.05. Execution of 2014 Series A Bonds. The Executive Director of the Authority, or a Responsible Officer, is hereby authorized and directed to execute each of the 2014 Series A Bonds on behalf of the Authority and the Secretary of the Authority is hereby authorized and directed to countersign each of the 2014 Series A Bonds on behalf of the Authority. The signatures of such Executive Director and Secretary may be manual, printed, or engraved by facsimile reproduction. In case any officer whose signature appears on the 2014 Series A Bonds shall cease to be such officer before the delivery of the 2014 Series A Bonds to the purchaser thereof, such signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until such delivery of the 2014 Series A Bonds.

Only those 2014 Series A Bonds bearing thereon a certificate of authentication in the form hereinbefore recited, executed manually and dated by the Trustee, shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the 2014 Series A Bonds so authenticated and registered have been duly authorized, executed, issued and delivered hereunder and are entitled to the benefit, protection and security hereof.

SECTION 2.06. Transfer and Payment of 2014 Series A Bonds. Any 2014 Series A Bonds may, in accordance with its terms, be transferred in the books required to be kept pursuant to the provisions of Section 2.08 by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such 2014 Series A Bonds for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. Whenever any 2014 Series A Bonds or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of the same series and maturity for a like aggregate principal amount in authorized denominations. The Trustee shall require the payment by the Holder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege.

The Authority and the Trustee may deem and treat the registered owner of any 2014 Series A Bonds as the absolute owner of such 2014 Series A Bonds for the purpose of receiving payment thereof and for all other purposes, whether such 2014 Series A Bonds shall be overdue or not, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and principal of and redemption premium, if any, on such 2014 Series A Bonds shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on such 2014 Series A Bonds to the extent of the sum or sums so paid.

The Trustee shall not be required to issue, register the transfer of or exchange any 2014 Series A Bonds during the fifteen (15) days preceding each Interest Payment Date, or to register the transfer of or exchange any 2014 Series A Bonds which has been selected for redemption in whole or in part, from and after the day of mailing of a notice of redemption of such 2014 Series A Bonds selected for redemption in whole or in part as provided in Section 2.03.

SECTION 2.07. Exchange of 2014 Series A Bonds. 2014 Series A Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee for a like aggregate principal amount of 2014 Series A Bonds of the same series and maturity of other authorized denominations. The Trustee shall require the payment by the Holder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege. The Trustee shall not be required to make any such exchange during the fifteen (15) days preceding each Interest Payment Date.

SECTION 2.08. 2014 Series A Bond Registration Books. The Trustee will keep at its Principal Corporate Trust Office sufficient books for the registration and transfer of the 2014 Series A Bonds which shall at all times be open to inspection by the Authority during regular business hours with reasonable prior notice, and upon presentation for such purpose the

Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the 2014 Series A Bonds in such books as hereinabove provided.

SECTION 2.09. Mutilated, Destroyed, Stolen or Lost 2014 Series A Bonds. If any 2014 Series A Bond shall become mutilated the Trustee at the expense of the Holder shall thereupon authenticate and deliver a new 2014 Series A Bond of like tenor in exchange and substitution for the 2014 Series A Bond so mutilated, but only upon surrender to the Trustee of the 2014 Series A Bond so mutilated. Every mutilated 2014 Series A Bond so surrendered to the Trustee shall be cancelled.

If any 2014 Series A Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Holder, shall thereupon authenticate and deliver, a new 2014 Series A Bond of like tenor in lieu of and in substitution for the 2014 Series A Bond so lost, destroyed or stolen.

The Trustee may require payment of a reasonable sum for each new 2014 Series A Bond issued under this Section 2.09 and of the expenses which may be incurred by the Authority and the Trustee in the premises. Any 2014 Series A Bond issued under the provisions of this Section in lieu of any 2014 Series A Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Bonds of the same series secured by this Trust Agreement. Neither the Authority nor the Trustee shall be required to treat both the original 2014 Series A Bond and any replacement 2014 Series A Bond as being Outstanding for the purpose of determining the principal amount of 2014 Series A Bonds which may be issued hereunder or for the purpose of determining any percentage of 2014 Series A Bonds Outstanding hereunder, but both the original and replacement 2014 Series A Bond shall be treated as one and the same.

SECTION 2.10. Temporary 2014 Series A Bonds. The 2014 Series A Bonds issued under this Trust Agreement may be initially issued in temporary form exchangeable for definitive 2014 Series A Bonds when ready for delivery. The temporary 2014 Series A Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority, shall be in fully registered form and may contain such reference to any of the provisions of this Trust Agreement as may be appropriate. Every temporary 2014 Series A Bond shall be executed and authenticated as authorized by the Authority, in accordance with the terms of the Act. If the Authority issues temporary 2014 Series A Bonds it will execute and furnish definitive 2014 Series A Bonds without delay and thereupon the temporary 2014 Series A Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Corporate Trust Office of the Trustee, and the Trustee shall deliver in exchange for such temporary 2014 Series A Bonds an equal aggregate principal amount of definitive 2014 Series A Bonds of authorized denominations. Until so exchanged, the temporary 2014 Series A Bonds shall be entitled to the same benefits under this Trust Agreement as definitive 2014 Series A Bonds delivered hereunder.

SECTION 2.11. Procedure for the Issuance of 2014 Series A Bonds Deposit and Use of Proceeds of 2014 Series A Bonds and Certain Other Moneys; Deposit to Reserve Account. At any time after the sale of the 2014 Series A Bonds in accordance with the

Act, the Authority shall execute the 2014 Series A Bonds for issuance hereunder and shall deliver them to the Trustee, and thereupon the 2014 Series A Bonds shall be delivered by the Trustee to the purchaser thereof upon the Written Request of the Authority and upon receipt of payment therefor from the purchaser thereof. Upon receipt of payment for the 2014 Series A Bonds from the purchaser thereof in the amount of \$_____, the Trustee shall deposit and transfer the proceeds received from such sale as follows:

(a) The Trustee shall deposit in the Expense Fund, which the Trustee hereby agrees to establish and maintain the initial amount of \$_____. Amounts in the Expense Fund shall be withdrawn by the Trustee for the purpose of paying costs of issuance of the 2014 Series A Bonds, upon a requisition of the Authority specifying the payee, the amount and the purpose of the payment and certifying that the payment has not been previously paid from the Expense Fund. Any amounts remaining on deposit in the Expense Fund on August 1, 2014 shall be withdrawn and transferred to the Trustee for deposit in the Principal Account and the Trustee shall close the Expense Fund.

(b) The Trustee shall deposit in the Wastewater Acquisition Fund, which the Trustee hereby agrees to establish and maintain the initial amount of \$_____. Amounts in the Wastewater Acquisition Fund shall be withdrawn by the Trustee for the purpose of paying costs of the 2014 Wastewater Project, upon a requisition in the form attached hereto as Exhibit B of the City specifying the payee, the amount and the purpose of the payment and certifying that the payment has not been previously paid from the Wastewater Acquisition Fund. Any amounts remaining on deposit in the Wastewater Acquisition Fund upon receipt by the Trustee of a certificate of completion of the 2014 Wastewater Project, stating that the 2014 Wastewater Project has been completed for purpose of this Section 2.11(b), shall be withdrawn and transferred to the Trustee for deposit in the Principal Account.

(c) The Trustee shall transfer to the Escrow Agent for deposit into the escrow fund established under the Escrow Agreement the amount of \$_____.

(d) The Trustee shall \$_____ in the Reserve Account, representing the Reserve Account Requirement.

(e) [The Trustee shall transfer to the Bond Insurer \$_____ to pay the premium for the Bond Insurance Policy.]

SECTION 2.12. Validity of 2014 Series A Bonds. The validity of the issuance of the 2014 Series A Bonds shall not be dependent on or affected in any way by the proceedings taken by the Authority for the refunding of the Refunded Bonds or the financing of the 2014 Wastewater Project or by any contracts made by the Authority or its agents in connection therewith, and shall not be dependent upon the completion of the 2014 Wastewater Project or upon the performance by any person, firm or corporation of his or its obligation with respect thereto. The recital contained in the 2014 Series A Bonds that the same are issued pursuant to the Act and pursuant hereto shall be conclusive evidence of their validity and of the regularity of their issuance, and all 2014 Series A Bonds shall be incontestable from and after their issuance. The 2014 Series A Bonds shall be deemed to be issued, within the meaning hereof, whenever the definitive 2014 Series A Bonds (or any temporary 2014 Series A Bonds

exchangeable therefor) shall have been delivered to the purchaser thereof and the proceeds of sale thereof received.

SECTION 2.13. Special Covenants as to Book-Entry Only System for 2014 Series A Bonds. (a) Except as otherwise provided in subsections (b) and (c) of this Section 2.13, all of the 2014 Series A Bonds initially issued shall be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), or such other nominee as DTC shall request pursuant to the Representation Letter. Payment of the interest on any 2014 Series A Bond registered in the name of Cede & Co. shall be made on each Interest Payment Date for such 2014 Series A Bonds to the account, in the manner and at the address indicated in or pursuant to the Representation Letter.

(b) The 2014 Series A Bonds initially shall be issued in the form of a single authenticated fully registered bond for each stated maturity of such 2014 Series A Bonds, representing the aggregate principal amount of the 2014 Series A Bonds of such maturity. Upon initial issuance, the ownership of all such 2014 Series A Bonds shall be registered in the registration records maintained by the Trustee pursuant to Section 2.08 hereof in the name of Cede & Co., as nominee of DTC, or such other nominee as DTC shall request pursuant to the Representation Letter. The Trustee, the Authority and any paying agent may treat DTC (or its nominee) as the sole and exclusive owner of the 2014 Series A Bonds registered in its name for the purposes of payment of the principal or redemption price of and interest on such 2014 Series A Bonds, selecting the 2014 Series A Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Holders hereunder, registering the transfer of 2014 Series A Bonds, obtaining any consent or other action to be taken by Holders of the 2014 Series A Bonds and for all other purposes whatsoever; and neither the Trustee nor the Authority or any paying agent shall be affected by any notice to the contrary. Neither the Trustee nor the Authority or any paying agent shall have any responsibility or obligation to any Participant (which shall mean, for purposes of this Section 2.13, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the 2014 Series A Bonds under or through DTC or any Participant, or any other person which is not shown on the registration records as being a Holder, with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC or any Participant of any amount in respect of the principal or redemption price of or interest on the 2014 Series A Bonds (iii) any notice which is permitted or required to be given to Holders of 2014 Series A Bonds hereunder, (iv) the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the 2014 Series A Bonds, or (v) any consent given or other action taken by DTC as Holder of 2014 Series A Bonds. The Trustee shall pay all principal of and premium, if any, and interest on the 2014 Series A Bonds only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letter, and all such payments shall be valid and effective to satisfy fully and discharge the Authority’s obligations with respect to the principal of and premium, if any, and interest on the 2014 Series A Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the 2014 Series A Bonds will be transferable to such new nominee in accordance with subsection (f) of this Section 2.13.

(c) In the event that the Authority determines that it is in the best interests of the beneficial owners of the 2014 Series A Bonds that they be able to obtain bond certificates, the Trustee shall, upon the written instruction of the Authority, so notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of bond certificates. In such event, the 2014 Series A Bonds will be transferable in accordance with subsection (f) of this Section 2.13. DTC may determine to discontinue providing its services with respect to the 2014 Series A Bonds at any time by giving written notice of such discontinuance to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the 2014 Series A Bonds will be transferable in accordance with subsection (f) of this Section 2.13. Whenever DTC requests the Authority and the Trustee to do so, the Trustee and the Authority will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all certificates evidencing the 2014 Series A Bonds then Outstanding. In such event, the 2014 Series A Bonds will be transferable to such securities depository in accordance with subsection (f) of this Section 2.13, and thereafter, all references in this Trust Agreement to DTC or its nominee shall be deemed to refer to such successor securities depository and its nominee, as appropriate.

(d) Notwithstanding any other provision of this Trust Agreement to the contrary, so long as all 2014 Series A Bonds Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on each such 2014 Series A Bond and all notices with respect to each such 2014 Series A Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) The Trustee is hereby authorized and requested to execute and deliver the Representation Letter, if required by DTC, and, in connection with any successor nominee for DTC or any successor depository, enter into comparable arrangements, and shall have the same rights with respect to its actions thereunder as it has with respect to its actions under this Trust Agreement.

(f) If any transfer or exchange of 2014 Series A Bonds is authorized under subsection (b) or (c) of this Section 2.13, such transfer or exchange shall be accomplished upon receipt by the Trustee from the registered owner thereof of the 2014 Series A Bonds to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of Sections 2.06 and 2.07 hereof. In the event 2014 Series A Bond certificates are issued to Holders other than Cede & Co., its successor as nominee for DTC as holder of all the 2014 Series A Bonds, another securities depository as holder of all the 2014 Series A Bonds, or the nominee of such successor securities depository, the provisions of Sections 2.06 and 2.07 hereof shall also apply to, among other things, the registration, exchange and transfer of the 2014 Series A Bonds and the method of payment of principal of, premium, if any, and interest on the 2014 Series A Bonds.

ARTICLE III

REVENUES

SECTION 3.01. Pledge of Revenues. All Revenues and any other amounts (including proceeds of the sale of the 2014 Series A Bonds) held by the Trustee in any fund or account established hereunder (other than amounts on deposit in the Rebate Fund created pursuant to Section 4.03) are hereby irrevocably pledged to the payment of the interest and premium, if any, on and principal of the 2014 Series A Bonds as provided herein, and the Revenues shall not be used for any other purpose while any of the 2014 Series A Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys of the Wastewater System there may be applied such sums for such purposes as are permitted hereunder. This pledge shall constitute a first pledge of and charge and lien upon the Revenues and all other moneys on deposit in the funds and accounts established hereunder (other than amounts on deposit in the Rebate Fund created pursuant to Section 4.03) for the payment of the interest on and principal of the Bonds in accordance with the terms hereof and thereof. The Authority hereby assigns to the Trustee all of the Authority's rights and remedies under the Agreement.

SECTION 3.02. Receipt and Deposit of Revenues in the Wastewater Revenue Fund. To carry out and effectuate the pledge, charge and lien contained herein, the Authority agrees and covenants that all Revenues when and as received shall be received by the Authority in trust hereunder for the benefit of the Holders and shall be deposited when and as received by the Authority in a 2014 wastewater revenue fund (the "Wastewater Revenue Fund"), which fund is hereby created and which fund the Authority hereby agrees and covenants to maintain with the Trustee so long as any 2014 Series A Bonds shall be Outstanding hereunder. All Revenues shall be accounted for through and held in trust in the Wastewater Revenue Fund, and the Authority shall have no beneficial right or interest in any of the Revenues except only as herein provided. All Revenues, whether received by the Authority in trust or deposited with the Trustee as herein provided, shall nevertheless be allocated, applied and disbursed solely to the purposes and uses hereinafter in this Article set forth, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority.

SECTION 3.03. Establishment and Maintenance of Accounts for Use of Money in the Wastewater Revenue Fund. Subject to Section 4.03, all money in the Wastewater Revenue Fund shall be, set aside by the Trustee in the following respective special accounts within the Wastewater Revenue Fund (each of which is hereby created and each of which the Authority hereby covenants and agrees to cause to be maintained with the Trustee) in the following order of priority:

- (a) Interest Account,
- (b) Principal Account,
- (c) Reserve Account, and
- (d) Surplus Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this section.

(a) Interest Account. On or before each April 1 and October 1 and any redemption date, the Trustee shall set aside from the Wastewater Revenue Fund and deposit in the Interest Account that amount of money which is equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such April 1 or October 1, as the case may be.

No deposit need be made in the Interest Account if the amount contained therein is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date.

All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity).

(b) Principal Account. On or before each October 1, commencing October 1, 2015, the Trustee shall set aside from the Wastewater Revenue Fund and deposit in the Principal Account an amount of money equal to the aggregate amount of all sinking fund payments required to be made on such October 1 into the respective sinking fund accounts for all Outstanding Term Bonds and the aggregate principal amount of all Outstanding Serial Bonds maturing on such October 1.

No deposit need be made in the Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal of all Outstanding Serial Bonds maturing by their terms on such October 1 plus the aggregate amount of all sinking fund payments required to be made on such October 1 for all Outstanding Term Bonds.

The Trustee shall establish and maintain within the Principal Account a separate subaccount for the Term Bonds of each maturity, designated as the “_____ Sinking Account” (the “Sinking Account”), inserting therein the series (if necessary) and maturity (if more than one such account is established for such series) designation of such Bonds. With respect to each Sinking Account, on each mandatory sinking account payment date established for such Sinking Account, the Trustee shall apply the mandatory sinking account payment required on that date to the redemption (or payment at maturity, as the case may be) of Term Bonds of the maturity for which such Sinking Account was established, upon the notice and in the manner provided in Article II; provided that, at any time prior to giving such notice of such redemption, the Trustee may upon the Written Request of the Authority, apply moneys in such Sinking Account to the purchase of Term Bonds of such maturity at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account), as may be directed by the Authority, except that the purchase price (excluding accrued interest) shall not exceed the redemption price that would be payable for such Bonds upon redemption by application of such Mandatory Sinking Account Payment. If, during the twelve-month period immediately preceding said mandatory sinking account payment date, the Trustee has purchased Term Bonds of such maturity with moneys in such Sinking Account,

such Bonds so purchased shall be applied, to the extent of the full principal amount thereof, to reduce said mandatory sinking account payment.

The Trustee shall establish and maintain within the Principal Account a separate account for the 2014 Series A Term Bonds maturing on October 1, 20__, designated as the 20__ Term Bonds Sinking Account. Subject to the terms and conditions set forth in this Section and Section 2.03(c), the 2014 Series A Term Bonds maturing on October 1, 20__ shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the amounts and upon the dates hereby established for the 20__ Term Bonds Sinking Account as follows:

20__ Term Bonds Sinking Account

Mandatory Sinking Account
Payment Date (October 1)

Mandatory Sinking
Account Payments

* Maturity Date.

The Trustee shall establish and maintain within the Principal Account a separate account for the 2014 Series A Term Bonds maturing on October 1, 20__, designated as the 20__ Term Bonds Sinking Account. Subject to the terms and conditions set forth in this Section and Section 2.03(c), the 2014 Series A Term Bonds maturing on October 1, 20__ shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the amounts and upon the dates hereby established for the 20__ Term Bonds Sinking Account as follows:

20__ Term Bonds Sinking Account

Mandatory Sinking Account
Payment Date (October 1)

Mandatory Sinking
Account Payments

* Maturity Date.

The Trustee shall establish and maintain within the Principal Account a separate account for the 2014 Series A Term Bonds maturing on October 1, 20__, designated as the 20__ Term Bonds Sinking Account. Subject to the terms and conditions set forth in this Section and Section 2.03(c), the 2014 Series A Term Bonds maturing on October 1, 20__ shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the amounts and upon the dates hereby established for the 20__ Term Bonds Sinking Account as follows:

20 Term Bonds Sinking Account

Mandatory Sinking Account
Payment Date (October 1)

Mandatory Sinking
Account Payments

* Maturity Date.

The Trustee shall establish and maintain within the Principal Account a separate account for the 2014 Series A Term Bonds maturing on October 1, 20__, designated as the 20__ Term Bonds Sinking Account. Subject to the terms and conditions set forth in this Section and Section 2.03(c), the 2014 Series A Term Bonds maturing on October 1, 20__ shall be redeemed (or paid at maturity, as the case may be) by application of Mandatory Sinking Account Payments in the amounts and upon the dates hereby established for the 20__ Term Bonds Sinking Account as follows:

20 Term Bonds Sinking Account

Mandatory Sinking Account
Payment Date (October 1)

Mandatory Sinking
Account Payments

* Maturity Date.

All money in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds as they shall become due and payable, whether at maturity or redemption, except that any money in any sinking fund account shall be used and withdrawn by the Trustee only to purchase or to redeem or to pay Term Bonds for which such sinking fund account was created.

(c) Reserve Account.

(1) The Reserve Account Requirement shall initially be satisfied by the deposit of \$_____ into the Reserve Account and reference is made to Section 9.03 hereof. On or before the last day of each month, so long as any 2014 Series A Bonds are Outstanding, beginning in [January 2015], the Trustee shall set aside from the Wastewater Revenue Fund and deposit in the Reserve Account the amount of money that shall be required either (i) to maintain the Reserve Account in the full amount of the Reserve Account Requirement or (ii) to repay any and all obligations due and payable under the terms and conditions of any letter of credit provided for in Section 3.03(c)(2)(A) or insurance policy provided for in Section 3.03(c)(2)(B). No deposit need be made in the Reserve Account so long as there shall be on deposit therein a sum equal to at least the amount required by this Section 3.03(c) to be on deposit therein.

(2) (A) In lieu of making the Reserve Account Requirement deposit in compliance with Section 3.03(c)(1) herein, the Authority may deliver an unconditional, irrevocable letter of credit issued to the Trustee by a financial institution having unsecured debt obligations rated at least “AA” by S&P, in an amount, together with moneys, Permitted Investments, insurance policies or surety bonds (as described in Section 3.03(c)(2)(B)) on deposit in the Reserve Account, equal to the Reserve Account Requirement. Such letter of credit shall be payable in one or more draws upon presentation by the beneficiary of a sight draft accompanied by its certificate that it then holds insufficient funds to make a required payment of principal of or interest on the 2014 Series A Bonds. The draws shall be payable within two days of presentation of the sight draft. Such letter of credit shall have a term no less than three (3) years. The issuer of such letter of credit shall be required to notify the Authority and the Trustee, not later than 30 months prior to the stated expiration date of the letter of credit, as to whether such expiration date shall be extended, and if so, shall indicate the new expiration date. If such notice indicates that the expiration date shall not be extended, the Authority shall deposit in the Reserve Account an amount sufficient to cause the cash or Permitted Investments on deposit in the Reserve Account together with any other irrevocable letter of credit, insurance policy of surety bond for the Reserve Account pursuant to this paragraph (A) or paragraph (B) below (“Reserve Account Credit Instrument”), to equal the Reserve Account Requirement on all outstanding Bonds, such deposit to be paid in equal installments on at least a semi-annual basis over the remaining term of the letter of credit, unless the Reserve Account Credit Instrument is replaced by a Reserve Account Credit Instrument meeting the requirements set forth above. The letter of credit shall permit a draw in full not less than two weeks prior to the expiration or termination of such letter of credit if the letter of credit has not been replaced or renewed. The Trustee is herein directed to draw upon the letter of credit prior to its expiration or termination unless an acceptable replacement is in place or the Reserve Account is fully funded in its required amount.

(B) In lieu of making the Reserve Account Requirement deposit in compliance with Section 3.03(c)(1) herein, or in replacement of moneys then on deposit in the Reserve Account (which shall be transferred by the Trustee to the City), the Authority may also deliver an insurance policy or surety bond issued to the Trustee securing an amount, together with moneys, Permitted Investments or letters of credit on deposit in the Reserve Account, no less than the Reserve Account Requirement, issued by a company licensed to issue an insurance policy guaranteeing timely payment of debt service on the 2014 Series A Bonds (or, with the prior written consent of the Bond Insurer, a company other than a municipal bond insurer) whose claims-paying ability is rated in one of the two highest rating categories of the Rating Agencies. Repayment of any draw under any such insurance policy, and any expenses and accrued interest related to such draw (collectively the “Costs”) shall commence in the first month following each such draw, and shall be paid at the time specified in Section 3.03(c)(1) in an amount not less than one-twelfth (1/12th) of the aggregate of the Costs related to such draw. If and to the extent that cash has also been deposited in the Reserve Account, all such cash shall be used (including any investments purchased with such cash, which shall be liquidated and the proceeds thereof applied as required hereunder) prior to any drawing under the insurance policy. If the Authority shall fail to repay any Costs in accordance herewith, the insurance company issuing

such insurance policy shall be entitled to exercise any and all remedies available at law or hereunder, including but not limited to Article VII hereof, other than (i) an acceleration of the interest on or principal of the 2014 Series A Bonds as provided for in Section 7.01; or (ii) any other remedy which would adversely affect the 2014 Series A Holders. If such insurance policy for any reason lapses or expires, the Authority shall immediately implement the actions described in the preceding paragraph 3.03(c)(2)(A) to replenish the Reserve Account or otherwise make the required deposits to the Reserve Account. The Trustee shall ascertain the necessity for a claim upon any insurance policy and provide notice to the insurance company issuing such policy in accordance with the terms and conditions of such insurance policy not less than five (5) Business Days prior to any April 1 or October 1 upon which such a claim may be made.

(C) The use of any Reserve Account Credit Instrument shall be subject to receipt of an opinion of counsel in form and substance satisfactory to the Bond Insurer as to the due authorization, execution, delivery and enforceability of such instrument in accordance with its terms, subject to applicable laws affecting creditors' rights generally, and, in the event the issuer of such credit instrument is not a domestic entity, an opinion of foreign counsel in form and substance satisfactory to the Bond Insurer. In addition, the use of an irrevocable letter of credit shall be subject to receipt of an opinion of counsel acceptable to the Bond Insurer and in form and substance satisfactory to the Bond Insurer to the effect that payments under such letter of credit would not constitute avoidable preferences under Section 547 of the U.S. Bankruptcy Code or similar state laws with avoidable preference provisions in the event of the filing of a petition for relief under the U.S. Bankruptcy Code or similar state laws by or against the Authority (or any other account party under the letter of credit).

(D) The obligation to reimburse the issuer of a Reserve Account Credit Instrument for any fees, expenses, claims or draws upon such Reserve Account Credit Instrument shall be subordinate to the payment of debt service on the Bonds. The right of the issuer of a Reserve Account Credit Instrument to payment or reimbursement of its fees and expenses shall be subordinated to cash replenishment of the Reserve Account, and, subject to the second succeeding sentence, its right to reimbursement for claims or draws shall be senior to the cash replenishment of the Reserve Account. The Reserve Account Credit Instrument shall provide for a revolving feature under which the amount available thereunder will be reinstated to the extent of any reimbursement of draws or claims paid. If the revolving feature is suspended or terminated for any reason, the right of the issuer of the Reserve Account Credit Instrument to reimbursement will be further subordinated to cash replenishment of the Reserve Account to an amount equal to the difference between the full original amount available under the Reserve Account Credit Instrument and the amount then available for further draws or claims. If (a) the issuer of a Reserve Account Credit Instrument becomes insolvent or (b) the issuer of a Reserve Account Credit Instrument defaults in its payment obligations thereunder or (c) the claims-paying ability of the issuer of the insurance policy or surety bond constituting a Reserve

Account Credit Instrument falls below the two highest rating categories or (d) the rating of the issuer of the letter of credit constituting a Reserve Account Credit Instrument falls below the three highest rating categories, the obligation to reimburse the issuer of the Reserve Account Credit Instrument shall be subordinate to the cash replenishment of the Reserve Account.

(E) If (a) the revolving reinstatement feature described in the preceding paragraph (D) is suspended or terminated or (b) the rating of the claims paying ability of the issuer of the surety bond or insurance policy constituting a Reserve Account Credit Instrument falls below the two highest rating categories or (c) the rating of the issuer of the letter of credit constituting a Reserve Account Credit Instrument falls below the three highest rating categories, the Authority shall either (i) deposit into the Reserve Account an amount sufficient to cause the cash or Permitted Investments on deposit in the Reserve Account to equal the Reserve Account Requirement on all outstanding 2014 Series A Bonds, such amount to be paid over the ensuing five years in equal installments deposited at least semi-annually or (ii) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in any of this Section 3.03(c) within six months of such occurrence. In the event (a) the rating of the claims paying ability of the issuer of the surety bond or insurance policy constituting a Reserve Account Credit Instrument falls below “A,” or (b) the rating of the issuer of the letter of credit constituting a Reserve Account Credit Instrument falls below “A” or (c) the issuer of the Reserve Account Credit Instrument defaults in its payment obligations or (d) the issuer of the Reserve Account Credit Instrument becomes insolvent, the Authority shall either (i) deposit into the Reserve Account an amount sufficient to cause the cash or Permitted Investments on deposit in the Reserve Account to equal to Reserve Account Requirement on all outstanding 2014 Series A Bonds, such amount to be paid over the ensuing year in equal installments on at least a monthly basis or (ii) replace such instrument with a surety bond, insurance policy or letter of credit meeting the requirements in Section 3.03(c)(2)(A) or (B) within six months of such occurrence.

(F) Where applicable, the amount available for draws or claims under the Reserve Account Credit Instrument may be reduced by the amount of cash or Permitted Investments deposited in the Reserve Account pursuant to clause (1) of the preceding subparagraph (E).

(G) If the Authority chooses the above described alternatives to a cash-funded Reserve Account, any amounts owed by the Authority to the issuer of such Reserve Account Credit Instrument as a result of a draw thereon or a claim thereunder, as appropriate, shall be included in any calculation of debt service requirements required to be made pursuant to this Trust Agreement or the Agreement for any purpose.

(H) The Trustee shall ascertain the necessity for a claim or draw upon the Reserve Account Credit Instrument and provide notice to the issuer of the Reserve Account Credit Instrument in accordance with its terms not later

than three days (or such longer period as may be necessary depending on the permitted time period for honoring a draw under the Reserve Account Credit Instrument) prior to each Interest Payment Date.

(I) Cash on deposit in the Reserve Account shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required) prior to any drawing on any Reserve Account Credit Instrument. If and to the extent that more than one Reserve Account Credit Instrument is deposited in the Reserve Account, drawings thereunder and repayments of costs associated therewith shall be made on a pro rata basis, calculated by reference to the maximum amounts available thereunder.

(3) All money in the Reserve Account (including all amounts which may be obtained from letters of credit, insurance policies and surety bonds on deposit in the Reserve Account) shall be used and withdrawn by the Trustee solely for the purpose of replenishing the Interest Account or the Principal Account, in that order, in the event of any deficiency at any time in either of such accounts, but solely for the purpose of paying the interest or principal of or redemption premiums, if any, on the 2014 Series A Bonds or for the retirement of all the 2014 Series A Bonds then Outstanding, except that so long as the Authority is not in default hereunder, any cash amounts in the Reserve Account in excess of the amount required by this subsection (3) to be on deposit therein shall be withdrawn from the Reserve Account and deposited in the Wastewater Revenue Fund.

(4) Whenever the amount on deposit in the Reserve Account falls below the Reserve Account Requirement, the Trustee shall send a notice to the City in writing stating the amount of the deficiency resulting from (i) delinquencies in payments under the Agreement and (ii) a decline in the value of investments in the Reserve Account. Pursuant to Section 3.02(b) of the Agreement, the City shall deposit with the Trustee the requisite amount from the Wastewater Revenue Fund under the Agreement to replenish the Reserve Account. In the event that any part of the deficiency in the Reserve Account is due to a decline in the value of investments in the Reserve Account, such replenishment shall be made from the Wastewater Revenue Fund under the Agreement in proportion to the principal amount of 2014 Installment Sale Payments remaining unpaid under the Agreement, and the written notice from the Trustee shall specify such amount.

(d) Surplus Account. The Trustee, on or before October 1 of each year, beginning on October 1, 2015, shall deposit in the Surplus Account all money remaining in the Wastewater Revenue Fund after the deposits required by Section 4.03 and subsections (a), (b) and (c) of this section have been made. On October 31 of each year, beginning on October 31, 2015, the Trustee, if the Authority is not then in default hereunder, shall disburse the money in the Surplus Account to the City.

SECTION 3.04. Deposit and Investments of Money in Accounts and Funds. Subject to Section 4.03, all money held by the Trustee in any of the accounts or funds established pursuant hereto shall be invested in Permitted Investments at the Written Request of the Authority. If the Authority fails to direct the Trustee to invest any such moneys, they shall be invested in Permitted Investments of the type described in paragraph (i) thereof. All money held

in the Reserve Account shall be invested in Permitted Investments with a term to maturity not exceeding five years or invested in Permitted Investments of the type described in paragraph (k) thereof. All investments hereunder shall be valued by the Trustee semi-annually, as follows: (a) as to investments the bid and asked prices of which are published on a regular basis in The Wall Street Journal (or, if not there, then in The New York Times), the average of the bid and asked prices for such investments so published on or most recently prior to such time of determination; (b) as to investments the bid and asked prices of which are not published on a regular basis in The Wall Street Journal or The New York Times, the average bid price at such time of determination for such investments by any two nationally recognized government securities dealers (selected by the Trustee in its absolute discretion) at the time making a market in such investments or the bid price published by a nationally recognized pricing service; (c) as to certificates of deposit and bankers acceptances, the face amount thereof, plus accrued interest; and (d) as to any investment not specified above, the value thereof established by prior agreement between the Authority, the Trustee and the Bond Insurer.

Subject to Section 4.03, all investment earnings or profits received on any money held in the funds and accounts established hereunder shall be deposited in the Wastewater Revenue Fund (except for investment earnings on the Rebate Fund, which shall be retained therein).

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority with periodic cash transaction statements that include detail for all investment transactions made by the Trustee under this Trust Agreement.

ARTICLE IV

COVENANTS OF THE AUTHORITY

SECTION 4.01. Punctual Payment and Performance. The Authority will punctually pay out of the Revenues the interest on and the principal of and redemption premiums, if any, to become due on every Bond issued hereunder in strict conformity with the terms hereof and of the Bonds, and will faithfully observe and perform all the agreements and covenants to be observed or performed by the Authority contained herein and in the Bonds.

SECTION 4.02. Against Encumbrances. The Authority will not make any pledge of or place any charge or lien upon the Revenues except as provided herein, and will not issue any bonds, notes or obligations payable from the Revenues or secured by a pledge of or charge or lien upon the Revenues except the Bonds.

SECTION 4.03. Tax Covenants.

(a) **Special Definitions.** When used in this Section, the following terms have the following meanings:

“*Computation Date*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Gross Proceeds*”, with respect to an issue of governmental obligations, means any Proceeds of that issue (as defined below), and any “replacement proceeds” of that issue (as defined in section 1.148-1(c) of the Tax Regulations).

“*Investment*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Nonpurpose Investment*” means any “investment property” (as defined in section 148(b) of the Code), in which Gross Proceeds of an issue are invested that is not acquired to carry out the governmental purposes of that issue.

“*Original Facilities*” means any property the acquisition, construction or improvement of which was financed directly or indirectly with Gross Proceeds of the Original Issue.

“*Original Issue*” refers to the El Centro Financing Authority Wastewater Revenue Bonds, 2006 Series A.

“*Proceeds*”, with respect to an issue of governmental obligations, has the meaning set forth in has the meaning set forth in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds of, but not replacement proceeds in respect of, that issue).

“*Rebate Amount*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Tax Regulations*” means the United States Treasury Regulations promulgated pursuant to sections 103 and 141 through 150 of the Code.

“*Yield*” of

(1) any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations; and

(2) the 2014 Series A Bonds has the meaning set forth in section 1.148-4 of the Tax Regulations.

For purposes of this Section, the Authority has treated and will treat Proceeds of the 2014 Series A Bonds as being used, ratably, for the same purposes as were the Proceeds of the Original Issue.

(b) Not to Cause Interest to Become Taxable. The Authority shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) or any of the Original Facilities in a manner that if made or omitted, respectively, might cause the interest on any of the 2014 Series A Bonds to fail to be excluded pursuant to section 103(a) of the Code from the gross income of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Authority receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect such exclusion from gross income of interest on any 2014 Series A Bond, the Authority shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as would not cause any 2014 Series A Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the Authority shall at all times prior to the payment and cancellation of the last 2014 Series A Bond to be paid and canceled:

(1) require that one or more state or local governmental agencies exclusively own, operate and possess all of the Original Facilities, and not use or permit the use of any portion of the Original Facilities (including through contractual arrangements with terms different than those applicable to the general public or otherwise) or of any other property acquired, constructed or improved with Gross Proceeds of the 2014 Series A Bonds or of the Original Issue in any activity carried on by a Nongovernmental Person that would create private business use described in section 141(b)(1) of the Code; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity in respect of the use by any Nongovernmental Person of Gross Proceeds of the 2014 Series A Bonds or of the Original Issue, or any portion of the Original Facilities, other than taxes of general application within the jurisdiction of the Authority or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except as would not cause any 2014 Series A Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the Authority has not used, and shall not use, Proceeds of the Original Issue or of the 2014 Series A Bonds to make or finance any loan to any person or entity other than a state or local government. For purposes of the foregoing covenant, Proceeds are considered to be “loaned” to a person or entity in any transaction that for federal income tax purposes is treated as a loan of such monies, or if: (1) property acquired, constructed or improved with such Proceeds is sold or leased to such person or entity in a transaction that creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits of such Proceeds, or burdens and benefits of ownership of any property acquired, constructed or improved with such Proceeds, are otherwise transferred in a transaction that is the economic equivalent of a loan. For purposes of this covenant, the Authority will treat any transaction constituting a loan of Proceeds of the Original Issue as resulting in a loan of Proceeds of the 2014 Series A Bonds.

(e) No Financing of Nongovernmental Output Property. Except as would not cause any 2014 Series A Bond to be a “private activity bond”, no portion of the Proceeds or the Original Issue have been, and no portion of the Proceeds of the 2014 Series A Bonds will be, used (directly or indirectly) for the acquisition of any interest in any Nongovernmental Output Property. As set forth above, for purposes of the preceding sentence, the Authority will treat Proceeds of the 2014 Series A Bonds as used ratably for the same purposes as were the proceeds of the Original Issue.

(f) Not to Invest at Higher Yield. Except as would not cause any 2014 Series A Bond to become an “arbitrage bond” within the meaning of section 148 of the Code and the Tax Regulations and rulings thereunder, the Authority shall not at any time prior to the final maturity

of the 2014 Series A Bonds directly or indirectly invest Gross Proceeds of the 2014 Series A Bonds in any Investment, if as a result of such investment the Yield of any Investment acquired with such Gross Proceeds, whether then held or previously disposed of, would materially exceed the Yield of such 2014 Series A Bond (within the meaning of said section 148).

(g) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Tax Regulations and rulings thereunder, the Authority shall not take or omit to take any action that would cause any 2014 Series A Bond to be “federally guaranteed” within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.

(h) Information Report. The Authority shall timely file or cause to be filed any information required by section 149(e) of the Code with respect to the 2014 Series A Bonds with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(i) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Tax Regulations and rulings thereunder:

(1) The Authority shall account for all Gross Proceeds of the 2014 Series A Bonds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last 2014 Series A Bond is discharged. However, to the extent permitted by law, the Authority may commingle Gross Proceeds of the 2014 Series A Bonds with its other money, provided that the Authority separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the Authority shall calculate or cause to be calculated the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Tax Regulations and rulings thereunder. The Trustee may rely conclusively upon the Authority’s determinations, calculations and certifications required by this Section. The Trustee shall have no responsibility to independently make any calculation of determination or to review the Authority’s calculations hereunder. The Authority will maintain a copy of the calculation with its official transcript of proceedings relating to the issuance of the 2014 Series A Bonds until six years after the final Computation Date.

(3) To assure the excludability of the interest on 2014 Series A Bonds from the gross income of the owners thereof for federal income tax purposes, the Authority shall deposit in the Rebate Fund and cause the Trustee to pay to the United States the amount that when added to the future value of previous rebate payments made for the 2014 Series A Bonds equals (A) in the case of a Final Computation Date as defined in section 1.148-3(e)(2) of the Tax Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (B) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such a date. In all cases such Rebate payments shall be made by the Authority (or by the Trustee at the direction of the Authority) at the times and in the amounts as are or may be required by section 148(f) of the Code and the Tax

Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder for execution and filing by the Authority.

(4) The Authority shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3) above, and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under section 1.148-3(h) or other provision of the Tax Regulations.

(j) Not to Divert Arbitrage Profits. Except as would not cause the 2014 Series A Bonds to be “arbitrage bonds” under section 148 of the Code, the Authority shall not at any time prior to the final maturity of the 2014 Series A Bonds enter into any transaction that would reduce the amount required to be paid to the United States pursuant to paragraph (h) of this Section because such transaction results in a smaller profit, or a larger loss, than would have resulted if the transaction had been at arm’s length and had the Yield on the 2014 Series A Bonds not been relevant to either party.

(k) 2014 Series A Bonds Not Hedge Bonds.

(1) The Authority represents that none of the bonds of the Original Issue was, and that none of the 2014 Series A Bonds will be, a “hedge bond” within the meaning of section 149(g) of the Code.

(2) Without limitation of the foregoing, the Authority warrants that (A) on each date of issuance of the Original Issue the Authority reasonably expected (based upon its own knowledge and upon representations made by other governmental persons upon the issuance of those obligations) that within the three-year period commencing on such date no less than 85% of the spendable proceeds of the Original Issue would be expended for the governmental purposes thereof, and (B) the Authority believes and represents that at no time was more than 50% of the proceeds of the Original Issue invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more; and further the Authority further represents and warrants, with respect to the application of Proceeds of the 2014 Series A Bonds other than for refunding purposes, (A) the Authority will not issue the 2014 Series A Bonds unless on the date of the issuance of the 2014 Series A Bonds it reasonably expects that within the three-year period commencing on such date of issuance at least 85% of such spendable proceeds of the 2014 Series A Bonds will be expended for the governmental purpose of the 2014 Series A Bonds and (B) at no time will more than 50% of such spendable proceeds of the 2014 Series A Bonds be invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more.

(l) Elections. The Authority hereby directs and authorizes any Responsible Officer to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such Responsible Officer (after consultation with Bond Counsel) deems

necessary or appropriate in connection with the 2014 Series A Bonds, in the Tax Certificate relating to the 2014 Series A Bonds or similar or other appropriate certificate, form or document.

(m) Weighted Average Maturity of the 2014 Series A Bonds. The Authority represents that the weighted average maturity of the 2014 Series A Bonds is not in excess of one-hundred twenty percent (120%) of the average remaining economic life of the Original Facilities, determined in accordance with the provisions of section 147(b) of the Code and within the meaning of section 1313(a)(1)(B)(i) of the Tax Reform Act of 1986 and section 1.148-1(c)(4)(B) of the Treasury Regulations.

(n) Rebate Fund.

(1) In addition to the other funds and accounts created pursuant hereto, the Trustee shall establish and maintain a fund separate from any other fund or account established and maintained hereunder designated the “Rebate Fund” (the “Rebate Fund”) in connection with the 2014 Series A Bonds. Within the Rebate Fund, the Trustee shall maintain such accounts or subaccounts as are specified in a Written Request of the Authority to the Trustee pursuant to the Tax Certificate. The Trustee shall deposit moneys in the Rebate Fund pursuant to a Written Request of the Authority. Subject to the transfer provisions provided in subparagraph (5) below, all money at any time deposited in the Rebate Fund shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the federal government of the United States of America, and none of the Authority, the Trustee or the Holder of any 2014 Series A Bond shall have any right in or claim to such money. All amounts deposited into or on deposit in the Rebate Fund shall be governed by this Section and by the Tax Certificate (which is incorporated herein by reference). The Trustee shall be deemed conclusively to have complied with the provisions of this Section 4.03 and the Tax Certificate if it follows the Written Request of the Authority, including supplying all necessary information in the manner provided in the Tax Certificate, and except as otherwise expressly provided herein, shall not be required to take any actions hereunder in the absence of written directions by the Authority, and shall have no liability or responsibility to enforce compliance by the Authority with the terms of the Tax Certificate or this Section. The Trustee agrees to comply with all Written Requests of the Authority given pursuant to the Tax Certificate.

(2) Upon a Written Request of the Authority, an amount shall be deposited into the Rebate Fund by the Trustee from deposits by the Authority, if and to the extent required, so that the balance of the amount on deposit thereto shall be equal to the Rebate Requirement. Computations of the Rebate Requirement shall be furnished by or on behalf of the Authority in accordance with the Tax Certificate. The Authority shall provide the Trustee with a Certificate of the Authority evidencing that the computation of the Rebate Requirement has been made.

(3) The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section, other than from moneys held in the funds and accounts created hereunder or from other moneys provided to it by the Authority.

(4) The Trustee shall invest all amounts held in the Rebate Fund in Permitted Investments as directed by a Written Request of the Authority. Money, including investment earnings, shall not be transferred from the Rebate Fund except as provided in subparagraph (5) below.

(5) Upon receipt of a Written Request of the Authority, the Trustee shall remit part or all of the amounts in the Rebate Fund to the United States of America, as so directed. In addition, if the Authority so directs, the Trustee will deposit moneys into or transfer moneys out of the Rebate Fund from or into such accounts or fund as directed by the Written Request of the Authority. Any funds remaining in the Rebate Fund in excess of the Rebate Requirement as of the end of any Bond Year shall be transferred to the Interest Account.

(6) Notwithstanding any other provision hereof, including, in particular, Section 8.01, the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of this Section and the Tax Certificate shall survive the defeasance or payment in full of the 2014 Series A Bonds.

SECTION 4.04. Accounting Records and Reports. The Authority will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee, who shall have no duty to inspect, at reasonable hours and under reasonable conditions. Not more than 180 days after the close of each Fiscal Year, the Authority shall furnish or cause to be furnished to the Trustee a complete financial statement covering receipts, disbursements, allocation and application of Revenues for such Fiscal Year. The Trustee shall have no duty to review such financial statements.

SECTION 4.05. Prosecution and Defense of Suits. The Authority will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the Revenues or to the extent involving the failure of the Authority to fulfill its obligations hereunder; provided that the Trustee or any affected Holder at its election may appear in and defend any such suit, action or proceeding. The Authority will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of such failure by the Authority, and will indemnify and hold harmless the Trustee against any attorney's fees or other expenses which it may incur in connection with any litigation to which it may become a party by reason of its actions hereunder, except for any loss, cost, damage or expense resulting from the active or passive negligence or willful misconduct by the Trustee. Notwithstanding any contrary provision hereof, this covenant shall remain in full force and effect even though all Bonds secured hereby may have been fully paid and satisfied.

SECTION 4.06. Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee or any Holder, the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Holders

all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

SECTION 4.07. Continuing Disclosure. The Trustee hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement as applicable to it. Notwithstanding any other provision of this Trust Agreement, failure of the Trustee to comply with the Continuing Disclosure Agreement shall not be considered an event of default; however, the Trustee, to the extent indemnified to its satisfaction from and against any liability or expense, shall, at the written request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Holders of at least 25% aggregate principal amount of Outstanding 2014 Series A Bonds, or any Holder or Beneficial Holder may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Trustee, as the case may be, to comply with its obligations under this Section.

ARTICLE V

THE TRUSTEE

SECTION 5.01. The Trustee. U.S. Bank National Association shall serve as the Trustee for the Bonds for the purpose of receiving all money which the Authority is required to deposit with the Trustee hereunder and for the purpose of allocating, applying and using such money as provided herein and for the purpose of paying the interest on and principal of any redemption premiums, if any, on the Bonds presented for payment at the Principal Corporate Trust Office of the Trustee, with the rights and obligations provided herein. The Authority agrees that it will at all times maintain a Trustee having a corporate trust office in San Francisco or Los Angeles, California.

The Authority may, upon not less than 14 days' prior written notice (which notice may be waived by the Trustee) and with the written consent of the Bond Insurer, unless there exists any event of default as defined in Section 7.01, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor shall be a bank or trust company doing business and having a corporate trust office in San Francisco or Los Angeles, California, having (or if such bank or trust company is a member of a bank holding company system, its bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least seventy-five million dollars (\$75,000,000) and subject to supervision or examination by federal or state authority. If such bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Authority shall remove the Trustee if requested by the Bond Insurer for any material breach of its duties under this Trust Agreement. The Trustee may at any time resign by giving written notice of such resignation to the Authority and by mailing to the Bond Insurer and the Holders notice of such resignation. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing. No resignation or removal of the Trustee shall become effective until a successor, acceptable to the Bond Insurer,

has been appointed and has accepted the duties of Trustee. The Bond insurer shall be furnished with written notice of the resignation or removal of the Trustee and the appointment of any successor thereto. If, within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustees having the qualifications required hereby.

The Trustee is hereby authorized to redeem the Bonds when duly presented for payment at maturity or on redemption prior to maturity. The Trustee shall cancel all Bonds upon payment thereof or upon the surrender thereof by the Authority and shall destroy such Bonds and a certificate of destruction shall be delivered to the Authority. The Trustee shall keep accurate records of all Bonds paid and discharged and cancelled by it.

The Authority shall from time to time, subject to any agreement between the Authority and the Trustee then in force, pay to the Trustee compensation for its services, reimburse the Trustee for all its advances and expenditures including but not limited to advances to and fees and expenses of independent accountants and counsel or other experts employed by it and reasonably required in the exercise and performance of its rights and obligations hereunder, and, to the extent permitted by law, indemnify and hold the Trustee harmless against liabilities, costs, claims, expenses, of any kind whatsoever, including without limitations, fees and expenses of its attorneys and advisors, not arising from the Trustee's own active or passive negligence or willful misconduct, which the Trustee may incur in the exercise and performance of its rights and obligations hereunder. Such indemnity shall survive the resignation or removal of the Trustee and defeasance of the Bonds.

SECTION 5.02. Liability of Trustee. The recitals of facts, agreements and covenants herein and in the Bonds shall be taken as recitals of facts, agreements and covenants of the Authority, and the Trustee assumes no responsibility for the correctness of the same or makes any representation as to the sufficiency or validity hereof or of the Bonds, or shall incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it herein, in the Bonds or in law or equity. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct. The Trustee shall perform only such duties as are expressly provided herein, and no implied duties or obligations shall be read into this Trust Agreement against the Trustee.

The Trustee shall not be bound to recognize any person as the Holder of a Bond unless and until such Bond is submitted for inspection, if required, and his title thereto satisfactorily established, if disputed.

Whenever in the administration of its rights and obligations hereunder the Trustee shall deem it necessary or desirable that a matter be established or proved prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the Authority, which certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the

faith thereof, but in its discretion the Trustee may in lieu thereof accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

The Trustee shall not be liable for any error of judgment made in good faith, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Trust Agreement. The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty.

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Trust Agreement at the request, order or direction of any of the Holders pursuant to the provisions of this Trust Agreement unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities which may be incurred therein or thereby.

The Trustee shall not be deemed to have knowledge of any event of default hereunder or event of default under the Agreement unless and until the President or any Vice President, Assistant Vice President or Trust Officer shall have actual knowledge thereof or shall have received written notice thereof at its Principal Corporate Trust Office. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds or as to the existence of an event of default hereunder.

No provision of this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of its rights or powers. The Trustee has no obligation or liability to the Holders for the payment of interest, principal or redemption premium, if any, with respect to the Bonds.

The Trustee shall not be bound to ascertain or inquire as to the validity or genuineness of any collateral given to or held by it. The Trustee shall not be responsible for the recording or filing of any document relating to this Trust Agreement or of financing statements (or continuation statements in connection therewith) or of any supplemental instruments or documents of further assurance as may be required by law in order to perfect the security interests in any collateral given to or held by it.

The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

The rights given the Trustee under the Agreement are subject in all respects to the privileges and immunities afforded the Trustee under this Trust Agreement.

The Trustee shall be protected in acting upon any notice, requisition, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

The Trustee shall not be bound to recognize any person as the Holder of a Bond unless and until such Bond is submitted for inspection, if required, and his or her title thereto is satisfactorily established, if disputed.

Notwithstanding any other provision of this Trust Agreement, in determining whether the rights of the Holders will be adversely affected by any action pursuant to the terms and provisions of this Trust Agreement, the Trustee shall consider the effect on the Holders as if there were no Bond Insurance Policy.

The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

The Trustee may establish such funds and accounts hereunder as it deems necessary or appropriate to perform its obligations hereunder.

ARTICLE VI

AMENDMENT OF THE TRUST AGREEMENT

SECTION 6.01. Amendment of the Trust Agreement. This Trust Agreement and the rights and obligations of the Authority and of the Holders may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 6.02 and the written consent of the Bond Insurer are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal of or redemption premium, if any, on any Bond without the express written consent of the Holder of such Bond, or (2) permit the creation by the Authority of any pledge of or charge or lien upon the Revenues as provided herein superior to or on a parity with the pledge, charge and lien created hereby for the benefit of the Bonds, or (3) reduce the percentage of Bonds required for the written consent to any such amendment, or (4) modify any rights or obligations of the Trustee, the Authority or the City without their prior written assent thereto, respectively.

This Trust Agreement and the rights and obligations of the Authority and of the Holders may also be amended at any time by a Supplemental Trust Agreement, which shall become binding upon adoption with prior written notice to the Bond Insurer, but without the consent of any Holders and only to the extent permitted by law and after receipt of an approving Opinion of Counsel, for any purpose that will not materially adversely affect the interests of the Holders, including (without limitation) for any one or more of the following purposes:

(a) to add to the agreements and covenants required herein to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority, or to surrender any right or power reserved herein to or conferred herein on the Authority;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Authority may deem desirable or necessary and not inconsistent herewith; or

(c) to add to the agreements and covenants required herein, such agreements and covenants as may be necessary to qualify this Trust Agreement under the Trust Indenture Act of 1939.

Any provision of this Trust Agreement expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner that affects the rights of the Bond Insurer hereunder without the prior written consent of the Bond Insurer.

Notwithstanding the foregoing, any amendment or supplement to this Trust Agreement shall only become effective fifteen (15) days after written notice of such amendment or supplement, together with a copy thereof, has been provided to the Rating Agencies.

SECTION 6.02. Disqualified Bonds. Bonds owned or held by or for the account of the Authority shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in this article, and shall not be entitled to consent to or take any other action provided in this article.

SECTION 6.03. Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the Authority may determine that the Bonds may bear a notation by endorsement in form approved by the Authority as to such action, and in that case upon demand of the Holder of any Outstanding Bonds and presentation of his Bond for such purpose at the corporate trust office of the Trustee a suitable notation as to such action shall be made on such Bond. If the Authority shall so determine, new Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Holder of any Outstanding Bond a new Bond or Bonds shall be exchanged at the corporate trust office of the Trustee without cost to each Holder for its Bond or Bonds then Outstanding upon surrender of such Outstanding Bonds.

SECTION 6.04. Amendment by Mutual Consent. The provisions of this article shall not prevent any Holder from accepting any amendment as to the particular Bonds held by him, provided that due notation thereof is made on such Bonds.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF HOLDERS

SECTION 7.01. Events of Default and Acceleration of Maturities. If one or more of the following events (herein called “events of default”) shall happen, that is to say:

(a) if default shall be made by the Authority in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(b) if default shall be made by the Authority in the due and punctual payment of the principal of or redemption premium, if any, on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed or by proceedings for redemption;

(c) if default shall be made by the Authority in the performance of any of the agreements or covenants required herein to be performed by the Authority, and such default shall have continued for a period of sixty (60) days after the Authority shall have been given notice in writing of such default by the Trustee; or

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

then and in each and every such case during the continuance of such event of default the Trustee may, with the written consent of the Bond Insurer, and shall, at the written direction of the Bond Insurer or the Holders of not less than fifty-one percent (51%) in aggregate principal amount of the Bonds then Outstanding with the written consent of the Bond Insurer, by notice in writing to the Authority, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall become due and payable, anything contained herein or in the Bonds to the contrary notwithstanding. The Trustee shall promptly notify all Holders of any such event of default which is continuing and of which the Trustee has notice pursuant to Section 5.02. Such notice shall include a reference to or a summary of the rights and remedies available to the Holders as set forth herein.

Upon the occurrence and continuance of an event of default, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders and the Trustee for the benefit of the Holders under this Trust Agreement, including, without limitation: (i) the right to accelerate the principal of the Bonds as described above and (ii) the right to annul any declaration of acceleration, and the Bond Insurer shall also be entitled to approve all waivers of events of default hereunder. With respect to any reorganization or

liquidation plan with respect to the Authority must be acceptable to the Bond Insurer, and in such any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Holders absent a default by the Bond Insurer under the Bond Insurance Policy.

In determining whether an event of default has occurred as described in Section 7.01(a) or (b) or whether payment has been made on the 2014 Series A Bonds, payments made under the Bond Insurance Policy shall not be considered.

For all purposes of this Trust Agreement governing events of default and remedies, except for the giving of notice of default to Holders, the Bond Insurer shall be deemed to be the sole holder of the 2014 Series A Bonds it has insured for so long as it has not failed to comply with its payment obligations under the Bond Insurance Policy.

The provision above permitting the declaration of the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately is subject to the condition that if at any time after the principal of the Bonds then Outstanding shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered the Authority shall deposit with the Trustee a sum sufficient to pay all matured interest on all the Bonds and all principal of the Bonds matured prior to such declaration, with interest at the rate borne by such Bonds on such overdue interest and principal, and the reasonable expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of interest on and principal of the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Holders of not less than fifty-one percent (51%) in aggregate principal amount of Bonds then Outstanding with the written consent of the Bond Insurer, by written notice to the Authority and to the Trustee, may on behalf of the Holders of all the Bonds there Outstanding rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

SECTION 7.02. Application of Funds Upon Acceleration. All moneys in the accounts and funds provided in Sections 2.11, 3.02, 3.03 and 3.04 upon the date of the declaration of acceleration by the Trustee as provided in Section 7.01 and all Revenues (other than Revenues on deposit in the Rebate Fund) thereafter received by the Authority hereunder shall be transmitted to the Trustee and shall be applied by the Trustee in the following order:

First, to the payment of the costs and expenses of the Trustee and then to the payment of the costs and expenses of the Holders in providing for the declaration of such event of default, and in carrying out the provisions of this article, including reasonable compensation to their accountants and counsel;

Second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with (to the extent permitted by law) interest on the overdue interest and principal at the rate borne by such Bonds, and in case such money shall be insufficient to pay in full the whole amount so owing

and unpaid upon the Bonds, then to the payment of such interest, principal and (to the extent permitted by law) interest on overdue interest and principal without preference or priority among such interest, principal and interest on overdue interest and principal ratably to the aggregate of such interest, principal and interest on overdue interest and principal; and

[Third, amounts owed to the Bond Insurer not paid pursuant to First and Second above.]

SECTION 7.03. Institution of Legal Proceedings by Trustee. If one or more of the events of default shall happen and be continuing, the Trustee may, and upon the written request of the Holders of a majority in principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Holders of Bonds under this Trust Agreement and under Article V of the Agreement by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties hereunder.

SECTION 7.04. Non-Waiver. Nothing in this article or in any other provision hereof or in the Bonds shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of and redemption premiums, if any, on the Bonds to the respective Holders of the Bonds at the respective dates of maturity or upon prior redemption as provided herein from the Revenues as provided herein pledged for such payment, or shall affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein and in the Bonds.

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

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

SECTION 7.05. Actions by Trustee as Attorney-in-Fact. Any action, proceeding or suit which any Holder shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Holders, whether or not the Trustee is a Holder, and the Trustee is hereby appointed (and the successive Holders, by taking and holding the Bonds issued hereunder, shall be conclusively deemed to have so appointed it) the true and lawful attorney-in-fact of the Holders for the purpose of bringing any such action, proceeding or suit and for the purpose of doing and performing any

and all acts and things for and on behalf of the Holders as a class or classes as may be advisable or necessary in the opinion of the Trustee as such attorney-in-fact.

SECTION 7.06. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

SECTION 7.07. Limitation on Holders' Right to Sue. No Holder of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or equity, for any remedy under or upon this Trust Agreement, unless (a) such Holder shall have previously given to the Trustee written notice of the occurrence of an event of default as defined in Section 7.01 hereunder; (b) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) said Holders shall have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

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

ARTICLE VIII

DEFEASANCE

SECTION 8.01. Discharge of Bonds.

(a) If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof and the redemption premiums, if any, thereon at the times and in the manner stipulated herein and therein, then the Holders of such Bonds shall cease to be entitled to the pledge of and charge and lien upon the Revenues as provided herein, and all agreements, covenants and other obligations of the Authority to the Holders of such Bonds hereunder shall thereupon cease, terminate and become void and be discharged and satisfied. In such event, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, the Trustee shall pay over or deliver to the Authority all money or

securities held by it pursuant hereto which are not required for the payment of the interest on and principal of and redemption premiums, if any, on such Bonds.

(b) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have given to the Trustee in form satisfactory to it irrevocable instructions to provide notice in accordance with Section 2.03, (2) there shall have been deposited with the Trustee either (A) money in an amount which shall be sufficient or (B) Defeasance Obligations, the interest on and principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee at the same time, shall be sufficient, as set forth in a written report of an Independent Certified Public Accountant, to pay when due the interest to become due on such Bonds on and prior to the maturity date or redemption date thereof, as the case may be, and the principal of and redemption premiums, if any, on such Bonds, and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have given the Trustee in form satisfactory to it irrevocable instructions to mail as soon as practicable, a notice to the Holders of such Bonds that the deposit required by clause (2) above has been made with the Trustee and that such Bonds are deemed to have been paid in accordance with this section and stating the maturity date or redemption date upon which money is to be available for the payment of the principal of and redemption premiums, if any, on such Bonds. If a forward supply contract is employed in connection with such defeasance of the Bonds, (i) the written report of the Independent Certified Accountant shall expressly state that the adequacy of the escrow to accomplish the defeasance relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement and this Trust Agreement, the terms of the escrow agreement and this Trust Agreement shall be controlling. No payment under the Bond Insurance Policy shall be deemed a payment on the Bonds under subsection (a) of this section, and if any payments on the Bonds are made pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding until paid in full by the Authority.

(c) Notwithstanding anything to the contrary set forth in this Section 8.01, the obligations of the Authority under this Trust Agreement shall not be discharged or terminated until all Policy Costs owing to the insurance company in accordance with Section 3.03(c)(2)(B) hereof shall have been paid in full.

SECTION 8.02. Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds which remains unclaimed for two (2) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such Bonds have become due and payable, shall be repaid by the Trustee to the Authority as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Holders shall not look to the Trustee for the payment of such Bonds; provided, however,

that before being required to make any such payment to the Authority, the Trustee may, and at the request of the Authority shall, at the expense of the Authority, cause to be published once a week for two (2) successive weeks in a Financial Newspaper of general circulation in San Francisco and in Los Angeles, California and in the same or a similar Financial Newspaper of general circulation in New York, New York a notice that such money remains unclaimed and that, after a date named in such notice, which date shall not be less than thirty (30) days after the date of the first publication of each such notice, the balance of such money then unclaimed will be returned to the Authority.

**ARTICLE IX
PROVISIONS RELATING TO BOND INSURANCE
AND RESERVE POLICY**

SECTION 9.01. [to come if applicable]

ARTICLE X

MISCELLANEOUS

SECTION 10.01. Liability of Authority Limited to Revenues.

Notwithstanding anything contained herein, the Authority shall not be required to advance any money derived from any source other than the Revenues as provided herein for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds or for the performance of any agreements or covenants herein contained. The Authority may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring any indebtedness.

The Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues under this Trust Agreement. Neither the full faith and credit of the Authority nor that of the City or the Redevelopment Agency is pledged for the payment of the interest on or principal of the Bonds and no tax or other source of funds, other than the Revenues, is pledged to pay the interest on or principal of the Bonds. The payment of the principal of or interest on the Bonds does not constitute a debt, liability or obligation of the Authority, the City or the Redevelopment Agency for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

All the Bonds are equally secured by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of and redemption premiums, if any, on the Bonds as provided herein. The Bonds are not a debt of the Authority, the State of California or any of its political subdivisions, and neither the Authority, said State nor any of its political subdivisions is liable thereon, nor in any event shall the Bonds be payable out of any funds or properties other than those of the Authority as provided herein. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory limitation or restriction.

SECTION 10.02. Benefits of the Trust Agreement Limited to Parties.

Nothing contained herein, expressed or implied, is intended to give to any person other than the Authority, the Trustee, the Bond Insurer and the Holders any right, remedy or claim under or by reason hereof. Any agreement or covenant required herein to be performed by or on behalf of the Authority or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee, the Bond Insurer and the Holders.

SECTION 10.03. Notices. Whenever any notice is required to be given

hereunder, such notice shall be mailed, first-class mail, postage prepaid, to the following parties at the following addresses:

If to the Authority: El Centro Financing Authority
1275 Main Street
El Centro, California 92243
Attention: Executive Director

If to the Trustee: U.S. Bank National Association
633 W. Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust Services

If to the Bond Insurer: **[to come if applicable]**
Attention:
Telephone:
Telecopier:

SECTION 10.04. Successor Is Deemed Included In All References To

Predecessor. Whenever herein either the Authority or any member, officer or employee thereof or of the State of California is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions with respect to the Projects that are presently vested in the Authority or such member, officer or employee, and all agreements and covenants required hereby to be performed by or on behalf of the Authority or any member, officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

SECTION 10.05. Execution of Documents by Holders. Any declaration,

request or other instrument which is permitted or required herein to be executed by Holders may be in one or more instruments of similar tenor and may be executed by Holders in person or by their attorneys appointed in writing. The fact and date of the execution by any Holder or his attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to make acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to hire the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer. The ownership of any Bonds and the amount, maturity, number and date of holding the same may be proved by the registration books relating to the Bonds at the corporate trust office of the Trustee.

Any declaration, request or other instrument or writing of the Holder of any Bond shall bind all future Holders of such Bond with respect to anything done or suffered to be done by the Authority in good faith and in accordance therewith.

SECTION 10.06. Waiver of Personal Liability. No member, officer or employee of the Authority or the City shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds by reason of their issuance, but nothing herein contained shall relieve any such member, officer or employee from the performance of any official duty provided by the Act or any other applicable provisions of law or hereby.

SECTION 10.07. Acquisition of Bonds by Authority. All Bonds acquired by the Authority, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

SECTION 10.08. Destruction of Cancelled Bonds. Whenever provision is made for the return to the Authority of any Bonds which have been cancelled pursuant to the provisions hereof, the Authority may, by a Written Request of the Authority, direct the Trustee to destroy such Bonds and furnish to the Authority a certificate of such destruction.

SECTION 10.09. Content of Certificates. Every Certificate of the Authority, with respect to compliance with any agreement, condition, covenant or provision provided herein shall include (a) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or provision has been complied with, and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or provision has been complied with.

Any Certificate of the Authority may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person making or giving such certificate knows that the Opinion of Counsel with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters information with respect to which is in the possession of the Authority, upon a representation by an officer or officers of the Authority unless the counsel executing such Opinion of Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

SECTION 10.10. Publication for Successive Weeks. Any publication required to be made hereunder for successive weeks in a Financial Newspaper may be made in each instance upon any Business Day of the first week and need not be made on the same Business Day of any succeeding week or in the same Financial Newspaper for any subsequent

publication, but may be made on different Business Days or in different Financial Newspapers, as the case may be.

SECTION 10.11. Accounts and Funds; Business Days. Any account or fund required herein to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such accounts and funds shall at all times be maintained in accordance with sound industry practice and with due regard for the protection of the security of the Bonds and the rights of the Holders. Any action required to occur hereunder on a day which is not a Business Day shall be required to occur on the next succeeding Business Day.

SECTION 10.12. Article and Section Headings and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith,” “hereunder” and other words of similar import refer to this Trust Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

SECTION 10.13. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority or the Trustee shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of the Bonds, and the Holders shall retain all the benefit, protection and security afforded to them under the Act or any other applicable provisions of law. The Authority and the Trustee hereby declare that they would have executed and delivered this Trust Agreement and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 10.14. Execution in Several Counterparts. This Trust Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

SECTION 10.15. Amendments to Agreement. The Authority shall not supplement, amend, modify or terminate any of the terms of the Agreement, or consent to any such supplement, amendment, modification or termination, without the written consent of the

Trustee and the Bond Insurer. The Trustee shall give such written consent only if (a) such supplement, amendment, modification or termination will not materially adversely affect the interests of the Holders or result in any material impairment of the security hereby given for the payment of the Bonds, or (b) the Trustee first obtains the written consent of the Holders of a majority in principal amount of the Bonds then Outstanding to such supplement, amendment, modification or termination; provided, that no such supplement, amendment, modification or termination shall reduce the amount of 2014 Installment Sale Payments to be made to the Authority or the Trustee by the City pursuant to the Agreement, or extend the time for making such payments, or permit the creation of any lien prior to or on a parity with the lien created by the Agreement on Revenues (except as expressly provided in the Agreement), in each case without the written, consent of all of the Holders of the Bonds then Outstanding.

SECTION 10.16. Governing Law. The terms and provisions of this Trust Agreement shall be governed by the laws of the State.

IN WITNESS WHEREOF, the EL CENTRO FINANCING AUTHORITY has caused this Trust Agreement to be signed in its name by its Chairperson and attested by its Secretary in token of its acceptance of the trusts created hereunder, has caused this Trust Agreement to be signed and attested by its duly authorized officers, all as of the day and year first above written.

EL CENTRO FINANCING AUTHORITY

By: _____
Chairperson

ATTEST:

Secretary

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Authorized Officer

EXHIBIT A

[FORM OF 2014 SERIES A BOND]

**EL CENTRO FINANCING AUTHORITY
WASTEWATER REVENUE REFUNDING BOND
2014 SERIES A**

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK (“DTC”), TO THE EL CENTRO FINANCING AUTHORITY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

No. R-_____ \$_____

<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP</u>
	October 1, 20__	_____, 2014	

REGISTERED OWNER:

PRINCIPAL SUM: _____ DOLLARS

The EL CENTRO FINANCING AUTHORITY, a joint exercise of powers authority, duly organized and validly existing under and pursuant to the laws of the State of California (the “Authority”), for value received hereby, promises to pay (but only out of the Revenues hereinafter referred to) to the registered owner identified above or registered assigns, on the maturity date specified above (subject to any right of prior redemption hereinafter provided for) the principal sum specified above, together with interest on such principal sum from the Interest Payment Date (as hereinafter defined) next preceding the date of registration of this Bond (unless this Bond is registered as of an Interest Payment Date, in which event it shall bear interest from that date, or unless this Bond is registered prior to the Record Date for the first Interest Payment Date, in which event it shall bear interest from the Dated Date specified above) until the principal hereof shall have been paid at the interest rate per annum specified above, payable on April 1, 2015, and semiannually thereafter on each April 1 and October 1 (each an “Interest

Payment Date”). Interest due on or before the maturity or prior redemption of this Bond shall be payable by check mailed by first class mail by U.S. Bank National Association, as trustee (the “Trustee”) to the registered owner hereof, provided that the Holders of \$1,000,000 or more in aggregate principal amount of Bonds may request in writing that the Trustee pay the interest thereon by wire transfer to an account in the United States and the Trustee shall comply with such request following the fifteenth day after receipt of such request. The principal hereof is payable in lawful money of the United States of America at the Principal Corporate Trust Office of the Trustee.

This Bond is one of a duly authorized issue of bonds of the Authority designated as its “Wastewater Revenue Refunding Bonds, 2014 Series A” (the “Bonds”) in aggregate principal amount of \$[Par Amount], all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, maturities and interest rates), and is issued under and pursuant to the provisions of the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended) and all laws amendatory thereof or supplemental thereto (the “Act”) and under and pursuant to the provisions of a Trust Agreement, dated as of December 1, 2014 (the “Trust Agreement”), between the Authority and the Trustee (copies of which are on file at the Principal Corporate Trust Office of the Trustee).

The Bonds are limited obligations of the Authority and are payable, as to interest thereon and principal thereof, solely from certain proceeds of the Bonds held in certain funds and accounts pursuant to the Trust Agreement and the revenues (the “Revenues”) derived from Installment Sale Payments and other payments made by the City of El Centro (the “City”) and all interest or other investment income, pursuant to the 2014 Wastewater Installment Sale Agreement, dated as of December 1, 2014 (the “Agreement”), between the Authority and the City, and the Authority is not obligated to pay interest on and principal of the Bonds except from the Revenues. All Bonds are equally and ratably secured in accordance with the terms and conditions of the Trust Agreement by a pledge of and charge and lien upon the Revenues, and the Revenues constitute a trust fund for the security and payment of the interest on and principal of the Bonds as provided in the Trust Agreement.

The Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues under the Trust Agreement. Neither the full faith and credit of the Authority nor that of the City or the Successor Agency to the Redevelopment Agency of the City of El Centro (the “Redevelopment Agency”) is pledged for the payment of the interest on or principal of the Bonds and no tax or other source of funds, other than the Revenues, is pledged to pay the interest on or principal of the Bonds. The payment of the principal of or interest on the Bonds does not constitute a debt, liability or obligation of the Authority, the City or the Redevelopment Agency for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

Reference is hereby made to the Act and to the Trust Agreement and any and all amendments thereof and supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, the rights of the registered owners of the Bonds, security for payment of the Bonds, remedies upon default and

limitations thereon, and amendment of the Trust Agreement (with or without consent of the registered owners of the Bonds); and all the terms of the Trust Agreement are hereby incorporated herein and constitute a contract between the Authority and the registered owner of this Bond, to all the provisions of which the registered owner of this Bond, by acceptance hereof, agrees and consents.

The Bonds are subject to redemption by the Authority on any date prior to their respective stated maturities, at the times, in the amounts, at the redemption prices and upon notice as provided in the Trust Agreement.

If an event of default, as defined in the Trust Agreement, shall occur, the principal of all Bonds (and any additional bonds authorized by the Trust Agreement) may be declared due and payable upon the conditions, in the manner and with the effect provided in the Trust Agreement; except that the Trust Agreement provides that in certain events such declaration and its consequences may be rescinded under the circumstances as provided therein.

This Bond is transferable on a register to be kept for that purpose at the above-mentioned office of the Trustee by the registered owner hereof in person or by his duly authorized attorney upon payment of the charges provided in the Trust Agreement and upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new fully registered Bond or Bonds in the same aggregate principal amount in authorized denominations will be issued to the transferee in exchange therefor. The Authority and the Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest hereon and principal hereof and for all other purposes, whether or not this Bond shall be overdue, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary, and payment of the interest on and principal of this Bond shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Bond to the extent of the sum or sums so paid.

This Bond shall not be entitled to any benefit, protection or security under the Trust Agreement or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been executed and dated by the Trustee.

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution or laws of the State of California and is not in excess of the amount of Bonds permitted to be issued under the Trust Agreement.

STATEMENT OF INSURANCE

[to come if applicable]

Attachment: Trust Agreement - 2014 El Centro Wastewater Refunding (2) (1140 : Approve authorizing the issuance of Water & Wastewater

IN WITNESS WHEREOF, the El Centro Financing Authority has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of the Chairperson of the Authority and countersigned by the manual or facsimile signature of the Secretary of the Authority, and has caused this Bond to be dated as of the original issue date specified above.

EL CENTRO FINANCING AUTHORITY

By: _____
Chairperson

Countersigned:

Secretary

Attachment: Trust Agreement - 2014 El Centro Wastewater Refunding (2) (1140 : Approve authorizing the issuance of Water & Wastewater

[FORM OF CERTIFICATE OF AUTHENTICATION
TO APPEAR ON 2014 SERIES A BONDS]

This is one of the Bonds described in the within-mentioned Trust Agreement which has been authenticated on _____, 20__.

U.S. BANK NATIONAL ASSOCIATION, as
Trustee

By: _____
Authorized Officer

[FORM OF ASSIGNMENT TO
APPEAR ON 2014 SERIES A BONDS]

For value received the undersigned hereby sells, assigns and transfers unto _____ the within bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

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

Signature Guaranteed: _____

Notice: Signature must be guaranteed by an eligible guarantor institution.

Attachment: Trust Agreement - 2014 El Centro Wastewater Refunding (2) (1140 : Approve authorizing the issuance of Water & Wastewater

EXHIBIT B
FORM OF REQUISITION

I. Requisition No.: _____.

II. The City of El Centro (the "City") hereby requests U.S. Bank National Association, as trustee (the "Trustee") pursuant to that certain Trust Agreement, dated as of December 1, 2014 (the "Trust Agreement") between the City and the Trustee, to pay from the moneys in the Water Acquisition Fund established pursuant to Section 2.11 of the Trust Agreement, upon receipt of an invoice therefor, an amount not to exceed the total amount shown on Schedule I attached hereto to the order of the persons shown therein, as reimbursement for the costs incurred or expenditures made in connection with the 2014 Water Project.

III. The payees, the purpose for which the cost has been incurred, and the amount of the disbursement requested are itemized on Schedule I hereto.

IV. Each obligation mentioned in Schedule I hereto has been properly incurred and is a proper charge against the Water Acquisition Fund. None of the items for which payment is requested has been reimbursed previously from the Water Acquisition Fund.

Dated: _____, 20__

CITY OF EL CENTRO

By: _____
Authorized Officer

Attachment: Trust Agreement - 2014 El Centro Wastewater Refunding (2) (1140 : Approve authorizing the issuance of Water & Wastewater

Schedule I

Payee	Purpose	Amount

Attachment: Trust Agreement - 2014 El Centro Wastewater Refunding (2) (1140 : Approve authorizing the issuance of Water & Wastewater

2014 WATER INSTALLMENT SALE AGREEMENT

between the

CITY OF EL CENTRO,
as Purchaser

and the

EL CENTRO FINANCING AUTHORITY,
as Seller

Dated as of December 1, 2014

[\$Par Amount]
El Centro Financing Authority
Water Revenue Refunding Bonds,
2014 Series A

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Attachment: Installment Sale Agreement - 2014 El Centro Water Refunding (2) (1140 : Approve authorizing the issuance of Water & Wastewater

2014 WATER INSTALLMENT SALE AGREEMENT

This 2014 WATER INSTALLMENT SALE AGREEMENT, dated as of December 1, 2014 (this “2014 Installment Sale Agreement”), by and between the CITY OF EL CENTRO, a charter city duly organized and existing under and by virtue of the laws of the State of California (the “City”), and the EL CENTRO FINANCING AUTHORITY (the “Authority”), a joint powers authority duly organized and existing under and by virtue of the laws of the State of California;

W I T N E S S E T H:

WHEREAS, the City has determined that refunding the El Centro Financing Authority Water Revenue Bonds, 2006 Series A, currently outstanding in the aggregate principal amount of \$_____ (the “Refunded Bonds”), and the acquisition and construction of certain additions, betterments, extensions and improvements as hereinafter described (the “2014 Water Project”) to its municipal Water System is necessary and proper for City purposes and uses under the terms of applicable law and are for the common benefit of the City as a whole; and

WHEREAS, to refund the Refunded Bonds, the Authority has determined to issue and sell its Water Revenue Refunding Bonds, 2014 Series A (the “2014 Series A Bonds”) in the aggregate principal amount of \$[Par Amount], pursuant to and secured by a Trust Agreement, dated as of December 1, 2014 (the “Trust Agreement”), by and between the Authority and U.S. Bank National Association, as Trustee (the “Trustee”); and

WHEREAS, the Authority has determined to acquire and sell the 2014 Water Project to the City; and

WHEREAS, the City has determined to make installment sale payments as hereinafter described to the Authority for the purchase of the 2014 Water Project and the incidental costs and expenses related thereto paid by the Authority; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this 2014 Installment Sale Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this 2014 Installment Sale Agreement;

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

ARTICLE I
DEFINITIONS

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any opinion or report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Accountant's Report

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

Accreted Value

“Accreted Value” means, with respect to any Capital Appreciation Bonds or Capital Appreciation Certificates, as of the date of calculation, the initial amount thereof plus the interest accrued thereon to such date of calculation, compounded from the date of initial delivery at the approximate interest rate thereof on each April 1 and October 1, as determined in accordance with the table of accreted values for any Capital Appreciation Bonds or Capital Appreciation Certificates prepared by the City at the time of sale thereof, assuming in any year that such Accreted Value increases in equal daily amounts on the basis of a year of three hundred sixty (360) days composed of twelve (12) months of thirty (30) days each.

Acquisition Fund

“Acquisition Fund” means the Water Acquisition Fund by that name established pursuant to Section 2.11(b) of the Trust Agreement.

Adjusted Water Revenues

“Adjusted Water Revenues” means the total amount of Water Revenues for a particular period, excluding all connection fees and charges for such period.

Authority

“Authority” means the El Centro Financing Authority, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California and a Joint Exercise of Powers Agreement, dated July 1, 1996, between the Successor Agency to the Redevelopment Agency of the City of El Centro, formerly the Redevelopment Agency of the City of El Centro and the City, as supplemented and amended.

Bonds

“Bonds” means the 2014 Series A Bonds and all revenue bonds of the City authorized, executed, issued and delivered by the City under and pursuant to applicable law, the

interest and principal and redemption premium, if any, payments under and pursuant to which are payable from Water Revenues on a parity with the payment of the 2014 Installment Sale Payments.

Business Day

“Business Day” means a day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in the city in which the Trustee maintains its Principal Corporate Trust Office are authorized or required by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed.

Capital Appreciation Bonds

“Capital Appreciation Bonds” means any Bonds described as such when issued.

Capital Appreciation Certificates

“Capital Appreciation Certificates” means any certificates of participation in Installment Sale Payments described as such when issued.

Certificates

“Certificates” means any certificates of participation representing interests in payments to be made by the City executed and delivered by the Trustee under and pursuant to a trust agreement.

City

“City” means the City of El Centro, a charter city duly organized and existing under and by virtue of the laws and Constitution of the State of California.

Code

“Code” means the Internal Revenue Code of 1986.

Closing Date

“Closing Date” means December ____, 2014, being the date of delivery of the 2014 Series A Bonds.

Continuing Disclosure Agreement

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated December 1, 2014, by and among the City, the Trustee and the Dissemination Agent, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

Contracts

“Contracts” means all installment sale contracts, capital leases or similar obligations of the City authorized and executed by the City under and pursuant to applicable law, the interest and principal and prepayment premium, if any, payments under and pursuant to which are payable from Water Revenues on a parity with the payment of the 2014 Installment Sale Payments.

Debt Service

“Debt Service” means, for any Fiscal Year, the sum of (1) the interest accruing during such Fiscal Year on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), (2) that portion of the principal amount of all outstanding serial Bonds maturing on the next succeeding principal payment date that would have accrued during such Fiscal Year if such principal amount were deemed to accrue daily in equal amounts from the next preceding principal payment date or during the year preceding the first principal payment date, as the case may be, (3) that portion of the principal amount of all outstanding term Bonds required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, thereon) that would have accrued during such Fiscal Year if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the year preceding the first redemption date, as the case may be, and (4) that portion of the Installment Sale Payments required to be made at the times provided in the Contracts that would have accrued during such Fiscal Year if such Installment Sale Payments were deemed to accrue daily in equal amounts from, in each case, the next preceding Installment Sale Payment Date of interest or principal or the date of the pertinent Contract, as the case may be; provided, that (a) if any of such Bonds are Capital Appreciation Bonds or if the Installment Sale Payments due under any of such Contracts are evidenced by Capital Appreciation Certificates, then the Accreted Value payment shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond or Capital Appreciation Certificate; (b) if any of such Bonds or if the Installment Sale Payments due under any such Contracts bear interest payable pursuant to a variable interest rate formula, the interest rate on such Bonds or such Contracts for periods when the actual interest rate cannot yet be determined, shall be assumed to be equal to the greater of (i) the actual rate on the date of calculation, or if such Bonds or Contracts are not yet outstanding, the initial rate (if then established and binding), (ii) if the Bonds or Contracts have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii)(1) if interest on such Bonds or Contracts is excludable from gross income under the applicable provisions of the Code, the most recently published “Bond Buyer 25 Bond Revenue Index” (or comparable index if no longer published) plus fifty (50) basis points, or (2) if interest is not so excludable, the interest rate on direct U.S. Treasury obligations with comparable maturities plus fifty (50) basis points; (c) if any of such Bonds or Contracts is secured by an irrevocable letter of credit issued by a bank having a combined capital and surplus of at least one hundred million dollars (\$100,000,000), the principal payments or deposits with respect to such Bonds or Contracts nominally due in the last Fiscal Year in which such Bonds or Contracts

mature may, at the option of the City, be treated as if they were due as specified in any loan agreement or reimbursement agreement issued in connection with such letter of credit or pursuant to the repayment provisions of such letter of credit and interest on such Bonds or Contracts after such Fiscal Year shall be assumed to be payable pursuant to the terms of such loan agreement or reimbursement agreement or repayment provisions and (d) if any of such Bonds or Contracts is not secured by a letter of credit as described in clause (c) of this definition and 20% or more of the original principal of such Bonds or the Installment Payments due under such Contracts is not due until the final stated maturity of such Bonds or the Installment Payments due under such Contracts, such principal may, at the option of the City, be treated as if it were due based upon a level amortization of such principal over the term of such Bonds or Installment Payments or twenty-five (25) years, whichever is greater.

Director of Finance

“Director of Finance” means the Director of Finance of the City or its successor designated by the City Council.

Engineer’s Report

“Engineer’s Report” means a report signed by an Independent Engineer.

Event of Default

“Event of Default” means an event described in Section 6.01.

Fiscal Year

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other annual accounting period hereafter selected and designated by the City Council of the City as the Fiscal Year of the City.

Generally Accepted Accounting Principles

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

Independent Certified Public Accountant

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

Independent Engineer

“Independent Engineer” means any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to Water systems, appointed and paid by the City, and who or each of whom —

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

Installment Sale Payments; 2014 Installment Sale Payments

“Installment Sale Payments” means the installment sale, rental or other periodic payments scheduled to be paid by the City under and pursuant to the Contracts. “2014 Installment Sale Payments” means the Installment Sale Payments scheduled to be paid by the City under and pursuant to this 2014 Installment Sale Agreement.

Installment Sale Payment Date; 2014 Installment Sale Payment Date

“Installment Sale Payment Date” means any date on which Installment Sale Payments are scheduled to be paid by the City under and pursuant to any Contract. “2014 Installment Sale Payment Date” means any date on which 2014 Installment Sale Payments are scheduled to be paid by the City under and pursuant to this 2014 Installment Sale Agreement.

Insurance Consultant

“Insurance Consultant” means any insurance consultant or firm of insurance consultants generally recognized to be well qualified in insurance consulting matters relating to Water and other municipal systems, appointed and paid by the City, and who or each of whom:

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

Maintenance and Operation Costs

“Maintenance and Operation Costs” means the reasonable and necessary costs paid or incurred by the City for maintaining and operating the Water System, determined in accordance with Generally Accepted Accounting Principles, including all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System

in good repair and working order, and including all administrative costs of the City that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the issuance of any Bonds or of such Bonds, or of any resolution authorizing the execution of any Contract or of such Contract, such as compensation, reimbursement and indemnification of the trustee for any such Bonds or Contracts and fees and expenses of Independent Certified Public Accountants and Independent Engineers, Insurance Consultants and the Director of Finance, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, amortization of intangibles and intergovernmental transfers by the City which are not reimbursements or payments for overhead or other administrative expenses incurred by the City.

Maximum Annual Debt Service

“Maximum Annual Debt Service” means the greatest total Debt Service payable in any Fiscal Year during the period commencing with the next ensuing Fiscal Year and terminating with the Fiscal Year in which payments are due under the last outstanding Bonds or the last outstanding Contract, whichever is later.

Net Proceeds

“Net Proceeds” means, when used with respect to any condemnation award or with respect to any insurance proceeds, the amount of such condemnation award or such insurance proceeds remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such award or such proceeds.

Net Water Revenues

“Net Water Revenues” means, for any Fiscal Year, the Water Revenues during such Fiscal Year less the Maintenance and Operation Costs during such Fiscal Year.

Opinion of Counsel

“Opinion of Counsel” means a written opinion of counsel of national representation generally recognized to be well qualified in the field of law relating to municipal bonds, retained by the City.

Principal Corporate Trust Office

The term “Principal Corporate Trust Office” means the corporate trust office of the Trustee located in Los Angeles, California, or such other office or offices in California, as the Trustee shall designate from time to time.

Purchase Price

“Purchase Price” means the principal amount plus the interest thereon owed by the City to the Authority under the conditions and terms hereof for the payment of the costs of

the design, acquisition, construction and equipping of the 2014 Water Project and the incidental costs and expenses related thereto paid by the Authority.

Rate Stabilization Fund

“Rate Stabilization Fund” means the fund by that name established pursuant to Section 3.02 hereof.

Reserve Account

“Reserve Account” means the fund by that name established pursuant to Section 3.03(c) of the Trust Agreement.

Treasurer of the Authority

“Treasurer of the Authority” means the Treasurer of the Authority or its successor designated by the Authority.

Trust Agreement

“Trust Agreement” means that certain Trust Agreement dated as of December 1, 2014, by and between the Trustee and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

Trustee

“Trustee” means U.S. Bank National Association, at its Principal Corporate Trust Office, acting in its capacity as trustee under and pursuant to the Trust Agreement, and its successors and assigns as provided in the Trust Agreement.

Water Revenue Fund

“Water Revenue Fund” means the fund by that name established pursuant to Section 3.02 hereof.

Water Revenues

“Water Revenues” means all gross income and revenue received or receivable by the City from the ownership or operation of the Water System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including capacity fees and charges and connection fees and charges) received by the City for the Water Service and the other services of the Water System and all other income and revenue howsoever derived by the City from the ownership or operation of the Water System or arising from the Water System, and also including (1) all income from the deposit or investment of any money in the Water Revenue Fund and the Rate Stabilization Fund and (2) deposits to the Water Revenue Fund from amounts on deposit in the Rate Stabilization Fund, but only as and to the extent specified in Section 3.02(c), but excluding in all cases any proceeds of taxes and any refundable

front footage charges and refundable deposits made to establish credit and advances or contributions in aid of construction.

Water Service

“Water Service” means the municipal Water service furnished, made available or provided by the Water System.

Water System

“Water System” means all facilities for the conveyance and treatment of water 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 Water System, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed.

2014 Installment Sale Agreement

“2014 Installment Sale Agreement” means this installment sale agreement by and between the City and the Authority, dated as of December 1, 2014, as originally executed and as it may from time to time be amended or supplemented in accordance herewith and with the terms of the Trust Agreement.

2014 Installment Sale Payment Fund

“2014 Installment Sale Payment Fund” means the fund by that name established pursuant to Section 3.02 hereof.

2014 Installment Sale Payment Year

“2014 Installment Sale Payment Year” means the twelve-month period ending on October 1 of each year.

2014 Water Project

“2014 Water Project” means any additions, betterments, extensions or improvements to the Water System designated by the City Council of the City as a designated Water Project, the design, acquisition or construction of which (together with the incidental costs and expenses related thereto) will be financed or refinanced by the proceeds of the 2014 Series A Bonds, including _____.

ARTICLE II

THE 2014 WATER PROJECT

SECTION 2.01. Design, Acquisition, Construction and Sale of the 2014 Water Project. The Authority hereby agrees to design, acquire, construct and equip the 2014 Water Project for, and to sell the 2014 Water Project to, the City. To implement this provision, the Authority hereby appoints the City as its agent for the purpose of such design, acquisition, construction and equipping, and the City hereby agrees to enter into such engineering, design and construction contracts and purchase orders as may be necessary, as agent for the Authority, to provide for the complete design, acquisition, construction and equipping of the 2014 Water Project. The City hereby agrees that as such agent it will cause the acquisition, construction and equipping of the 2014 Water Project to be diligently completed after the deposit of funds in the Water Acquisition Fund for such purpose pursuant to Section 2.11 of the Trust Agreement, and that it will use its best efforts to cause the design, acquisition, construction and equipping of the 2014 Water Project to be completed as soon as reasonably practicable. The Authority hereby agrees to sell, and hereby sells, the 2014 Water Project to the City. The City hereby agrees to purchase, and hereby purchases, the 2014 Water Project from the Authority on the terms and conditions specified herein. Notwithstanding the foregoing, it is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any costs or expenses incurred by the City (whether as agent for the Authority or otherwise) for the acquisition of the 2014 Water Project and that all such costs and expenses shall be paid by the City, regardless of whether the funds deposited in the funds created under the Trust Agreement are sufficient to cover all such costs.

ARTICLE III

2014 INSTALLMENT SALE PAYMENTS

SECTION 3.01. Purchase Price.

(a) In consideration of the financing of the 2014 Water Project, the Purchase Price to be paid by the City to the Authority hereunder is the sum of the principal amount of the City's obligation hereunder plus the interest to accrue on the unpaid balance of such principal amount from the date hereof over the term hereof, subject to prepayment as provided in Section 3.03.

(b) The principal amount of the Purchase Price to be paid by the City to the Authority hereunder is \$[Par Amount].

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

(d) Interest on the unpaid balance of the principal amount of the Purchase Price shall accrue, from the Closing Date, on the principal component of each 2014 Installment Sale Payment at the following rates calculated on the basis of a 360-day year comprised of twelve 30-day months:

<u>Principal Component Due Date (October 1)</u>	<u>Principal Amount</u> \$	<u>Interest Rate</u> %
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(e) The Schedule of Purchase Price Payments is set forth in Exhibit A attached hereto.

SECTION 3.02. Payment of 2014 Installment Sale Payments. The City shall, subject to prepayment as provided in Section 3.03, pay the Authority the Purchase Price, without offset or deduction of any kind, by paying the principal installments of the 2014 Installment Sale Payments, which principal installments shall be due annually on October 1, together with interest installments of the 2014 Installment Sale Payments, which interest installments shall be due semiannually on each April 1 and October 1, commencing April 1, 2015. Each 2014 Installment Sale Payment shall be payable on and shall be required to be deposited with the Trustee on or before the fifteenth day of the calendar month immediately preceding its due date.

The obligation of the City to pay the Purchase Price by paying the 2014 Installment Sale Payments is, subject to Section 8.01, absolute and unconditional, and until such time as the 2014 Installment Sale Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Section 7.01), the City will not discontinue or suspend any 2014 Installment Sale Payments required to be paid by it under this section when due, whether or not the Water System or any part thereof is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

To carry out and effectuate the obligation of the City contained herein to pay the Purchase Price by paying the 2014 Installment Sale Payments, the City agrees and covenants that all Water Revenues received by it shall be deposited when and as received in trust in the "City of El Centro Water Revenue Fund" which fund has been established by the City and is hereby pledged and a security interest is granted therein and which fund the City agrees and covenants to maintain so long as any 2014 Installment Sale Payments, Bonds, Certificates or Contracts remain unpaid, and all money on deposit in the Water Revenue Fund shall be applied and used only as provided herein. The City shall pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) from the Water Revenue Fund as they become due and payable, and all remaining money on deposit in the Water Revenue Fund shall be set aside and deposited by the City at the following times in the following order of priority:

(a) 2014 Installment Sale Payment Fund Deposit. On or before the fourteenth day of each month, beginning in January 2015 the City shall, from the money in the Water Revenue Fund, deposit with the Director of Finance of the City in the Installment Sale Payment Fund established under the Installment Sale Agreement, a sum equal to one-sixth (1/6) of the amount of interest becoming due under the Installment Sale Agreement on the next succeeding April 1 or October 1, as the case may be (except that the deposit for January 2015 shall be equal to one-half (1/2) of the amount of interest due on April 1, 2015). On or before the fourteenth day of each month, beginning in April 2015, the City will, from the money in the Water Revenue Fund, deposit with the Director of Finance in the Installment Payment Fund, one-twelfth (1/12) of the amount of principal becoming due under the Installment Sale Agreement on the next succeeding October 1 (except that the deposits for April 2015 through September, 2015 shall be equal to one-sixth (1/6) of the amount of principal due on October 1, 2015). Notwithstanding the foregoing, no such deposit need be made if the Director of Finance then holds money in the Installment Payment Fund equal to the amount of interest becoming due under the Installment Sale Agreement on the next succeeding April 1 or October 1, as the case may be, plus the amount of principal becoming due under the Installment Sale Agreement on the next succeeding October 1. All money on deposit in the Installment Payment Fund on the fifteenth day of the calendar month immediately preceding each payment date for an Installment Sale Payment shall be paid to and deposited by the Director of Finance with the Trustee for deposit in the Water Revenue Fund, as defined in, created under and in accordance with the terms of, the Trust Agreement.

(b) Reserve Account Deposit. On or before the fourteenth day of each month, beginning in January 2015, the City shall, from the remaining money on deposit in the Water Revenue Fund, deposit with the Treasurer of the Authority for deposit with the Trustee in the Reserve Account the unpaid portion of that sum, if any, specified to the City by the Trustee pursuant to Section 3.03(c)(4) of the Trust Agreement as the amount, if any, required under this Installment Sale Agreement to replenish the Reserve Account. All money in the Reserve Account shall be used and withdrawn by the Trustee for the purposes specified in Section 3.03 of the Trust Agreement.

After making all the deposits to the 2014 Installment Payment Fund and the Reserve Account hereinabove required to be made in each 2014 Installment Sale Payment Year,

the City may expend in such 2014 Installment Sale Payment Year any remaining money in the Water Revenue Fund for any lawful purpose of the City.

(c) Rate Stabilization Fund Deposit. The City has established and will maintain and hold a separate fund to be known as the “Rate Stabilization Fund.” From time to time the City may deposit in the Rate Stabilization Fund from remaining Water Revenues such amounts as the City shall determine, provided that deposits for each Fiscal Year may be made until (but not after) one hundred fifty (150) days following the end of such Fiscal Year. The City may withdraw amounts from the Rate Stabilization Fund only for inclusion in Water Revenues for any Fiscal Year, such withdrawals to be made until (but not after) one hundred fifty (150) days after the end of such Fiscal Year. All interest or other earnings upon deposits in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Water Revenues. Notwithstanding the foregoing, no deposit of Water Revenues to the Rate Stabilization Fund may be made to the extent such Water Revenues were included in an engineer’s or accountant’s certificate submitted in accordance with Section 4.01 hereof and withdrawal of the Water Revenues to be deposited in the Rate Stabilization Fund from Water Revenues employed in rendering said engineer’s or accountant’s certificate would cause noncompliance with Section 4.01.

SECTION 3.03. Prepayment of 2014 Installment Sale Payments. (a) The City may prepay from the Net Proceeds, on any date, all or any part of the principal amount of the unpaid 2014 Installment Sale Payments pro rata by principal amount within each principal payment date in integral multiples of five thousand dollars (\$5,000), at a prepayment price equal to the sum of the principal amount prepaid plus accrued interest thereon to the date of prepayment.

(b) The City may prepay from any source of available funds as a whole or in part on any date, on or after October 1, 20__, all or any part of the principal amount of the unpaid 2014 Installment Sale Payments becoming due on or after October 1, 20__, in such order of prepayment as the City may determine upon written direction to the Authority and the Trustee (or, if the City fails to designate the order of prepayment, on a proportionate basis among the Installment Sale Payments and by lot within an Installment Payment Date), at a prepayment price equal to the sum of the principal amount prepaid, plus accrued interest to the date of prepayment.

(c) Before making any prepayment pursuant to this section, the City shall give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be paid and the order thereof, which date shall be not less than thirty (30) days nor more than sixty (60) days from the date such notice is given; provided, that notwithstanding any such prepayment, the City shall not be relieved of its obligations hereunder, including specifically its obligations under this article, until the Purchase Price shall have been fully paid (or provision for payment thereof shall have been made pursuant to Article VII). The City shall also give fifteen (15) days’ prior notice of any prepayment to the Rating Agencies (as such term is defined in the Trust Agreement).

SECTION 3.04. Pledge of Net Water Revenues. All Net Water Revenues are hereby irrevocably pledged to the payment of the 2014 Installment Sale Payments. This pledge shall constitute a lien on the Net Water Revenues for the payment of the 2014 Installment Sale

Payments, principal of and interest on all Bonds and Installment Sale Payments on all other Contracts in accordance with the terms thereof.

ARTICLE IV

ADDITIONAL BONDS AND CONTRACTS

SECTION 4.01. Additional Bonds and Contracts. The City may at any time issue any bonds the payments under and pursuant to which, or execute any Contract the Installment Sale Payments under and pursuant to which, as the case may be, are payable from the Net Water Revenues in the Water Revenue Fund on a parity with the payment by the City of the 2014 Installment Sale Payments; provided the audited Net Water Revenues (excluding from such calculation of Net Water Revenues all connection fees and charges) for the Fiscal Year next preceding the date of the adoption by the City Council of the City of the resolution authorizing the issuance of such bonds or the execution of such Contract, as the case may be, as evidenced by both a calculation prepared by the City and a special report prepared by an Independent Certified Public Accountant on such calculation on file with the City; plus

(1) an allowance for Net Water Revenues (excluding from such calculation of Net Water Revenues all connection fees and charges) that would have been derived from each new connection to the Water System, which was made prior to the adoption of such resolution or the execution of such Contract, as the case may be, but which, during all or any part of said Fiscal Year, was not in existence, in an amount equal to ninety per cent (90%) of the estimated additional Net Water Revenues that would have been derived from each such connection if it had been made prior to the beginning of said Fiscal Year, as shown by an Engineer's Report on file with the City, and

(2) an allowance for Net Water Revenues (excluding from such calculation of Net Water Revenues all connection fees and charges) that would have been derived from any increase in the rates, fees and charges fixed and prescribed for Water Service which became effective prior to the adoption of such resolution or the execution of such Contract, as the case may be, but which, during all or any part of said Fiscal Year, was not in effect, in an amount equal to ninety per cent (90%) of the estimated additional Net Water Revenues that would have been derived from such increase in rates, fees and charges if it had been in effect prior to the beginning of said Fiscal Year, as shown by an Engineer's Report on file with the City, and

(3) an allowance for Net Water Revenues that were derived from any connection fees for any new connections to the Water System during said Fiscal Year, assuming that each such connection fee was collected at an amount equal to the current amount of each connection fee as of the date of calculation, as shown by an Engineer's Report on file with the City, provided, that such estimated additional Net Water Revenues shall not exceed twenty five per cent (25%) of the total Adjusted Water Revenues for such Fiscal Year;

shall have produced an amount equal to at least one hundred fifteen per cent (115%) of the Maximum Annual Debt Service on all Bonds and Contracts outstanding after the issuance of such Bonds or the execution of such Contract, as the case may be.

Notwithstanding the foregoing provisions, there shall be no limitations on the ability of the City to execute any Contract or to issue any Bonds at any time (i) to finance the completion of any uncompleted Water Project, or (ii) to refund any outstanding Bonds or any outstanding Contract.

ARTICLE V

COVENANTS OF THE CITY

SECTION 5.01. Compliance with 2014 Installment Sale Agreement and Trust Agreement. The City will punctually pay the 2014 Installment Sale Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this 2014 Installment Sale Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the 2014 Water Project or the Water System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including Acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The City will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Trust Agreement required to be observed and performed by it, and it is expressly understood and agreed by and among the parties to this 2014 Installment Sale Agreement and the Trust Agreement that each of the agreements, conditions, covenants and terms contained in each such agreement is an essential and material term of the obligation of the City to repay the costs of the acquisition and construction of the 2014 Water Project and the costs and expenses incidental thereto paid by the Authority pursuant to, and in accordance with, and as authorized under law and this 2014 Installment Sale Agreement.

SECTION 5.02. Use of Proceeds of Bonds. The Authority and the City agree that the proceeds of the Bonds will be used by the Authority to design, acquire, construct and install the 2014 Water Project and to pay the incidental costs and expenses related thereto as provided herein and in the Trust Agreement.

SECTION 5.03. Against Encumbrances. The City will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for

the City in, upon, about or relating to the Water System and will keep the Water System free of any and all liens against any portion of the Water System. In the event any such lien attaches to or is filed against any portion of the Water System, the City will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City will forthwith pay or cause to be paid and discharged such judgment. The City will, to the maximum extent permitted by law, indemnify and hold the Authority and the Trustee harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against any portion of the Water System.

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

SECTION 5.04. Against Sale or Other Disposition of Property. The City will not sell, lease (except to another public agency) or otherwise dispose of the Water System or any part thereof essential to the proper operation of the Water System or to the maintenance of the Net Water Revenues, and will not enter into any agreement or lease which would impair the operation of the Water System or any part thereof necessary to secure adequate Net Water Revenues for the payment of the 2014 Installment Sale Payments, or which would otherwise impair the rights of the Authority with respect to the Net Water Revenues or the operation of the Water System; provided, that any real or personal property that has become non-operative or that is not needed for the efficient and proper operation of the Water System, or any material or equipment that has become worn out, may be sold if such sale will not reduce the Net Water Revenues below the requirements to be maintained under Section 5.14.

SECTION 5.05. Tax Covenants.

(a) Special Definitions. When used in this Section, the following terms have the following meanings:

“*Computation Date*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Gross Proceeds*”, with respect to an issue of governmental obligations, means any Proceeds of that issue (as defined below), and any “replacement proceeds” of that issue (as defined in section 1.148-1(c) of the Tax Regulations).

“*Investment*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Nonpurpose Investment*” means any “investment property” (as defined in section 148(b) of the Code), in which Gross Proceeds of an issue are invested that is not acquired to carry out the governmental purposes of that issue.

“*Original Facilities*” means any property the acquisition, construction or improvement of which was financed directly or indirectly with Gross Proceeds of the Original Issue.

“*Original Issue*” refers to the El Centro Financing Authority Water Revenue Bonds, 2006 Series A.

“*Proceeds*”, with respect to an issue of governmental obligations, has the meaning set forth in has the meaning set forth in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds of, but not replacement proceeds in respect of, that issue).

“*Rebate Amount*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Tax Regulations*” means the United States Treasury Regulations promulgated pursuant to sections 103 and 141 through 150 of the Code.

“*Yield*” of

(1) any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations; and

(2) the 2014 Series A Bonds has the meaning set forth in section 1.148-4 of the Tax Regulations.

For purposes of this Section, the City has treated and will treat Proceeds of the 2014 Series A Bonds as being used, ratably, for the same purposes as were the Proceeds of the Original Issue.

(b) Not to Cause Interest to Become Taxable. The City shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) or any of the Original Facilities in a manner that if made or omitted, respectively, might cause the interest on any of the 2014 Series A Bonds to fail to be excluded pursuant to section 103(a) of the Code from the gross income of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect such exclusion from gross income of interest on any 2014 Series A Bond, the City shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as would not cause any 2014 Series A Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the City shall at all times prior to the payment and cancellation of the last 2014 Series A Bond to be paid and canceled:

(1) require that one or more state or local governmental agencies exclusively own, operate and possess all of the Original Facilities, and not use or permit the use of any portion of the Original Facilities (including through contractual arrangements with terms different than those applicable to the general public or otherwise) or of any other property acquired, constructed or improved with Gross Proceeds of the 2014 Series A Bonds or of the

Original Issue in any activity carried on by a Nongovernmental Person that would create private business use described in section 141(b)(1) of the Code; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity in respect of the use by any Nongovernmental Person of Gross Proceeds of the 2014 Series A Bonds or of the Original Issue, or any portion of the Original Facilities, other than taxes of general application within the jurisdiction of the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except as would not cause any 2014 Series A Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the City has not used, and shall not use, Proceeds of the Original Issue or of the 2014 Series A Bonds to make or finance any loan to any person or entity other than a state or local government. For purposes of the foregoing covenant, Proceeds are considered to be “loaned” to a person or entity in any transaction that for federal income tax purposes is treated as a loan of such monies, or if: (1) property acquired, constructed or improved with such Proceeds is sold or leased to such person or entity in a transaction that creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits of such Proceeds, or burdens and benefits of ownership of any property acquired, constructed or improved with such Proceeds, are otherwise transferred in a transaction that is the economic equivalent of a loan. For purposes of this covenant, the City will treat any transaction constituting a loan of Proceeds of the Original Issue as resulting in a loan of Proceeds of the 2014 Series A Bonds.

(e) No Financing of Nongovernmental Output Property. Except as would not cause any 2014 Series A Bond to be a “private activity bond”, no portion of the Proceeds or the Original Issue have been, and no portion of the Proceeds of the 2014 Series A Bonds will be, used (directly or indirectly) for the acquisition of any interest in any Nongovernmental Output Property. As set forth above, for purposes of the preceding sentence, the City will treat Proceeds of the 2014 Series A Bonds as used ratably for the same purposes as were the proceeds of the Original Issue.

(f) Not to Invest at Higher Yield. Except as would not cause any 2014 Series A Bond to become an “arbitrage bond” within the meaning of section 148 of the Code and the Tax Regulations and rulings thereunder, the City shall not at any time prior to the final maturity of the 2014 Series A Bonds directly or indirectly invest Gross Proceeds of the 2014 Series A Bonds in any Investment, if as a result of such investment the Yield of any Investment acquired with such Gross Proceeds, whether then held or previously disposed of, would materially exceed the Yield of such 2014 Series A Bond (within the meaning of said section 148).

(g) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Tax Regulations and rulings thereunder, the City shall not take or omit to take any action that would cause any 2014 Series A Bond to be “federally guaranteed” within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.

(h) Information Report. The City shall timely file or cause to be filed any information required by section 149(e) of the Code with respect to the 2014 Series A Bonds with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(i) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Tax Regulations and rulings thereunder:

(1) The City shall account for all Gross Proceeds of the 2014 Series A Bonds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last 2014 Series A Bond is discharged. However, to the extent permitted by law, the City may commingle Gross Proceeds of the 2014 Series A Bonds with its other money, provided that the City separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the City shall calculate or cause to be calculated the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Tax Regulations and rulings thereunder. The Trustee may rely conclusively upon the City's determinations, calculations and certifications required by this Section. The Trustee shall have no responsibility to independently make any calculation of determination or to review the City's calculations hereunder. The City will maintain a copy of the calculation with its official transcript of proceedings relating to the issuance of the 2014 Series A Bonds until six years after the final Computation Date.

(3) To assure the excludability of the interest on 2014 Series A Bonds from the gross income of the owners thereof for federal income tax purposes, the City shall deposit in the Rebate Fund and cause the Trustee to pay to the United States the amount that when added to the future value of previous rebate payments made for the 2014 Series A Bonds equals (A) in the case of a Final Computation Date as defined in section 1.148-3(e)(2) of the Tax Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (B) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such a date. In all cases such Rebate payments shall be made by the City (or by the Trustee at the direction of the City) at the times and in the amounts as are or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder for execution and filing by the City.

(4) The City shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3) above, and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under section 1.148-3(h) or other provision of the Tax Regulations.

(j) Not to Divert Arbitrage Profits. Except as would not cause the 2014 Series A Bonds to be “arbitrage bonds” under section 148 of the Code, the City shall not at any time prior to the final maturity of the 2014 Series A Bonds enter into any transaction that would reduce the amount required to be paid to the United States pursuant to paragraph (h) of this Section because such transaction results in a smaller profit, or a larger loss, than would have resulted if the transaction had been at arm’s length and had the Yield on the 2014 Series A Bonds not been relevant to either party.

(k) 2014 Series A Bonds Not Hedge Bonds.

(1) The City represents that none of the bonds of the Original Issue was, and that none of the 2014 Series A Bonds will be, a “hedge bond” within the meaning of section 149(g) of the Code.

(2) Without limitation of the foregoing, the City warrants that (A) on each date of issuance of the Original Issue the City reasonably expected (based upon its own knowledge and upon representations made by other governmental persons upon the issuance of those obligations) that within the three-year period commencing on such date no less than 85% of the spendable proceeds of the Original Issue would be expended for the governmental purposes thereof, and (B) the City believes and represents that at no time was more than 50% of the proceeds of the Original Issue invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more; and further the City further represents and warrants, with respect to the application of Proceeds of the 2014 Series A Bonds other than for refunding purposes, (A) the City will not issue the 2014 Series A Bonds unless on the date of the issuance of the 2014 Series A Bonds it reasonably expects that within the three-year period commencing on such date of issuance at least 85% of such spendable proceeds of the 2014 Series A Bonds will be expended for the governmental purpose of the 2014 Series A Bonds and (B) at no time will more than 50% of such spendable proceeds of the 2014 Series A Bonds be invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more.

(l) Elections. The City hereby directs and authorizes any Responsible Officer to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such Responsible Officer (after consultation with Bond Counsel) deems necessary or appropriate in connection with the 2014 Series A Bonds, in the Tax Certificate relating to the 2014 Series A Bonds or similar or other appropriate certificate, form or document.

(m) Weighted Average Maturity of the 2014 Series A Bonds. The City represents that the weighted average maturity of the 2014 Series A Bonds is not in excess of one-hundred twenty percent (120%) of the average remaining economic life of the Original Facilities, determined in accordance with the provisions of section 147(b) of the Code and within the meaning of section 1313(a)(1)(B)(i) of the Tax Reform Act of 1986 and section 1.148-1(c)(4)(B) of the Treasury Regulations.

SECTION 5.06. Acquisition and Construction of the 2014 Water Project. The City has taken all necessary and appropriate steps to acquire and construct the 2014 Water Project, as agent of the Authority.

SECTION 5.07. Maintenance and Operation of the Water System; Budgets.

The City will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Maintenance and Operation Costs as they become due and payable.

Not later than August 1 of each year, the City will adopt and make available to the Authority and the Trustee, a budget approved by the City Council of the City setting forth the estimated Maintenance and Operation Costs and the estimated payments for Debt Service for the then current Fiscal Year; provided, that any such budget may be amended at any time during any Fiscal Year and, if requested, such amended budget shall be made available to the Authority and the Trustee. In addition, not later than August 1 of each year the Director of Finance shall provide the Trustee with a written certificate demonstrating that, based upon such approved budget, Net Water Revenues for such Fiscal Year will equal or exceed one hundred fifteen percent (115%) of the Debt Service for such Fiscal Year; provided that for purposes of such calculation, Water Revenues will mean the aggregate of the Adjusted Water Revenues plus an amount of connection fees and charges not exceeding twenty five percent (25%) of such Adjusted Water Revenues.

Not later than February 1 of each year the Director of Finance shall provide the Trustee with a written certificate demonstrating that based upon the audited financial statements of the City for the prior Fiscal Year, the City was in compliance with the covenant contained in Section 5.14 hereof for such Fiscal Year.

SECTION 5.08. Compliance with Contracts. The City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Water System and all other contracts affecting or involving the Water System to the extent that the City is a party thereto.

SECTION 5.09. Payment of Claims. The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Net Water Revenues or any part thereof prior or superior to the obligation to make the 2014 Installment Sale Payments as provided herein or which might impair the security of the 2014 Installment Sale Payments.

SECTION 5.10. Insurance. The City will procure and maintain such insurance relating to the Water System which it shall deem advisable or necessary to protect its interests and the interests of the Authority and the Trustee, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal Water systems similar to the Water System; provided, that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with municipal Water systems similar to the Water System and is, in the opinion of the Risk Manager of the City or an Insurance Consultant, financially sound. All policies of insurance required to be maintained herein shall provide that the Authority and the Trustee shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

The City shall promptly advise the Authority and the Trustee in writing if any change in the insurance coverage occurs and provide a report as to all insurance policies maintained and self-insurance programs maintained by the City with respect to the Water System, including the names of the insurers which have issued the policies and the amounts thereof and the property or risks covered thereby.

SECTION 5.11. Accounting Records and Financial Statements.

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

(b) The City will prepare and file with the Authority and the Trustee annually within one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2014) financial statements of the City for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon.

SECTION 5.12. Protection of Security and Rights of the Authority and the Trustee. The City will preserve and protect the security hereof and the rights of the Authority and the Trustee to the 2014 Installment Sale Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

SECTION 5.13. Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System or any part thereof when the same shall become due. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

SECTION 5.14. Amount of Rates, Fees and Charges. The City will at all times fix, prescribe and collect rates, fees and charges for the Water Service that are reasonably fair and nondiscriminatory and which will be at least sufficient to yield Net Water Revenues during the next succeeding Fiscal Year of the City equal to one hundred fifteen per cent (115%) of the Debt Service for such Fiscal Year; provided, however, for purposes of calculating Net Water Revenues under this Section 5.14, Water Revenues will mean the aggregate of the Adjusted Water Revenues plus an amount of connection fees and charges not exceeding twenty five percent (25%) of such Adjusted Water Revenues. The City may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Net Water Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this section.

SECTION 5.15. Collection of Rates, Fees and Charges. The City will have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Water System to pay the rates, fees and charges applicable to the Water Service to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The City will not permit any part of the Water System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State of California and any city, county, district, political subdivision, public corporation or agency of any thereof); provided, that the City may without charge use the Water Service.

SECTION 5.16. Eminent Domain and Insurance Proceeds. If all or any part of the Water System shall be taken by eminent domain proceedings, or if the City receives any insurance proceeds resulting from a casualty loss to the Water System, the Net Proceeds thereof, at the option of the City, shall be applied either to the prepayment of the 2014 Installment Sale Payments as provided in Section 3.03 or shall be used to substitute other components for the condemned or destroyed components of the Water System.

SECTION 5.17. Further Assurances. The City will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Authority of the rights and benefits provided to it herein.

SECTION 5.18. Continuing Disclosure. The City hereby covenants and agrees that it will enter into and comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this 2014 Installment Sale Agreement, failure of the City to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default hereunder; however, the Trustee shall at the written request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Holders of at least 25% aggregate principal amount in Outstanding 2014 Series A Bonds, or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the City to comply with its obligations under this Section. For purposes of this Section, "Beneficial Owner" means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2014 Series A Bonds (including persons holding 2014 Series A Bonds through nominees, depositories or other intermediaries).

SECTION 5.19. Swap Agreements. Any interest rate exchange agreement ("Swap Agreement") entered into by the City shall meet the following conditions: (i) the Swap Agreement must be entered into to manage interest costs related to, or a hedge against (a) assets then held, or (b) debt then outstanding, or (iii) debt reasonably expected to be issued within the next twelve (12) months, and (ii) the Swap Agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component. Unless otherwise consented to in writing by the Bond Insurer, any uninsured net settlement, breakage or other termination amount then in effect shall be subordinate to debt service on the Bonds and on any debt on parity with the Bonds. The City shall not terminate a Swap Agreement unless it demonstrates to the satisfaction of the Bond Insurer prior to the payment of any such termination

amount that such payment will not cause the City to be in default under the related documents, including but not limited to, any monetary obligations thereunder. All counterparties or guarantors to any Swap Agreement must have a rating of at least “A-” and “A3” by Standard & Poor’s (“S&P”) and Moody’s Investors Service (“Moody’s”). If the counterparty or guarantor’s rating falls below “A-“ or “A3” by either S&P or Moody’s, the counterparty or guarantor shall execute a credit support annex to the Swap Agreement, which credit support annex shall be acceptable to the Bond Insurer. If the counterparty or the guarantor’s long term unsecured rating falls below “Baa1” or “BBB+” by either Moody’s or S&P, a replacement counterparty or guarantor, acceptable to the Bond Insurer, shall be required.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

SECTION 6.01. Events of Default and Acceleration of Principal. If one or more of the following Events of Default shall happen, that is to say:

- (1) if default shall be made in the due and punctual payment of any 2014 Installment Sale Payment when and as the same shall become due and payable;
- (2) if default shall be made by the City in the performance of any of the agreements or covenants contained herein required to be performed by it, and such default shall have continued for a period of sixty (60) days after the City shall have been given notice in writing of such default by the Authority or the Trustee;
- (3) if an event of default shall occur with respect to any Bonds, Certificates or Contracts; or
- (4) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such Event of Default specified in clause (1) above, the Trustee shall, and for any other such Event of Default the Trustee may, with the prior written consent of the Bond Insurer, by notice in writing to the City given not later than three (3) Business Days after it receives notice of an Event of Default or direction to proceed under an Event of Default, declare the entire principal amount of the unpaid 2014 Installment Sale Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding. This subsection is subject to the condition, however, that if at any time after the entire principal amount of the unpaid 2014 Installment Sale Payments and the accrued interest thereon shall have been so declared due and payable and

before any judgment or decree for the payment of the money due shall have been obtained or entered the City shall deposit with the Trustee a sum sufficient to pay the unpaid principal amount of the 2014 Installment Sale Payments due and payable prior to such declaration and the accrued interest thereon, with interest on such overdue installments at the rate or rates applicable to such unpaid principal amounts of the 2014 Installment Sale Payments if paid in accordance with their terms, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of the entire principal amount of the unpaid 2014 Installment Sale Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Trustee, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

SECTION 6.02. Application of Net Water Revenues and Rate Stabilization Fund Upon Acceleration. All Net Water Revenues and all moneys on deposit in the Rate Stabilization Fund upon the date of the declaration of acceleration by the Trustee as provided in Section 6.01 and all Net Water Revenues thereafter received shall be applied in the following order:

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

Second, *pari passu* to the payment of the interest then due and payable on the entire principal amount of the unpaid 2014 Installment Sale Payments, Bonds, Certificates and Contracts, and, if the amount available shall not be sufficient to pay in full all such interest then due and payable, then to the payment thereof ratably, according to the amounts due thereon without any discrimination or preference; and

Third, *pari passu* to the payment of the unpaid principal amount of the 2014 Installment Sale Payments, Bonds, Certificates and Contracts, which has become due and payable, whether on the original due date or upon acceleration, with interest on the overdue principal and interest amounts of such principal amounts at the rate or rates of interest then applicable to such principal amounts if paid in accordance with their terms, and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to such principal amounts on any date, together with such interest, then to the payment thereof ratably, according to the principal amount due on such date, without any discrimination or preference.

Fourth, [to the payment of amounts due to the Bond Insurer not paid pursuant to Second and Third, above.]

SECTION 6.03. Other Remedies. The Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any councilmember, officer or employee thereof, and to

compel the City or any such councilmember, officer or employee to perform and carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained herein;

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

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

SECTION 6.04. Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the 2014 Installment Sale Payments from the Net Water Revenues to the Trustee at the respective due dates or upon prepayment, or shall affect or impair the right of the Trustee, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

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

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

SECTION 6.05. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

ARTICLE VII

DISCHARGE OF OBLIGATIONS

SECTION 7.01. Discharge of Obligations.

(a) If the City shall pay or cause to be paid all the 2014 Installment Sale Payments at the times and in the manner provided herein, the right, title and interest of the Authority herein and the obligations of the City hereunder shall thereupon cease, terminate, become void and be completely discharged and satisfied.

(b) Any unpaid principal installment of the 2014 Installment Sale Payments shall on its payment date or date of prepayment be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if the City makes payment of such 2014 Installment Sale Payments and the prepayment premium, if applicable, in the manner provided herein.

(c) All or any portion of unpaid principal installments of the 2014 Installment Sale Payments shall, prior to their payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (i) notice is provided by the City to the Trustee as required by the Trust Agreement, (ii) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or Defeasance Obligations (as that term is defined in the Trust Agreement), the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee, shall be sufficient to pay when due the principal installments of such 2014 Installment Sale Payments or such portions thereof on and prior to their payment dates or their dates of prepayment, as the case may be, and the prepayment premiums, if any, applicable thereto, and (iii) an opinion of nationally recognized bond counsel is filed with the Trustee to the effect that the action taken pursuant to this subsection will not cause the interest on the 2014 Series A Bonds to be includable in gross income under the Code for federal income tax purposes.

(d) After the payment of all 2014 Installment Sale Payments and prepayment premiums, if any, as provided in this section, and payment of all fees and expenses of the Trustee, the Trustee, upon request of the City, shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and the Authority and shall execute and deliver to the City and the Authority all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of this 2014 Installment Sale Agreement, and the Trustee shall pay over and deliver to the City, as an overpayment of 2014 Installment Sale Payments, all such money or investments held by it pursuant hereto other than such money and such investments as are required for the payment or prepayment of the 2014 Installment Sale Payments, which money and investments shall continue to be held by the Trustee in trust for the payment of the 2014 Installment Sale Payments and shall be applied by the Trustee pursuant to the Trust Agreement.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Liability of City Limited to Net Water Revenues. Notwithstanding anything contained herein, the City shall not be required to advance any moneys derived from any source of income other than the Net Water Revenues for the payment of the 2014 Installment Sale Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The City may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the 2014 Installment Sale Payments is a special obligation of the City payable solely from the Net Water Revenues as provided herein,

and does not constitute a debt of the City or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

SECTION 8.02. Amendment. The City and the Authority shall have the right to modify or amend this Agreement, without the consent of the Trustee, the Bond Insurer, or any of the Owners of the Bonds, but only if such amendment or modification (a) does not cause interest represented by the Bonds to be includable in gross income for federal income tax purposes in the opinion of Bond Counsel, (b) does not materially adversely affect the interests of the Owners of the Bonds or the owners of any Parity Obligations in the opinion of Bond Counsel, (c) does not modify any of the rights or obligations of the Trustee without the Trustee's written consent, and (d) only is for any one or more of the following purposes:

- (1) to provide for the issuance of additional Bonds pursuant to Section 4.01;
- (2) to add to the covenants and agreements of the City contained in this 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;
- (3) 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
- (4) to amend any provision thereof for the purpose of complying with the applicable requirements of the Code.

SECTION 8.03. Benefits of 2014 Installment Sale Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the Authority or the City or the Trustee or the Bond Insurer any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the Authority or the City or the Trustee shall be for the sole and exclusive benefit of the other party.

SECTION 8.04. Successor Is Deemed Included in all References to Predecessor. Whenever either the Authority or the City or the Trustee is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority or the City or the Trustee, and all agreements and covenants required hereby to be performed by or on behalf of the Authority or the City or the Trustee shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

SECTION 8.05. Waiver of Personal Liability. No councilmember, officer or employee of the City shall be individually or personally liable for the payment of the 2014 Installment Sale Payments, but nothing contained herein shall relieve any councilmember, officer or employee of the City from the performance of any official duty provided by any applicable provisions of law or hereby.

SECTION 8.06. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections,” “Exhibits” and other subdivisions or clauses are to the corresponding articles, sections, exhibits, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith” and other words of similar import refer to this 2014 Installment Sale Agreement as a whole and not to any particular article, section, exhibit, subdivision or clause hereof.

SECTION 8.07. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority or the City shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The Authority and the City hereby declare that they would have executed this 2014 Installment Sale Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 8.08. Assignment. This 2014 Installment Sale Agreement and any rights hereunder shall be assigned by the Authority to the Trustee as provided in the Trust Agreement; to which assignment the City hereby expressly acknowledges and consents.

SECTION 8.09. Net Contract. This 2014 Installment Sale Agreement shall be deemed and construed to be a net contract, and the City shall pay absolutely net during the term hereof the 2014 Installment Sale Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

SECTION 8.10. Governing Law. This 2014 Installment Sale Agreement shall be construed and governed in accordance with the laws of the State of California.

SECTION 8.11. Indemnification. The City shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Authority and its directors, officers and employees and the Trustee and its directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the entering into of this 2014 Installment Sale Agreement, the acquisition and use of the 2014 Water Project and each portion thereof or any accident in connection with the operation, use, condition or possession of the 2014 Water Project or any portion thereof resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the City or the Authority; any claim for patent, trademark or copyright infringement; and any claim arising out of strict liability in tort. The indemnification arising under this section shall continue in full force and effect notwithstanding the full payment of all obligations hereunder or the termination hereof for any reason. The City agrees not to

withhold or abate any portion of the payments required pursuant hereto by reason of any defects, malfunctions, breakdowns or infirmities of the 2014 Water Project. The City and the Authority mutually agree to promptly give notice to each other of any claim or liability hereby indemnified against following either's learning thereof.

Amounts payable as a result of the indemnification provided for in this Section are limited to Net Water Revenues.

SECTION 8.12. Funds. Any fund required to be established and maintained herein by the Director of Finance may be established and maintained in the accounting records of the Director of Finance either as an account or a fund, and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to any such fund shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the owners of such bonds.

SECTION 8.13. Notices. All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the City:

City of El Centro
1275 Main Street
El Centro, California 92243
Attention: Director of Finance

If to the Authority:

El Centro Financing Authority
1275 Main Street
El Centro, California 92243
Attention: Executive Director

If to the Bond Insurer:

[to come if applicable]

SECTION 8.14. Effective Date. This 2014 Installment Sale Agreement shall become effective upon its execution and delivery, and shall terminate when the Purchase Price shall have been fully paid (or provision for the payment thereof shall have been made pursuant to Article VII).

SECTION 8.15. Execution in Counterparts. This 2014 Installment Sale Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed and attested this 2014 Installment Sale Agreement by their officers thereunto duly authorized as of the day and year first written above.

CITY OF EL CENTRO

By _____
City Manager

(SEAL)

Attest:

City Clerk

EL CENTRO FINANCING AUTHORITY

By _____
Chairperson

(SEAL)

Attest:

Secretary

Attachment: Installment Sale Agreement - 2014 El Centro Water Refunding (2) (1140 : Approve authorizing the issuance of Water & Wastewater

EXHIBIT A

City of El Centro
2014 Water Installment Sale Agreement

Schedule of Purchase Price Payments

Date	Principal	Coupon	Interest	Semiannual	<u>Payment</u>	Fiscal Year
------	-----------	--------	----------	------------	----------------	-------------

Attachment: Installment Sale Agreement - 2014 El Centro Water Refunding (2) (1140 : Approve authorizing the issuance of Water & Wastewater

Fulbright & Jaworski LLP – Draft 11/07/14

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2014**NEW ISSUE-FULL BOOK-ENTRY**

[INSURED RATING: Standard & Poor's: "___"]
 [UNDERLYING] RATING: Standard & Poor's: "___"
 (See "Ratings" herein)

In the opinion of Fulbright & Jaworski LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions and assuming compliance with the tax covenants described herein, the interest on the Bonds is excluded pursuant to section 103)(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It is also the opinion of Bond Counsel that under existing law interest on the Bonds is exempt from personal income taxes of the State of California. See, however, "TAX MATTERS."

[\$[Par Amount]*
EL CENTRO FINANCING AUTHORITY
WATER REVENUE REFUNDING BONDS
2014 SERIES A

Dated: Date of Delivery**Due: October 1, as shown below**

The \$[Par Amount]* El Centro Financing Authority Water Revenue Refunding Bonds, 2014 Series A (the "Bonds") are being issued by the Authority (i) to refund [all of] the \$_____ El Centro Financing Authority Water Revenue Bonds, 2006 Series A, currently outstanding in the principal amount of \$ 28,850,000 (the "Refunded Bonds"); (ii) fund a reserve account for the Bonds; and (iii) pay costs of issuance of the Bonds.

The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Interest on the Bonds will be payable on April 1 and October 1 of each year, commencing April 1, 2015. Payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by U.S. Bank National Association, as trustee (the "Trustee"), so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "APPENDIX D – BOOK-ENTRY SYSTEM."

The Bonds are payable from and secured by a first pledge of certain payments received by the Authority from the City under the 2014 Installment Sale Agreement, dated as of December 1, 2014 (the "Installment Sale Agreement"), by and between City and the Authority, and from interest and other income derived from certain funds and accounts held under the Trust Agreement, dated as of December 1, 2014, by and between the City and the Trustee. The City's obligation to make payments under the Installment Sale Agreement is payable solely from all gross income and revenue received by the City from the ownership or operation of the Water System, excluding Maintenance and Operation Costs of the Water System. See "SECURITY FOR THE BONDS – Revenues; Pledge of Revenues."

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See "THE BONDS – Redemption."

[The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a bond insurance policy to be issued concurrently with the delivery of the Bonds by _____. See "APPENDIX G – Specimen Bond Insurance Policy."]

[INSURER LOGO]

The Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues under the Trust Agreement. Neither the full faith and credit of the Authority nor that of the City or the Successor Agency to the Redevelopment Agency of the City of El Centro (the "Successor Agency") is pledged for the payment of the interest on or principal of the Bonds and no tax or other source of funds, other than the Revenues, is pledged to pay the interest on or principal of the Bonds. The payment of the principal of or interest on the Bonds does not constitute a debt, liability or obligation of the Authority, the City or the Successor Agency for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

This cover page contains information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Bonds. Investors must read the entire Official Statement before making any investment decision.

The Bonds are offered when, as and if issued and accepted by the Underwriter subject to the approval, as to their validity, of Fulbright & Jaworski LLP, Los Angeles, California, a member of Norton Rose Fulbright, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Authority and the City by the City Attorney. Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, is serving as Disclosure Counsel. It is expected that the Bonds will be available for delivery in book-entry form through the facilities of DTC on or about December ___, 2014.

[UNDERWRITER]

Dated: _____, 2014

* Preliminary, subject to change.

**[\$Par Amount]*
Water Revenue Refunding Bonds
2014 Series A**

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> [†]
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\$ _____ % Term Bonds Maturing October 1, 20 __, Priced to Yield ____ %
CUSIP No.[†] _____

* Preliminary, subject to change.

† CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor’s Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. The Authority, the City, the Financial Advisor and the Underwriter are not responsible for the selection or correctness of the CUSIP numbers set forth herein.

No dealer, broker, salesperson or other person has been authorized by the Authority, the City, the Financial Advisor or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The information set forth herein has been obtained from official sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City since the date hereof. All summaries of the Trust Agreement, the Installment Sale Agreement, and other documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement contains certain “forward-looking statements” concerning the Water System and the operations, performance and financial condition of the City, including their future economic performance, plans and objectives and the likelihood of success in developing and expanding. These statements are based upon a number of assumptions and estimates which are subject to significant uncertainties, many of which are beyond the control of the Authority and the City. The words “may,” “would,” “could,” “will,” “expect,” “anticipate,” “believe,” “intend,” “plan,” “estimate” and similar expressions are meant to identify these forward-looking statements. Results may differ materially from those expressed or implied by these forward-looking statements.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

**CITY OF EL CENTRO
EL CENTRO FINANCING AUTHORITY**

City Council and Authority Governing Board

Cheryl Viegas-Walker - Mayor/Chairperson of the Authority
Efrain Silva - Mayor Pro Tem/Boardmember
Jason Jackson - Council Member/Boardmember
Sedalia Sanders - Council Member/Boardmember
Alex Cardenas - Council Member/Boardmember

City Officials

Ruben A. Duran, City Manager and City Treasurer
Diane Caldwell, City Clerk
Leticia Salcido, Director of Finance
Marcela Piedra, Economic Development Director
Kris M. Becker, City Attorney

Special Services

Bond Counsel and Disclosure Counsel

Fulbright & Jaworski LLP
a member of Norton Rose Fulbright
Los Angeles, California

Financial Advisor

Ironwood Advisors
Tucson, Arizona

Trustee

U.S. Bank National Association
Los Angeles, California

Verification Agent

Grant Thornton LLP
Minneapolis, Minnesota

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OFFICIAL STATEMENT

\$[PAR AMOUNT]* EL CENTRO FINANCING AUTHORITY WATER REVENUE REFUNDING BONDS 2014 SERIES A

INTRODUCTION

The purpose of this Official Statement (which includes the cover page, inside cover and the appendices attached hereto) is to provide information concerning the issuance, sale and delivery by the El Centro Financing Authority (the “Authority”) of its \$[Par Amount]* Water Revenue Refunding Bonds, 2014 Series A (the “Bonds”). The Authority is a joint exercise of powers authority organized under the laws of the State of California and composed of the City of El Centro, California (the “City”) and the Successor Agency to the Redevelopment Agency of the City of El Centro, formerly the Redevelopment Agency of the City of El Centro (the “Successor Agency”). The Authority was formed in 1996 to assist in the financing and refinancing of certain redevelopment activities of the Successor Agency and certain programs and projects of the City, and for the purpose of aiding in the financing of capital improvements.

The Bonds are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”), and a Trust Agreement, dated as of December 1, 2014 (the “Trust Agreement”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The proceeds of the sale of the Bonds will be used to (i) to refund [all of] the \$32,500,000 El Centro Financing Authority Water Revenue Bonds, 2006 Series A, currently outstanding in the principal amount of \$28,850,000 (the “Refunded Bonds”); (ii) fund a reserve account for the Bonds and (iii) to pay certain costs of issuance of the Bonds. See “SOURCES AND USES OF FUNDS” and “PLAN OF REFUNDING” herein.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See “THE BONDS – Redemption.”

The Bonds are payable from and secured by a first pledge of certain payments (the “Installment Sale Payments”) received by the Authority from the City under a 2014 Installment Sale Agreement, dated as of December 1, 2014 (the “Installment Sale Agreement”), by and between the Authority and the City, and from certain interest and other income derived from certain funds and accounts held under the Trust Agreement (collectively, the “Revenues”). The obligation of the City to make the Installment Sale Payments is payable solely from all gross income and revenue received by the City from the ownership or operation of the Water System of the City (the “Water System”), excluding maintenance and operating costs of the Water System (the “Net Water Revenues,” as more fully described herein). Under the Installment Sale Agreement, the City has irrevocably pledged all Net Water Revenues to the payment of the Installment Payments, subject to the terms and conditions of the Installment Sale Agreement. See “SECURITY FOR THE BONDS – Revenues; Pledge of Revenues” herein.

* Preliminary, subject to change.

[Payment of the principal of and interest on the Bonds will be guaranteed by a municipal bond insurance policy (the “Bond Insurance Policy”) to be issued simultaneously with the delivery of the Bonds by _____ (the “Bond Insurer”). See “BOND INSURANCE” herein and “APPENDIX G – SPECIMEN MUNICIPAL BOND INSURANCE POLICY AND MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY.”]

The Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues under the Trust Agreement. Neither the full faith and credit of the Authority nor that of the City or the Successor Agency is pledged for the payment of the interest on or principal of the Bonds and no tax or other source of funds, other than the Revenues, is pledged to pay the interest on or principal of the Bonds. The payment of the principal of or interest on the Bonds does not constitute a debt, liability or obligation of the Authority, the City or the Successor Agency for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

The summaries and references of documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report or instrument. The capitalization of any word not conventionally capitalized or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document. See “APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” for summaries of certain of such definitions.

THE BONDS

General

The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”) and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. While the Bonds are subject to the book-entry system, the principal, interest and any prepayment premium with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds as described herein. See “APPENDIX D – BOOK-ENTRY SYSTEM” herein.

The Bonds will be dated their date of delivery and will bear interest at the rates set forth on the inside cover page of this Official Statement, payable on April 1, 2015, and semiannually thereafter on April 1 and October 1 of each year (each, an “Interest Payment Date”) until maturity or earlier redemption. Subject to the redemption provisions set forth herein, the Bonds will mature on the dates and in the amounts set forth on the inside cover page hereof. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, or unless such date of authentication is prior to the Record Date (as hereinafter defined) for the first Interest Payment Date, in which event such Bond shall bear interest from its date of delivery; provided, however, that if at the time of registration of any Bond interest is then in

default on the Outstanding Bonds of such series, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on such Outstanding Bonds. The holder of \$1,000,000 or more in aggregate principal amount of Bonds of any series may request in writing, such request filed not later than the applicable Record Date, that the Trustee pay the interest thereon by wire transfer to an account in the United States.

Principal of any Bond and any premium upon redemption shall be paid by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee. Principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America. So long as Cede & Co. is the registered owner of the Bonds, payments of principal and interest on the Bonds will be paid to DTC as registered owner of the Bonds. See “APPENDIX D – BOOK-ENTRY SYSTEM” herein.

Redemption *

Optional Redemption

The Bonds maturing on or before October 1, 2024 are not subject to optional redemption prior to their maturities. The Bonds maturing on or after October 1, 2025 shall be subject to redemption prior to their respective maturities at the option of the Authority from prepaid Installment Sale Payments under the Installment Sale Agreement on or after October 1, 2024, as a whole or in part (in such maturities as are designated to the Trustee by the Authority or, if the Authority fails to designate such maturities, on a proportionate basis among maturities) on any date, at a redemption price of par, together with interest accrued thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption

The Water Bonds maturing on October 1, 20__ are also subject to redemption prior to their respective stated maturities, in part by lot, from mandatory sinking account payments deposited in the 20__ Term Bonds Sinking Account pursuant to the applicable Trust Agreement, on October 1 in the following years and at the following principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium:

Sinking Account Redemption Date (October 1)	Principal Amount
*	\$

* Maturity

If less than all the Outstanding Term Bonds of any maturity and series are called for redemption at any one time, the Authority will revise the sinking account redemption schedule to reduce the mandatory sinking account payments required to be made with respect to such series

* Preliminary, subject to change.

of Bonds (in an amount equal to the amount of Outstanding Term Bonds of such series to be redeemed), to the extent practicable, to achieve approximately equal Annual Debt Service on such series of Bonds Outstanding following such redemption.

Extraordinary Redemption

The Bonds are subject to redemption by the Authority on any date prior to their respective stated maturities, as a whole or in part, *pro rata* by maturity, from payments made by the Authority from the Net Proceeds received by the City due to a prepayment of the City's related Installment Sale Payments, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

Notice of Redemption

Notice of redemption shall be mailed by first-class mail by the Trustee, not less than twenty (20) nor more than sixty (60) days prior to the redemption date to (i) the respective Holders of the Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) one or more Information Services. Notice of redemption to the Securities Depositories and the Information Services shall be given by first-class mail or facsimile transmission. Each notice of redemption shall state the date of such notice, the redemption price, if any (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Bonds of such maturity and series to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the redemption price, if any, thereof and in the case of a Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice shall not invalidate any of the proceedings taken in connection with such redemption.

If notice of redemption has been duly given and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice Bonds so called for redemption shall become due and payable, and from and after the date so designated interest on such Bonds shall cease to accrue, and the Holders of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Any notice of redemption may be rescinded by written notice given to the Trustee by the Authority and the Trustee shall provide notice of such rescission as soon thereafter as practicable in the same manner, and to the same recipients, as notice of such redemption was given, but in no event later than the date set for redemption.

Debt Service Requirements

The amounts required to be set aside each fiscal year ending June 30 for principal, sinking account payments and interest on the Bonds are set forth below.

Fiscal Year Ending June 30	Bonds		Total
	Principal	Interest	
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
Total			

Attachment: Preliminary Official Statement - El Centro 2014 Water Refunding (1140 : Approve authorizing the issuance of Water & Wastewater

SOURCES AND USES OF FUNDS

The following sets forth the estimated sources and uses of funds related to the Bonds.

Sources of Funds:

Principal Amount	\$
Net Original Issue (Premium/Discount)	
Release from Prior Trust Agreement	
Total Sources of Funds	\$

Uses of Funds:

Escrow Fund	\$
Deposit to Water Expense Fund ⁽¹⁾	
Total Uses of Funds	\$

⁽¹⁾ Includes fees of Bond and Disclosure Counsel, fees of the Verification Agent, Financial Advisor and the Trustee, [bond insurance premium,] Underwriter's discount, printing and other miscellaneous fees and expenses.

PLAN OF REFUNDING

A portion of the proceeds of the Bonds will be used to refund [all of] the Refunded Bonds. The Refunded Bonds were issued pursuant to a Trust Agreement, dated as of June 1, 2006 (the "Prior Trust Agreement"), by and between the Authority and U.S. Bank National Association (the "Prior Trustee"). Pursuant to the terms of an Escrow Agreement, dated as of December 1, 2014 (the "Escrow Agreement"), by and between the Authority and U.S. Bank National Association, as escrow agent (the "Escrow Agent"), a portion of the proceeds of the Bonds, together with other available moneys (collectively, the "Escrow Deposit"), will be deposited into the Escrow Fund established under the Escrow Agreement. The Escrow Deposit will be sufficient to purchase state and local government series securities (SLGS) (the "Defeasance Securities"), the principal and interest on which when due will provide moneys that, together with uninvested moneys deposited with the Escrow Agent, will be sufficient to pay (i) at maturity the principal amount of the Refunded Bonds maturing on and prior to October 1, 2016 and to pay interest thereon to their respective maturity dates and (ii) the principal amount of the Refunded Bonds plus accrued and unpaid interest thereon (the "Redemption Price") maturing on and after October 1, 2017 on the Redemption Date (i.e. October 1, 2016).

Grant Thornton LLP, certified public accountants (the "Verification Agent"), will deliver a report stating that the firm has verified the accuracy of mathematical computations concerning the adequacy of the Escrow Deposit deposited in the Escrow Fund. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein.

SECURITY FOR THE BONDS

Revenues; Pledge of Revenues

All Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund) are irrevocably pledged to the payment of the interest and premium, if any, on and principal of the Bonds as provided in the Trust Agreement, and the Revenues shall not be used for any other purpose while any Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys of the Water System there may be applied such sums for such purposes as are permitted under the Trust Agreement. Such pledge constitutes a first pledge of and charge and lien upon the Revenues and all other moneys on deposit in the funds and accounts established under the Trust Agreement (other than amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the Bonds, in accordance with their terms and the terms of the Trust Agreement.

To carry out and effectuate the pledge, charge and lien on the Revenues of the Water System provided in the Trust Agreement, the Authority agrees and covenants that, with respect to the Water System, all Revenues when and as received shall be received by the Authority in trust for the benefit of the holders of the Bonds and shall be deposited when and as received by the Authority in the Water Revenue Fund created under the Trust Agreement and which funds the Authority agrees and covenants to maintain with the Trustee so long as any Bonds are Outstanding. All Revenues shall be accounted for through and held in trust in the Water Revenue Fund, and the Authority has no beneficial right or interest in any of the Revenues except only as provided in the Trust Agreement.

“Revenues” are defined in the Trust Agreement as all Installment Sale Payments and other payments paid by the City and received by the Authority pursuant to the Installment Sale Agreement and all interest or other income from, any investment of any money in any fund or account (other than the Rebate Fund) created under the Trust Agreement.

Installment Sale Payments

Pursuant to the Installment Sale Agreement, the City is obligated to make Installment Sale Payments, but solely from Net Water Revenues, which are sufficient to provide for the payment of the principal of and interest on the Bonds. The obligation of the City to pay the Installment Sale Payments from Net Water Revenues is absolute and unconditional, and until such time as all Installment Sale Payments under the Installment Sale Agreement have been paid in full (or provision for the payment thereof shall have been made pursuant to the Trust Agreement), the City will not discontinue or suspend any Installment Sale Payments required to be paid by it under the Installment Sale Agreement when due, whether or not the Water System or any part thereof is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments will not be subject to reduction whether by offset or otherwise and will not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

As security for the payment of the Bonds, the Authority has assigned to the Trustee the Authority's rights and remedies under the Installment Sale Agreement, including the right to receive the Installment Sale Payments.

As stated below, the obligation of the City to pay the Installment Sale Payments is limited to the Net Water Revenues. The Installment Sale Agreement defines Net Water Revenues as, for any fiscal year, the Revenues during such fiscal year less the Maintenance and Operation Costs during such fiscal year. These terms are defined as follows:

“Water Revenues” means all gross income and revenue received or receivable by the City from the ownership or operation of the Water System, determined in accordance with generally accepted accounting principles, including all rates, fees and charges (including connection fees and charges and capacity fees and charges) received by the City for municipal Water service furnished, made available or provided by the Water System (collectively, the “Water Service”) and the other services of the Water System and all other income and revenue howsoever derived by the City from the ownership or operation of the Water System or arising from the Water System and also including all income from the deposit or investment of any money in the Water Revenue Fund and the Rate Stabilization Fund and deposits to the Water Revenue Fund from amounts on deposit in the Rate Stabilization Fund as and to the extent provided in the Installment Sale Agreement, but excluding in all cases any proceeds of taxes and any refundable charges and refundable deposits made to establish credit and advances or contributions in aid of construction.

“Maintenance and Operation Costs” mean the reasonable and necessary costs paid or incurred by the City for maintaining and operating the Water System, determined in accordance with generally accepted accounting principles, including all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all administrative costs of the City that are charged directly or apportioned to the operation of the Water System such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of any resolution authorizing the issuance of the Bonds or of such Bonds or of any resolution authorizing the execution of any Contract or of such Contract, such as compensation, reimbursement and indemnification of the trustee for any such Bonds or Contracts and fees and expenses of Independent Certified Public Accountants and Independent Engineers and the Director of Finance, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, amortization or intangibles and any intergovernmental transfers by the City which are not reimbursement or payments for overhead or other administrative expenses incurred by the City.

“Water System” means all facilities for the conveyance and treatment of Water now owned by the City and all other properties, structures or works acquired and constructed by the City and determined to be a part of the Water System, together with all additions, betterments, extensions or improvements to

such facilities, properties, structures or works or any part thereof acquired and constructed.

To carry out and effectuate the obligation of the City to pay the Purchase Price by paying the Installment Sale Payments, the City agrees and covenants in the Installment Sale Agreement that all Water Revenues received by it shall be deposited when and as received in trust in the City of El Centro El Centro Water Revenue Fund (the "Water Revenue Fund") established by the City and the City pledges and grants a security interest in such fund and agrees and covenants to maintain such fund so long as any Installment Sale Payments, Bonds, Certificates or Contracts remain unpaid. The City shall pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) from the Water Revenue Fund, as they become due and payable, and all remaining money on deposit in the Water Revenue Fund shall be set aside and deposited by the City at the following times in the following order of priority:

2014 Installment Sale Payment Fund Deposit. On or before the fourteenth day of each month, beginning in January 2015 the City shall, from the money in the Water Revenue Fund, deposit with the Director of Finance of the City in the Installment Sale Payment Fund established under the Installment Sale Agreement, a sum equal to one-sixth (1/6) of the amount of interest becoming due under the Installment Sale Agreement on the next succeeding April 1 or October 1, as the case may be (except that the deposit for January 2015 shall be equal to one-half (1/2) of the amount of interest due on April 1, 2015). On or before the fourteenth day of each month, beginning in April 2015, the City will, from the money in the Water Revenue Fund, deposit with the Director of Finance in the Installment Payment Fund, one-twelfth (1/12) of the amount of principal becoming due under the Installment Sale Agreement on the next succeeding October 1 (except that the deposits for April 2015 through September, 2015 shall be equal to one-seventh (1/6) of the amount of principal due on October 1, 2015). Notwithstanding the foregoing, no such deposit need be made if the Director of Finance then holds money in the Installment Payment Fund equal to the amount of interest becoming due under the Installment Sale Agreement on the next succeeding April 1 or October 1, as the case may be, plus the amount of principal becoming due under the Installment Sale Agreement on the next succeeding October 1. All money on deposit in the Installment Payment Fund on the fifteenth day of the calendar month immediately preceding each payment date for an Installment Sale Payment shall be paid to and deposited by the Director of Finance with the Trustee for deposit in the Water Revenue Fund, as defined in, created under and in accordance with the terms of, the Trust Agreement.

Reserve Account Deposit. On or before the fourteenth day of each month, beginning in January 2015, the City shall, from the remaining money on deposit in the Water Revenue Fund, deposit with the Treasurer of the Authority for deposit with the Trustee in the Reserve Account the unpaid portion of that sum, if any, specified to the City by the Trustee pursuant to the Trust Agreement as the amount, if any, required under the Installment Sale Agreement to replenish the Reserve Account.

Remainder to the City. After making all the deposits to the Installment Payment Fund and the Reserve Account required to be made in each year, the City may expend any remaining money in the Water Revenue Fund for any lawful purpose of the City.

Rate Stabilization Fund. The City will establish, maintain and hold a separate fund to be known as the Rate Stabilization Fund pursuant to the Installment Sale Agreement. From time to time the City may deposit in the Rate Stabilization Funds from remaining Revenues such amounts as the City will determine, provided that deposits for each fiscal year of the City may be made until (but not after) 150 days following the end of such fiscal year. The City may withdraw amounts from the Rate Stabilization Funds only for inclusion in Revenues, as applicable, for any fiscal year of the City, such withdrawals to be made until (but not after) 150 days after the end of such fiscal year. All interest or other earnings upon deposits in the Rate Stabilization Funds shall be withdrawn therefrom and accounted for as Water Revenues. See “-Rate Stabilization Fund” below.

Unconditional Obligation

Installment Sale Payments due under the Installment Sale Agreement are calculated to be in an amount sufficient to provide for the payment of the principal of and the interest on the Bonds. The obligation of the City to pay the Installment Sale Payments from Net Water Revenues is absolute and unconditional, and until such time as the Installment Sale Payments have been paid in full (or provisions for the payment thereof shall have been made pursuant to the Trust Agreement), the City may not discontinue or suspend any Installment Sale Payments required to be paid by it under the Installment Sale Agreement when due, whether or not the Water System or any part thereof is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments will not be subject to reduction whether by offset or otherwise and will not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

Rate Covenant; Collection of Rates and Charges

The City covenants under the Installment Sale Agreement that it will at all times fix, prescribe and collect rates, fees and charges for the Water Service which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield Net Water Revenues, during the next succeeding fiscal year of the City, equal to 115% of the Debt Service for such fiscal year; provided, however, for purposes of calculating Net Water Revenues under this paragraph, Water Revenues will mean the aggregate of the total amount of Water Revenues for a particular period; excluding all connection fees and charges for such period (the “Adjusted Water Revenues”), plus an amount of connection fees and charges not exceeding 25% of such Adjusted Water Revenues. The City may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but covenants not to reduce the rates, fees and charges then in effect unless the Net Water Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements described in this paragraph.

The City further covenants to have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Water System to pay the rates, fees and charges applicable to the Water Service to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The City will not permit any part of the Water System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State of California and any city, county, district, political subdivision, public corporation or agency of any thereof); provided, that the City may without charge use the Water Service.

Rate Stabilization Fund

To avoid fluctuations in its fees and charges of the Water System, from time to time the City may deposit in the Rate Stabilization Fund from remaining Water Revenues such amounts as the City shall determine, provided that deposits for each Fiscal Year may be made until (but not after) one hundred fifty (150) days following the end of such Fiscal Year. The City may withdraw amounts from the Rate Stabilization Fund only for inclusion in Water Revenues for any Fiscal Year, such withdrawals to be made until (but not after) one hundred fifty (150) days after the end of such Fiscal Year. All interest or other earnings upon deposits in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Water Revenues. Notwithstanding the foregoing, no deposit of Water Revenues to the Rate Stabilization Fund may be made to the extent such Water Revenues were included in an engineer's or accountant's certificate submitted in accordance with the Installment Sale Agreement and withdrawal of the Water Revenues to be deposited in the Rate Stabilization Fund from Water Revenues employed in rendering said engineer's or accountant's certificate would cause noncompliance with the Installment Sale Agreement. As of November 15, 2014, there was \$3,250,000 in the Rate Stabilization Fund.

Other Covenants

Additional covenants contained in the Installment Sale Agreement include, but are not limited to, the following:

Against Encumbrances. The City will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the City in, upon, about or relating to the Water System and will keep the Water System free of any liens against any portion of the Water System. In the event any such lien attaches to or is filed against any portion of the Water System, the City will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so. If any such lien is reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City will forthwith pay or cause to be paid and discharged such judgment. Notwithstanding the foregoing, the City may pledge, encumber or otherwise secure its obligations with the Net Water Revenues; provided, that in all instances any such pledge, lien or security is

wholly subordinate and junior to the obligations of the City contained in the Installment Sale Agreement.

Against Sale or Other Disposition of Property. The City will not sell, lease or otherwise dispose of the Water System or any part thereof essential to the proper operation of the Water System or to the maintenance of the Net Water Revenues, except to another public agency which assumes all of the assets and liabilities of the Water System, and will not enter into any agreement or lease which would impair the operation of the Water System or any part thereof necessary to secure adequate Net Water Revenues for the payment of the Installment Sale Payments, or which would otherwise impair the rights of the Authority with respect to the Net Water Revenues or the operation of the Water System; provided, that any real or personal property which has become non-operative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not reduce the Net Water Revenues below the requirements to be maintained as described under “Rate Covenant; Collection of Rates and Charges” above.

Maintenance and Operation of Water System. The City will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Maintenance and Operation Costs as they become due and payable.

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

Insurance. The City will procure and maintain such insurance relating to the Water System which it deems advisable or necessary to protect its interests and the interest of the Authority and the Trustee, which insurance will afford protection in such amounts and against such risks as are usually covered in connection with municipal Water systems similar to the Water System; provided, that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with municipal Water systems similar to the Water System and is, in the opinion of the Risk Manager of the City or an independent insurance consultant, financially sound.

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

Additional Bonds and Contracts

The City may at any time issue any revenue bonds (the “Additional Bonds”) under applicable law or may execute any installment payment contracts (the “Additional Contracts”) under applicable law which are payable from the Net Water Revenues in the Water Revenue Fund on a parity with the payment by the City of the Installment Sale Payments; provided the audited Net Water Revenues (excluding from such calculation of Net Water Revenues all connection fees and charges) for the fiscal year next preceding the date of the adoption by the City Council of the City of the resolution authorizing the issuance of such Additional Bonds or the execution of such Additional Contract, as the case may be, as evidenced by both a calculation prepared by the City and a special report prepared by an Independent Certified Public Accountant on such calculation on file with the City was at least sufficient to satisfy the requirements of the rate covenants described above plus:

(i) an allowance for Net Water Revenues (excluding from such calculation of Net Water Revenues all connection fees and charges) that would have been derived from each new connection to the Water System which was made prior to the adoption of such resolution or the execution of such Additional Contract, as the case may be, but which, during all or any part of said fiscal year, was not in existence, in an amount equal to 90% of the estimated additional Net Water Revenues that would have been derived from each such connection if it had been made prior to the beginning of said fiscal year, as shown by an independent engineer’s report on file with the City, and

(ii) an allowance for Net Water Revenues (excluding from such calculation of Net Water Revenues all connection fees and charges) that would have been derived from any increase in the rates, fees and charges fixed and prescribed for Water Service which became effective prior to the adoption of such resolution or the execution of such Additional Contract, as the case may be, but which, during all or any part of said fiscal year, was not in effect, in an amount equal to 90% of the estimated additional Net Water Revenues that would have been derived from such increase in rates, fees and charges if it had been in effect prior to the beginning of said fiscal year, as shown by an independent engineer’s report on file with the City, and

(iii) an allowance for Net Water Revenues that were derived from any connection fees from any new connections to the Water System during said fiscal year, assuming that each such connection fee was collected at an amount equal to the current amount of each connection fee as of the date of calculation, as shown by an independent engineer’s report on file with the City, provided that such estimated additional Net Water Revenues will not exceed 25% of the total Adjusted Net Water Revenues for such fiscal year,

shall have produced an amount equal to at least 115% of the Maximum Annual Debt Service on all Bonds and Contracts outstanding after the issuance of such Additional Bonds or the execution of such Additional Contract, as the case may be.

Reserve Account

Under the Trust Agreement, a Reserve Account is created for the Bonds (the “Reserve Account”), and shall be held in trust by the Trustee. On the date of delivery of the Bonds (the “Closing Date”), the Trustee shall deposit into the Reserve Account an amount equal to the Reserve Account Requirement. “Reserve Account Requirement” means, as of any date of calculation, an amount equal to the least of (i) ten percent (10%) of the original issue price of the Bonds; (ii) one hundred twenty-five percent (125%) of average Annual Debt Service on the Bonds as of the Closing Date, or (iii) the Maximum Annual Debt Service on all Bonds Outstanding. An amount equal to the Reserve Account Requirement for the Bonds shall be maintained in the Reserve Account at all times, subject to the provisions of the Trust Agreement, and any deficiency therein shall be replenished from the first available Revenues pursuant to the Trust Agreement. The Reserve Account shall be used solely for the purpose of replenishing the Interest Account or the Principal Account under the Trust Agreement, in that order, in the event of any deficiency at any time in either such account. If the amount on deposit in either such account on any date is insufficient to enable the Trustee to pay in full the aggregate amount of principal of, redemption premium, if any, and interest on the Bonds coming due and payable, the Trustee shall withdraw the amount of such insufficiency from the Reserve Account and transfer such amount to the Interest Account and Principal Account. See “APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” and “APPENDIX G – SPECIMEN MUNICIPAL BOND INSURANCE POLICY AND MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY.”

Special Obligation

The City’s obligation to pay the Installment Sale Payments is a special obligation of the City limited solely to the Net Water Revenues. Under no circumstances shall the City be required to advance moneys derived from any source of income other than the Net Water Revenues and other sources specifically identified in the Installment Sale Agreement for the payment of such Installment Sale Payments.

BOND INSURANCE

No representation is made by the Authority as to the accuracy or adequacy of the following information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained and incorporated herein by reference is correct. The following information has been furnished by the Bond Insurer for use in this Official Statement.

[to come if applicable]

THE CITY

The City of El Centro is located in Imperial County in the southeast corner of the State. The City is located approximately 120 miles east of the City of San Diego, 60 miles west of Yuma, Arizona and 7 miles north of the Mexican border. The Imperial Valley, of which El Centro is the major urban area, has been developed from an arid desert into one of the richest and most productive agricultural regions in the nation.

El Centro was incorporated on April 16, 1908 as a general law city. On November 3, 2009, the electorate of El Centro ratified and approved a City Charter which became effective on February 12, 2010. The City has a Council/Manager form of government. The City Council is made up of five members who are elected to four year overlapping terms at elections held every two years. The City Manager is appointed by the City Council. For additional information regarding the City, see “APPENDIX A – THE CITY OF EL CENTRO.”

Ruben A. Duran, City Manager and City Treasurer. Ruben Duran has served as the City Manager of the City since October 27, 2003. Under El Centro’s council-manager form of government, the City Manager serves as the chief operating officer of the City. Since November 2011, Mr. Duran also serves as Treasurer for the City. Prior to working for El Centro, Mr. Duran served as the city administrator for Oroville, California, assistant city manager and finance director for Avondale, Arizona and as an internal auditor and operations analyst for Phoenix, Arizona.

Mr. Duran is a member of the International City Managers Association (“ICMA”), the California City Managers Association and the Hispanic Network, an affiliate of the ICMA. He is an ICMA Credentialed Manager and has received the ICMA’s 30 year Service Award. He has served on the board of directors for the Hispanic Network and is a past chairman of the Arizona City/County Managers Association Annual Conference Committee. Mr. Duran has a Bachelors of Arts degree in business and accounting from Western International University.

In the County, Mr. Duran has served as the chairman of the Imperial Valley Association of Government, Management Committee. He is also a board member of the Imperial Valley Emergency Communications Authority which manages the region’s emergency communication system. He served as its President from 2007 to 2009. Mr. Duran is also a member of the Imperial County Transportation Commission, and the Imperial Valley Resource Management Agency.

Leticia Salcido, Director of Finance. Ms. Salcido has served as Director of Finance for the City of El Centro since January 2006. Prior to working for the City of El Centro, Ms. Salcido served as the Assistant Finance Director for the City of Brawley for ten years. Prior to this Ms. Salcido was employed as an examiner for the California State Department of Corporations for approximately six years. Ms. Salcido has more than 18 years of experience in city finance. Ms. Salcido received a Bachelor of Science degree in accounting from California State Polytechnic University Pomona.

Ms. Salcido received the Award of Financial Reporting Achievement from the Government Finance Officers Association of the United States and Canada for the City of El Centro Comprehensive Annual Financial Reports for fiscal years 2007 through 2013. Prior to

this the City of El Centro had not received this distinction in over ten years. Ms. Salcido is a member of the California State Municipal Finance Officers Association, and the Government Finance Officers Association of the United States and Canada.

THE WATER SYSTEM

General Description

The City's Water System has been municipally owned since the City was established in 1907. The initial plant was constructed in August of 1906 at 3rd Street and Commercial Avenue and included a settling basin and gasoline engine powered pumps. Several months after the new plant was completed, a relatively new ice plant burned and planning was initiated for a larger water facility. The next plant with a larger settling basin was constructed in 1910 at the corner of 8th Street and Vine Avenue. It was subsequently improved in 1924, with the construction of a 250,000-gallon elevated water tank.

Housing development was accelerated after 1945, and by 1952 the water treatment plant was operating at 100% of its capacity. Subsequently, the City undertook to plan and construct a larger facility on South 8th Street where the existing plant is located. Construction of the plant was commenced in 1955 and was fully completed in 1958.

In July 2007, the City Council authorized the construction of a \$26.6 million Water Treatment Plant Expansion Project, which was completed in April 2010. The project included the installation of two circular clarifier units, two gravity filters, a waste washwater recover basin, a raw water structure, an operations building and chemical building, the division of the two 25 million gallon earthen storage reservoirs and inter-reservoir connections, clearwell and backwash recovery pump stations, associated pipelines, grading, paving, electrical instrumentation and controls. The modular design project has the capacity to treat 21 million gallons of water per day. The entire Water Treatment Plant Expansion Project was integrated with the existing treatment facility.

The facilities at the expanded water treatment plant include two water receiving ponds with a combined capacity of 65 million gallons which are used for receiving raw untreated water. Additional facilities include two clarifiers and three filter bays. The treated water is stored in three tanks at the treatment plant with a combined capacity of 10 million gallons, and one offsite tank with 5 million gallon storage capacity and remote pumping.

The total capacity of the combined Water Treatment Plant and Water Treatment Plant Expansion Project is 21 million gallons per day. The City's average water consumption is 10 million gallons per day, with its highest daily consumption at 15 million gallons per day during the summer months.

Water Rates and Revenues

The City currently recovers the cost of Water System operation, maintenance, renewal and replacement and capital expansion through a user fee system consisting of four major components. The four components of the user fees currently imposed by the City are:

1. *Water Rates.* Charges based on consumption for both residential and commercial users.
2. *Water Capacity Fees.* A charge designed to recover the cost of new capital improvements of the Water System required by new water connections.
3. *Water Connection Fees.* Fees charged for additional connections to the Water System. The fees represent the City's actual costs.
4. *Miscellaneous.* Charges derived from interest income.

On October 2, 2012, pursuant to Resolution No. 12-130, the City Council adopted a schedule of rate increases for the Water System for a five year period. The table below sets forth the City's schedule of water rates and charges in effect for the five fiscal years shown.

Table 1
City of El Centro
Currently Adopted Water Rates and Charges

	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>	<u>2016-17</u>
Usage Charge/ per 1,000 gallons	\$3.28	\$3.39	\$3.51	\$3.63	\$3.75
Monthly Service Charge					
Meter Size (inches): 5/8 and 3/4	\$3.11	\$3.22	\$3.33	\$3.44	\$3.56
1	3.79	3.92	4.05	4.19	4.33
2	5.27	5.45	5.64	5.83	6.03
3	16.80	17.37	17.96	18.57	19.20
4	19.45	20.11	20.79	21.50	22.23
6	28.61	29.58	30.59	31.63	32.71
8	39.09	40.42	41.79	43.21	44.68

Source: The City of El Centro.

The following table sets forth the historic water consumption sales within the City by major categories for the past five fiscal years.

Table 2
City of El Centro
Historic Water Consumption Sales
(In Thousands of gallons)

<u>Category</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>
Residential	2,093,557	1,773,257	1,721,838	1,485,070
Commercial	870,683	435,604	368,856	313,912
Industrial	3,626	884	239	262
Public Agencies	230,488	126,653	120,259	105,391
Irrigation	<u>217,549</u>	<u>179,356</u>	<u>236,653</u>	<u>186,020</u>
Total	3,415,903	2,515,754	2,447,845	2,090,655

Source: The City of El Centro.

The ten largest customers of the Water System as measured by charges for the fiscal year ended June 30, 2014 were responsible for approximately 13.95% of Water System revenue during such period. As the majority of the City is residential, no one individual user tends to have a dominating influence either on the revenues or operations of the Water System.

Table 3
Water Use Charge Revenue Provided by
Ten Largest Customers
September, 2014

<u>Account Name</u>	<u>Bill Amount</u>	<u>Percent of Total</u>
County of Imperial	\$ 324,366	3.93%
El Centro School District	242,990	2.95
Gios Mobile Homes	93,591	1.14
IV Mall	84,998	1.03
El Centro Regional Medical Center	76,490	0.93
U.S. Immigration	73,794	0.90
Posada Del Sol	71,267	0.86
Parkside Villas	66,507	0.81
IV Housing Authority	65,202	0.79
Wal-Mart Stores	<u>51,134</u>	<u>0.62</u>
TOTAL	\$1,150,339	13.95%

Source: The City of El Centro.

Comparative Water Rates and Charges

The table below presents a comparison of the City's average monthly residential water rates with those of other communities in the region based on rates in effect for the fiscal year ended June 30, 2014.

Table 4
City of El Centro
Comparison of Average Monthly
Single Family Residential Water Rates
Fiscal Year Ended June 30, 2014

<u>City or Agency</u>	<u>Average Monthly Water Bill⁽¹⁾</u>
El Centro	\$ 71.02
Heber	71.42
Holtville	68.71
Imperial	71.80
Seeley Co. Water District	67.53
Westmorland ⁽²⁾	38.50
Brawley ⁽³⁾	55.32
Calexico	43.89
Calipatria	57.93
Escondido	128.54
Carlsbad ⁽⁴⁾	83.87
Otay Water District ⁽⁴⁾	72.10

⁽¹⁾ Assuming 20,000 gallon usage

⁽²⁾ Based on 30,000 gallon usage

⁽³⁾ Based on front footage less than 50 feet. Brawley is unmetered.

⁽⁴⁾ Cost converted from units to gallons (1 unit = 748 gallons)

Source: The City of El Centro.

Water System Summary Financial Information

The following table presents the audited financial results of the Water System for the fiscal years ended June 30, 2009 through June 30, 2013 and the unaudited financial results of the Water System for the fiscal year ended June 30, 2014.

Table 5
City of El Centro
Water Enterprise Fund
Historical Revenues, Expenses and Changes in Retained Earnings
Fiscal Years Ended June 30, 2009 through June 30, 2014

	2009	2010	2011	2012	2013	2014 (Unaudited)
Operating Revenues:						
Charges for Services	\$ 8,060,303	\$ 8,005,268	\$ 8,035,052	\$ 8,119,442	\$ 8,177,351	\$ 8,269,475
Other Revenues	<u>40</u>	<u>4,556</u>	<u>61,499</u>	<u>226,151</u>	<u>254,960</u>	<u>327,702</u>
Total Operating Revenues	\$ 8,060,343	\$ 8,009,824	\$ 8,096,551	\$ 8,345,593	\$ 8,432,311	8,597,177
Operating Expenses:						
Personnel Services	\$ 1,942,185	\$ 1,838,004	\$ 1,726,811	\$ 1,639,881	\$ 1,666,491	\$ 1,695,857
Supplies and Services	2,296,786	2,242,173	2,227,027	2,142,765	2,184,304	1,888,187
General and Administrative	1,020,390	832,761	903,562	1,036,006	1,024,442	962,458
Depreciation and Amortization	<u>1,145,069</u>	<u>1,844,375</u>	<u>1,965,947</u>	<u>1,923,068</u>	<u>1,900,720</u>	<u>1,911,881</u>
Total Operating Expenses	\$ 6,404,430	\$ 6,757,313	\$ 6,823,347	\$ 6,741,720	\$ 6,775,957	\$ 6,458,383
Operating Income (Loss)	\$ 1,655,913	\$ 1,252,511	\$ 1,273,204	\$ 1,603,873	\$ 1,656,354	\$ 2,138,794
Non-Operating Revenue (Expenses)						
Interest Revenue	\$ 686,531	\$ 187,959	\$ 182,887	\$ 194,609	\$ 228,700	\$ 219,670
Interest Expense	(1,603,802)	(1,577,325)	(1,550,621)	(1,523,095)	(1,494,499)	(1,430,642)
Grant Revenue	<u>-</u>	<u>42,136</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-Operating Revenue (Expense)	\$ (917,271)	\$(1,347,230)	\$ (1,367,734)	\$(1,328,486)	\$(1,265,799)	\$(1,210,972)
Income (Loss) before contributions and transfers	\$ 738,642	\$ (94,719)	\$ (94,530)	\$ 275,387	\$ 390,555	\$ 927,822
Contributions	1,005,246	149,139	175,531	459,201	206,705	233,403
Income (Loss) Before Litigation Settlement	-	-	81,001	-	-	-
Litigation Settlement	-	-	550,000	-	-	-
Income (Loss) before transfers	1,743,888	-	631,001	734,588	597,260	1,161,225
Transfers Out	(1,000,000)	-	(111,840)	(120,960)	(120,960)	(96,600)
Change in Net Assets	\$ 743,888	\$ 54,420	\$ 519,161	\$ 613,628	\$ 476,300	\$ 1,064,625
Net Assets – Beginning	\$19,070,514	\$19,814,402	\$19,868,822 ⁽¹⁾	\$20,882,399	\$21,496,027	\$21,972,327
Prior period adjustment	-	-	-	-	-	(760,310)
Net Assets (Deficit) - End	\$19,814,402	\$19,868,822	\$20,882,399	\$21,496,027	\$21,972,327	\$22,276,642

⁽¹⁾ Prior period adjustments of \$494,416 resulted in restated net assets beginning fiscal year 2011 of \$20,363,238.
Source: The City of El Centro.

The following table shows assets, liabilities and fund equity of the Water System for the fiscal years ended June 30, 2009 through June 30, 2014 as reported in the City’s audited financial statements.

**Table 6
City of El Centro
Water Enterprise Fund
Balance Sheet
Fiscal Years Ended June 30, 2009 through June 30, 2013**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014 (Unaudited)</u>
ASSETS						
Current Assets:						
Cash and Investments	\$ 8,242,594	\$ 8,874,239	\$ 9,873,557	\$12,174,383	\$13,921,013	\$14,442,841
Investments with Fiscal Agent	-	3,209,755	3,222,356	3,235,375	3,238,736	3,310,446
Receivables						
Accounts receivable	1,481,555	1,616,475	1,391,018	1,447,745	1,531,536	1,385,901
Interest receivable	13,622	5,560	5,969	3,617	7,028	6,636
Other receivables/notes	-	<u>42,136</u>	<u>786,718</u>	<u>157,560</u>	<u>140,403</u>	<u>162,969</u>
Total Current Assets	\$ 9,737,771	\$13,748,165	\$15,279,618	\$17,018,680	\$18,838,716	\$19,308,796
Non-Current Assets:						
Unamortized bond cost	\$ 759,935	\$ 731,791	\$ 703,645	\$ 675,499	\$ 647,353	-
Restricted Assets						
Cash with Fiscal Agent	\$12,085,515	-	-	-	-	-
Land	181,547	\$ 181,547	\$ 181,547	\$ 181,547	\$ 181,547	\$ 181,547
Buildings	920,335	920,335	920,335	920,335	920,335	920,335
Improvements other than building	57,979,583	65,768,029	66,087,147	66,093,144	66,159,100	67,732,016
Vehicles	1,082,087	1,067,592	1,146,941	1,162,983	1,162,983	1,162,983
Furniture and Equipment	34,477	34,477	34,477	34,477	34,477	34,477
Machinery and Equipment	3,098,065	3,156,004	3,156,004	3,156,004	3,156,004	3,282,167
Less: Accumulated Depreciation	<u>(29,412,873)</u>	<u>(31,207,582)</u>	<u>(33,145,383)</u>	<u>(35,068,451)</u>	<u>(36,969,171)</u>	<u>(38,881,053)</u>
Total Non-Current Assets:	\$46,728,671	\$40,652,193	\$39,084,713	\$37,155,538	\$35,292,628	\$34,432,472
Total Assets:	\$56,466,442	\$54,400,358	\$54,364,331	\$54,174,218	\$54,131,344	\$53,741,268

LIABILITIES

Current liabilities:

Accounts payable	\$ 1,983,456	\$ 525,698	\$ 198,913	\$ 175,941	\$ 364,173	\$ 308,068
Salaries/Benefits payable	77,425	76,030	80,154	24,967	26,194	32,114
Interest Payable	393,490	387,173	380,841	374,256	367,413	360,267
Customer Deposits	141,653	143,052	98,594	89,913	91,968	93,813
Unearned Revenue	-	-	-	4,953	20,763	14,491
Compensated Absences	-	-	-	88,489	89,681	94,195
Current Portion of Long-term Obligations	<u>760,362</u>	<u>747,138</u>	<u>786,668</u>	<u>741,831</u>	<u>774,135</u>	<u>807,414</u>
Total Current Liabilities	\$ 3,356,386	\$ 1,879,091	\$ 1,545,170	\$ 1,500,350	\$ 1,734,327	\$1,710,362

Non-Current Liabilities:

Compensated balances	\$ 82,862	\$ 127,073	\$ 125,983	\$ 108,893	\$ 129,877	\$ 136,985
Long-Term Debt	<u>33,212,792</u>	<u>32,525,372</u>	<u>31,810,779</u>	<u>31,068,948</u>	<u>30,294,813</u>	<u>29,617,279</u>
Total Non-Current Liabilities	\$33,295,654	\$32,652,445	\$31,936,762	\$31,177,841	\$30,424,690	\$29,754,264

Total Liabilities	\$36,652,040	\$34,531,536	\$33,481,932	\$32,678,191	\$32,159,017	\$31,464,626
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NET ASSETS

Invested in Capital Assets, Net of Related Debt	\$10,568,098	\$ 8,488,749	\$ 7,494,176	\$ 5,344,759	\$ 4,223,680	\$ 3,363,524
Restricted for Debt Service	1,893,980	1,900,307	1,906,680	2,861,119	2,871,323	2,950,179
Unrestricted	<u>7,352,324</u>	<u>9,479,766</u>	<u>11,481,543</u>	<u>13,290,149</u>	<u>14,877,324</u>	<u>15,962,939</u>
Total Net Assets:	<u>\$19,814,402</u>	<u>\$19,868,822</u>	<u>\$20,882,399</u>	<u>\$21,496,027</u>	<u>\$21,972,327</u>	<u>\$22,276,642</u>

Source: The City of El Centro.

WATER SYSTEM CAPACITY FEES

The City's Water/Wastewater Capacity Fees are designed to provide funds for future improvements to the Water and Wastewater Systems as required by new development in the City. The current fee received by the Water System per equivalent dwelling unit (E.D.U.) is \$6,149.

The adopted Water Capacity Fees of the City for the past ten fiscal years are shown below:

Table 7
City of El Centro
Water Capacity Fee Schedule

<u>Fiscal Year</u>	<u>Water Capacity Fee Per E.D.U.</u>
2005	935
2006	4,200
2007	4,620
2008	5,082
2009	5,590
2010	6,149
2011	6,149
2012	6,149
2013	6,149
2014	6,149

Source: The City of El Centro.

The capacity fees are based on E.D.U.s for 22 different uses. The 22 different development uses and the E.D.U.s for each use are detailed below.

Table 8
City of El Centro
Equivalent Dwelling Units

<u>OCCUPANCY</u>	<u>EQUIVALENT DWELLING UNIT</u>		
1. Single Family Home	Unit	= 1.00 EDU	
2. Duplex, Triplex, Apts.	1 bedroom	= 0.60 EDU	
	2 bedrooms	= 0.70 EDU	
	3 bedrooms	= 1.00 EDU	
	Thereafter each bedroom equals 0.25 EDU		
3. Motels, Hotels, Auto Courts	Unit w/kitchen	= 0.50 EDU	
	Unit w/o kitchen	= 0.33 EDU	
4. Townhouse, Condominiums	1 bedroom	= 0.60 EDU	
	2 bedrooms	= 0.70 EDU	
	3 bedrooms	= 1.00 EDU	
	Thereafter each bedroom equals 0.25 EDU		
5. Trailer, Mobile-Home Park	Space allocated for singlewide unit*	= 0.60 EDU	
	Space allocated for doublewide unit*	= 0.70 EDU	
	Space allocated for triplewide unit*	= 1.00 EDU	
6. Churches	Per each 150 seating capacity	= 1.33 EDU	
7. Theaters, Auditoriums	Per each 150 seating capacity	= 1.50 EDU	
8. Bar/Nightclub (No Food)	Per each 100 seating capacity	= 1.00 EDU	
9. Restaurant/Café	Per each 8 seating capacity	= 1.00 EDU	
	Fast Food w/Drive Thru		
10. Automotive Service Station	4 pumps or less	= 2.00 EDU	
11. Self Service Laundry	Each Washer	= 0.75 EDU	
12. Commercial Laundry Including Dry Cleaners	Per each 1,000 square feet of building	= 2.00 EDU	
13. Car Washes	Per two (2) stalls in self service	= 1.00 EDU	
	Automatic wash with attendants	= 2.00 EDU	
14. Hospitals, Convalescent Homes	Per each 4 beds	= 1.00 EDU	
15. Laboratories	Per each 1,000 square feet of building	= 2.00 EDU	
16. RV Parks	Space	= 0.60 EDU	
	(Buildings separate) Subject to no dumping by RV units of holding tanks into City sewer		
17. Schools, Public or Private, Elementary	Per 60 pupils	= 1.00 EDU	
	Junior High	Per 50 pupils	= 1.00 EDU
	High School	Per 30 pupils	= 1.00 EDU
18. Photo Development Shops	Per 500 square feet of building	= 1.00 EDU	
19. Stores, Offices	Per any building with 2,000 square feet or less	= 1.00 EDU	
20. Industrial	For buildings other than warehouse, for the first 2,000 square feet, plus 0.50 EDU for each 1,000 square feet thereafter	= 1.00 EDU	
21. Printing Shops	Per 500 square feet of building	= 1.00 EDU	
22. Newspaper Printing	Per 1,000 square feet of building	= 1.00 EDU	

* EDU calculation is based on size of lot or land regardless of the size of the unit parked.

Source: The City of El Centro.

WATER SYSTEM RATE SETTING AND COLLECTIONS

Rate Setting Process

The City is required by the Water Installment Purchase Agreement to establish rates and charges for the use of the Water System to produce Net Water Revenues sufficient after covering the operation and maintenance expenses of the System (excluding depreciation and amortization) and so that the Net Water Revenues are equal to at least 1.15 times the Debt Service due and payable in each fiscal year. Water Rates and Charges are established by resolution adopted by a majority vote of the City Council following a public hearing. See “THE WATER SYSTEM- Water Rates and Revenues” herein.

Utility rates and charges are reviewed as part of the City’s budgetary process. Once results of operations for the various enterprise funds are known, a determination is made as to whether it is appropriate for rate adjustments to be made. The timing of rate adjustments may or may not coincide with the budget adoption process, but the implications of any rate adjustment are considered in budget development. A public hearing is held to review staff studies and recommendations concerning rate adjustments before final adopting of rate changes.

Each year prior to June 1, the City Manager submits to the City Council a preliminary budget for the fiscal year commencing the following July 1. The preliminary budget includes expected expenditures or expenses, as appropriate, and the means of financing them. Typically, City Council review occurs prior to adoption of the budget and public meetings are conducted in June to obtain citizen comments. The final budget is generally adopted prior to July 1.

In each year, total expenditures of any fund may not exceed the total appropriation for that fund. However, the City Council may amend the budget at any time during the fiscal year by adoption of supplemental appropriations and transfers between funds.

Billing and Collection

Billing and collection services for the water and wastewater treatment charges are provided by the City’s Finance Department. All customers are billed on a monthly basis. The Finance Department prepares a single bill covering charges for water, wastewater and trash collection services.

When a customer account is in arrears for the length of one billing period, a delinquent notice is sent. On the notice is a statement that payment must be received by a certain date or water service to the service location will be discontinued. Any payment received after the shut-off date includes a charge for service restoration. The payment delinquency rates, expressed as a percentage of revenues, for the fiscal years ended June 30, 2012, June 30, 2013 and June 30, 2014 for the Water System was 2.18%, 1.20% and 0.52%, respectively.

RISK FACTORS

Water System Demand

There can be no assurance that the demand for Water services will occur as described in this Official Statement. Reduction in levels of demand could require an increase in rates or charges to comply with the covenants to fix rates and charges so as to produce Net Water Revenues equal to 115% of the Debt Service.

Water System Expenses

There can be no assurance that the City's expenses will be consistent with the descriptions in this Official Statement. Increases in expenses could require an increase in rates or charges to comply with the rate covenant.

California Drought

On January 17, 2014, Governor Brown declared a drought in the State and requested a 20% reduction in water use statewide. On July 15, 2014, the State Water Resources Control Board adopted Resolution No. 2014-0038 regarding emergency regulations for statewide urban water conservation. The emergency temporary regulations are effective for 270 days and may be altered or extended prior to their expiration. In response to these regulations, the City implemented extraordinary water conservation measures effective as of August 1, 2014. Under the conservation measures, irrigation of residential and commercial landscapes is permitted three days per week on a schedule set by the City. The City does not permit residents to use water to clean hard surfaces such as sidewalks, driveways and walkways; to allow runoff onto streets and gutters from excessive watering; to wash vehicles without using a hose with a shut-off nozzle; or to use water features such as fountains without a water re-circulating system. Violations may be reported to Code Enforcement staff of the City. The City could be subject to a fine imposed by the State Water Resources Control Board of \$10,000 per day if it fails to comply with the emergency regulations, following certain procedural requirements. The City cannot predict the impact the California drought will have on water usage within the City or on the amount of Net Water Revenues available.

Regulatory Requirements

The operations of the Water System are subject to state and federal laws and regulations, particularly with respect to water quality requirements. The adoption of more stringent laws or regulations may cause the City to incur greater expenses for the operation of the Water System. Although the City covenants in the 2014 Installment Sale Agreement to fix rates and collect revenues of the Water System to satisfy certain debt service coverage requirements, no assurance can be given that the costs of complying with any such new laws or regulations will not adversely affect the City's ability to generate sufficient Net Water Revenues in the amounts or on the schedule required by the 2014 Installment Sale Agreement.

Natural Hazards

The occurrence of a natural calamity, such as an earthquake, a drought, a flood or any other disaster, may affect the City's water supply, substantially damage or destroy Water System facilities or otherwise disrupt the Water System's operation. In such circumstances, Net Water Revenues may be reduced or eliminated if the City is unable to provide the affected Water System's services to its customers, or if large amounts of revenues were required to be applied to make extensive repairs to the affected Water System. Such a reduction or elimination of Net Water Revenues could impair the City's ability to make Installments Payments when due under the 2014 Installment Sale Agreement. The City is located in a seismically active region of Southern California and faults are located near the City, including the San Andreas, approximately 30 miles northeast of the City.

Limited Recourse on Default

If the City defaults on its obligation to make the Installment Sale Payments, the Trustee has the right to accelerate the total unpaid principal amount of such Installment Sale Payments. However, in the event of a default and such acceleration there can be no assurance that the City will have sufficient funds to pay the accelerated Installment Sale Payments.

Proposition 218

Proposition 218, a state ballot initiative known as the "Right to Vote on Taxes Act" was approved by California voters on November 5, 1996 and, except for certain provisions which became effective on July 1, 1997, became effective on November 6, 1996. Proposition 218 added Article XIIC, entitled "Voter Approval of Local Tax Levies" ("Article XIIC"), and Article XIID, entitled "Assessment and Property Related Fee Reform" ("Article XIID"), to the California Constitution. Article XIIC and Article XIID limit the imposition by a local government of "general taxes", "special taxes", "assessments" and "fees" or "charges." The City is a local government within the meaning of Article XIIC and Article XIID.

Article XIIC, provides, among other things, that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local fee or charge. This extension of the initiative power is not limited by the terms of Article XIIC to fees and charges imposed after November 6, 1996 and, absent other authority, could result in retroactive reduction in existing fees and charges. The terms "fees" and "charges" are not defined in Article XIIC and it is unclear whether the definitions of such terms in Article XIID described below apply with respect to Article XIIC. The City is unable to predict whether any of its existing fees or charges, including its Water service charges, will be subjected to the initiative process or the outcome of any initiative proceedings with respect to such fees or charges. If fees or charges charged or collected by the City for its water services are subjected to the initiative process and the outcome of any initiative proceedings results in a reduction or repeal of such fees or charges, the ability of the City to generate Revenues sufficient to comply with its covenants under the Installment Sale Agreement may be adversely affected.

Article XIID prohibits the assessment upon any parcel of property or upon any person "as an incident of property ownership" (defined to exclude fees for the provision of electrical or gas service) by a local government of any tax, assessment, fee or charge except voter-approved

ad valorem property taxes and special taxes, fees or charges as a condition of property development, and assessments and “fees or charges for property related services” levied or imposed in accordance with the provisions of Article XIID. City believes that its water capacity and connection charges are fees or charges as a condition of property development within the meaning of Article XIID, although there can be no assurance that a court would not determine otherwise.

Under Article XIID, revenues derived from a “fee” or “charge” (defined as “any levy other than an ad valorem tax, a special tax or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service”) may not exceed the funds required to provide the “property-related service” and may not be used for any purpose other than that for which the fee or charge was imposed. Further, the amount of a “fee” or “charge” may not exceed the proportional cost of the service attributable to the parcel, no “fee” or “charge” may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question, and no “fee” or “charge” may be imposed for general governmental service where the service is “available to the public at large in substantially the same manner as it is to the property owners.”

In addition, in order for a “fee” or “charge” to be imposed or increased, Article XIID provides that, among other things, the parcel upon which a fee or charge is proposed for imposition must be identified, the amount of the fee or charge proposed to be imposed on each such parcel must be calculated, written notice by mail of the proposed fee or charge must be provided to the “record owner” of each identified parcel, and a public hearing must be conducted upon the proposed fee or charge. If written protests against the proposed “fee” or “charge” are presented by a majority of owners of the identified parcels, the fee or charge may not be imposed. The City is unable to predict whether the imposition or increase of any fee or charge for its water service will be the subject of such a majority protest. If such a majority protest occurs, the ability of the City to generate Net Water Revenues sufficient to comply with its covenants under the Installment Sale Agreement may be adversely affected.

Article XIID states that, beginning July 1, 1997, all “fees” or “charges” must comply with its provisions. It is unclear how the provisions of Article XIID will be applied to fees or charges established prior to such date. On July 14, 1997, the California Attorney General issued an opinion that water charges based on consumption, in contrast to a per parcel or per acre charge, are not “imposed as an incident of property ownership” for purposes of Article XIID, but rather are imposed for the use or consumption of water. It is possible, however, that this opinion may be challenged in court, and in such event the court would not be bound to follow the Attorney General’s findings. The City believes that the requirements of Article XIID do not apply to its water and water fees and charges, including the water fee increase adopted by the City Council on September 17, 1997 pursuant to Resolution No. 97-72. See “THE WATER SYSTEM – Water Rates and Revenues” herein.

The City is unable to predict how Article XIIC and Article XIID will be interpreted by the courts and what, if any, implementing legislation will be enacted. Bond Counsel has advised that there can be no assurance that Article XIIC and Article XIID will not limit the ability of the City to charge and collect fees and charges for its water service sufficient to enable the City to comply with its covenants under the Installment Sale Agreement or that the ability of the City

to generate Net Water Revenues sufficient to pay principal and interest on the Bonds will not be adversely affected. See “SECURITY FOR THE BONDS – Rate Covenant; Collection of Rates and Charges” herein. Further, in such event, there can be no assurance that remedies will be available to fully protect the interests of the holders of the Bonds. See “Limitations on Remedies” herein.

Limitations on Remedies

The ability of the City to comply with its covenants under the Installment Sale Agreement and to generate Net Water Revenues sufficient to pay principal of and interest on the Bonds may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See “Proposition 218” herein. Furthermore, any remedies available to the owners of the Bonds upon the occurrence of an event of default under either Installment Sale Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies contained in the Installment Sale Agreement, the rights and obligations under the Bonds and the Installment Sale Agreement may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State of California. The opinion to be delivered by Fulbright & Jaworski LLP, Bond Counsel, concurrently with the issuance of the Bonds, that the Bonds constitute valid and binding limited obligations of the City payable from and secured by a first lien upon and pledge of Net Water Revenues as and to the extent provided in the Installment Sale Agreement and the Installment Sale Agreement constitute valid and binding obligations of the City will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto. In the event the City fails to comply with its covenants under the Installment Sale Agreement or to pay principal of or interest on the Bonds, there can be no assurance that remedies will be available to fully protect the interests of the holders of the Bonds.

Constitutional Limitations on Appropriations and Fees

Under Article XIII B of the California Constitution, as amended, state and local government entities have an annual “appropriations limit” which limits their ability to spend certain moneys called “appropriations subject to limitation,” which consist of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge. The Authority is of the opinion that the user charges of the Water System imposed by the City do not exceed the costs the City reasonably bears in providing the Water Service. In general terms, the “appropriations limit” is to be based on certain 1978/79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population, and services provided by these entities. Among other provisions of Article XIII B, if an entity’s revenues in

any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Future Initiatives

Articles XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiatives have been and could be proposed and adopted affecting the Water System's revenues or ability to increase revenues. Neither the nature and impact of these measures nor the likelihood of qualification for ballot or passage can be anticipated by the City.

One such initiative, recently approved by the electorate at the November 2, 2010 election, is Proposition 26. The initiative would impose a two-thirds voter approval requirement for the imposition of fees and charges by the State. It would also impose a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds voter approval requirement with respect to fees and charges for special purposes. The initiative, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters pursuant to Proposition 13, approved in 1978, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope "a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the [State/local government] of providing the service or product to the payor." The City believes that the initiative is not intended to and would not apply to fees for utility services charged by the City. The City, however, is unable to predict whether Proposition 26 will be interpreted by the courts to apply to the provision of utility services by local governments such as the City.

THE AUTHORITY

The El Centro Financing Authority was established pursuant to a Joint Exercise of Powers Agreement dated July 1, 1996, by and between the City and the Successor Agency (the "Joint Powers Agreement"). The Joint Powers Agreement was entered into pursuant to the provisions of Articles 1, 2 and 4, Chapter 5, Division 7, Title 1 of the California Government Code. The Authority was created to assist in the financing and refinancing of certain redevelopment activities of the Successor Agency and certain programs and projects of the City, and for the purpose of aiding in the financing of capital improvements.

The Authority is administered by a governing board comprised of all of the individuals who currently are the Mayor and the members of the City Council of the City. The Authority has no independent staff. The Executive Director of the Authority is the City Manager of the City, and the Treasurer of the Authority is the Treasurer of the City. The Executive Director serves as Chief Executive Officer of the Authority, and the Treasurer has custody of all money of the Authority from whatever source.

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Bonds and the Authority will not provide any such information.

The City has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by not later than eight months after the end of the City's fiscal year (presently June 30) in each year commencing with its report for the fiscal year ended June 30, 2014 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Dissemination Agent on behalf of the City with the Municipal Securities Rulemaking Board (the "MSRB"). The notices of enumerated events will be filed by the Dissemination Agent on behalf of the City or by the City with the MSRB. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12. The specific nature of the information to be contained in the Annual Report and the enumerated events is summarized in "APPENDIX F – FORM OF CONTINUING DISCLOSURE AGREEMENT." The City has not failed within the last five years to comply in all material respects with its undertakings pursuant to Rule 15c2-12.

LEGAL OPINIONS

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Fulbright & Jaworski LLP, Los Angeles, California, a member of Norton Rose Fulbright, Bond Counsel to the Authority and certain other conditions. Certain legal matters will be passed upon for the Authority and the City by the City Attorney. Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, is serving as Disclosure Counsel. The compensation of Fulbright & Jaworski LLP for this issue is contingent on the successful sale of the Bonds.

TAX MATTERS

Tax Exemption

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Bonds. Each of the Authority and the City has covenanted to maintain the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Fulbright & Jaworski LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants mentioned herein, interest on the Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions,

the Bonds are not “specified private activity bonds” within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on Bonds owned by a corporation may affect the computation of the alternative minimum taxable income. A corporation’s alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

Pursuant to the Indenture and the Installment Purchase Agreement, and in the Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986, to be delivered by the Authority and the City in connection with the issuance of the Bonds, each of the Authority and the City will make representations relevant to the determination of, and will make certain covenants regarding or affecting, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching its opinions described in the immediately preceding paragraph, Bond Counsel will assume the accuracy of such representations and the present and future compliance by each of the Authority and the City with its covenants.

Except as stated in this section above, Bond Counsel will express no opinion as to any federal or state tax consequences of the receipt of interest on, or the ownership or disposition of, the Bonds. Furthermore, Bond Counsel will express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds or the tax consequences of the ownership of the Bonds.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority and of the City described above. No ruling has been sought from the Internal Revenue Service (the “Service”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the Authority as the “taxpayer,” and the owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Authority or the City may have different or conflicting interest from the owners. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

No assurance can be given that future legislation, if enacted into law, will not contain provisions that could directly or indirectly reduce the benefit of the exemption of interest on the Bonds from personal income taxation by the State of California or of the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

A copy of the proposed form of opinion of Bond Counsel relating to the Bonds is attached hereto as Appendix E.

Tax Accounting Treatment of Bond Premium and Original Issue Discount on Bonds

To the extent that a purchaser of a Bond acquires that Bond at a price in excess of its “stated redemption price at maturity” (within the meaning of section 1273(a)(2) of the Code), such excess will constitute “bond premium” under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations); the amount of premium so amortized will reduce the owner’s basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser’s yield to maturity. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when its Bond is sold or disposed of for an amount equal to or in some circumstances even less than the original cost of the Bond to the owner.

The excess, if any, of the stated redemption price at maturity of Bonds of a maturity over the initial offering price to the public of the Bonds of that maturity is “original issue discount.” Original issue discount accruing on a Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes and is exempt from California personal income tax to the same extent as would be stated interest on that Bond. Original issue discount on any Bond purchased at such initial offering price and pursuant to such initial offering will accrue on a semiannual basis over the term of the Bond on the basis of a constant yield method and, within each semiannual period, will accrue on a ratable daily basis. The amount of original issue discount on such a Bond accruing during each period is added to the adjusted basis of such Bond to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers of Bonds who purchase such Bonds other than at the initial offering price and pursuant to the initial offering

Persons considering the purchase of Bonds with original issue discount or initial bond premium should consult with their own tax advisors with respect to the determination of original issue discount or amortizable bond premium on such Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Bonds.

Other Tax Consequences

Although interest on the Bonds may be exempt from California personal income tax and excluded from the gross income of the owners thereof for federal income tax purposes, an owner’s federal, state or local tax liability may be otherwise affected by the ownership or disposition of the Bonds. The nature and extent of these other tax consequences will depend upon the owner’s other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds and the Code contains additional limitations on interest deductions applicable to financial institutions that own tax-exempt obligations (such as the Bonds), (ii) with respect to insurance

companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel will express no opinion regarding any such other tax consequences.

NO LITIGATION

There is no action, suit, or proceeding known by the Authority or the City to be pending or threatened at the present time restraining or enjoining the delivery or in any way contesting or affecting the validity of the Bonds, the Trust Agreement, the Installment Sale Agreement or any proceedings of the Authority or the City taken with respect to the execution or delivery thereof.

RATINGS

[S&P is expected to assign its municipal bond rating of “___” to the Bonds, based on the understanding that upon delivery of the Bonds the Bond Insurance Policy will be issued by the Bond Insurer.] S&P has assigned the Bonds an underlying rating of “___.” Such ratings reflect only the views of such organization and any desired explanation of the significance of such ratings should be obtained from S&P, at the following address: Standard & Poor’s Ratings Group, 55 Water Street, 45th Floor, New York, New York 10041. The City and the Authority have furnished to S&P certain materials and information with respect to the Authority, the City and the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. The Authority, the City, the Financial Advisor and the Underwriter undertake no responsibility to oppose any such proposed revision or withdrawal. Any such downward change in or withdrawal of the ratings might have an adverse effect on the market price or marketability of the Bonds.

FINANCIAL ADVISOR

The City has retained Ironwood Advisors as a financial advisor to the City (the “Financial Advisor”) in connection with the issuance of the Bonds. The Financial Advisor has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement, or any other related information available to the City or the Authority, with respect to accuracy and completeness of disclosure of such information. The Financial Advisor has reviewed this Official Statement but makes no guaranty, warranty or other

representation respecting accuracy and completeness of the information contained in this Official Statement.

UNDERWRITING

The Bonds are being purchased by _____ (the “Underwriter”) pursuant to a Bond Purchase Agreement between the Underwriter and the City (the “Purchase Contract”). The Underwriter has agreed to purchase all of the Bonds for an aggregate purchase price of \$_____, subject to certain conditions set forth in the Purchase Contract. The purchase price for the Bonds reflects the principal amount thereof, plus a net original issue [premium] of \$_____ and less an underwriter’s discount of \$_____. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agent and others at prices lower than said public offering prices.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Verification Agent will verify the accuracy of (i) mathematical computations concerning the adequacy of the maturing principal amounts of and interest earned on the Defeasance Securities deposited in the Escrow Fund, together with amounts held as cash therein, to provide for payment of the Redemption Price of the Refunded Bonds on the Redemption Date and (ii) certain mathematical computations supporting the conclusion that the Bonds are not “arbitrage bonds” under the Code, which will be used in part by Bond Counsel to be delivered at the closing of the Bonds in concluding that interest on the Bonds is excluded from gross income of the Owners thereof for federal income tax purposes under present laws, including applicable provisions of the Code, existing court rulings, regulations and Internal Revenue Service rulings.

The report of the Verification Agent will include the statement that the scope of its engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it and that the Verification Agent has no obligation to update its report because of events occurring, or data or information coming to its attention, after the date of its report.

MISCELLANEOUS

All quotations from, and summaries and explanations of the Trust Agreement, the Installation Sale Agreements, the Bonds or other documents contained herein do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions.

This Official Statement is submitted only in connection with the sale of the Bonds by the Authority. All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the Authority, the City or the Underwriter. The information contained herein should not be construed as representing all conditions affecting the Authority, the City or the Bonds.

All information contained in this Official Statement pertaining to the Authority and the City has been furnished by the Authority and the City and the execution and delivery of this Official Statement has been duly authorized by the Authority.

EL CENTRO FINANCING AUTHORITY

By: _____
Executive Director

Attachment: Preliminary Official Statement - El Centro 2014 Water Refunding (1140 : Approve authorizing the issuance of Water & Wastewater

APPENDIX A
THE CITY OF EL CENTRO

Attachment: Preliminary Official Statement - El Centro 2014 Water Refunding (1140 : Approve authorizing the issuance of Water & Wastewater

APPENDIX B
AUDITED FINANCIAL STATEMENTS
OF THE CITY AS OF JUNE 30, 2013

Attachment: Preliminary Official Statement - El Centro 2014 Water Refunding (1140 : Approve authorizing the issuance of Water & Wastewater

[insert Appendix C]

APPENDIX D

BOOK-ENTRY SYSTEM

The information in this Appendix D concerning DTC and its book-entry system has been obtained from sources that the Authority and the City believe to be reliable, but the Authority and the City take no responsibility for the accuracy thereof.

General

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.org. The information on such website is not incorporated by reference herein.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City or the Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

APPENDIX E**PROPOSED FORM OF BOND COUNSEL OPINION**

[Dated the date of closing]

El Centro Financing Authority
 1275 Main Street
 El Centro, California 92243

City of El Centro
 1275 Main Street
 El Centro, California 92243

\$ _____
 El Centro Financing Authority
 Water Revenue Refunding Bonds, 2014 Series A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the El Centro Financing Authority (the "Authority") of its \$ _____ Water Revenue Refunding Bonds, 2014 Series A" (the "Bonds"), pursuant to the provisions of Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Bond Law"), and pursuant to a Trust Agreement, dated as of December 1, 2014 (the "Trust Agreement"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), and a resolution of the governing body of the Authority adopted on _____, 2014 (the "Resolution"). The proceeds of the Bonds will be applied by the Authority to refund all of the El Centro Financing Authority Water Revenue Bonds, 2006 Series A, currently outstanding in the aggregate principal amount of \$ _____ (the "Refunded Bonds"). The Bonds are special limited obligations of the Authority, payable from Revenues which consist primarily of Installment Payments to be made by the City of El Centro (the "City") under the 2014 Installment Sale Agreement, dated as of December 1, 2014 (the "Installment Sale Agreement"), by and between the Authority and the City. The City's obligation to make Installment Payments is secured by a pledge of Net Revenues of the City's Water System. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Trust Agreement and the Installment Sale Agreement, as applicable.

We have examined the Bond Law and other statutes and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the Authority and the City contained in the Trust Agreement, the Installment Sale Agreement and in the certified proceedings, and upon other certifications furnished to us, without undertaking to verify the same by independent investigation.

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

1. The Authority is a joint powers authority duly organized and existing under the laws of the State of California, with power to enter into the Trust Agreement and the Installment Sale Agreement, to perform the agreements on its part contained therein and to issue the Bonds.
2. The Bonds have been duly authorized, executed and delivered by the Authority in accordance with the Bond Law, the Resolution and the Trust Agreement and constitute legal, valid and binding special obligations of the Authority enforceable in accordance with their terms and payable solely from the sources provided therefor in the Trust Agreement.
3. The Trust Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.
4. The Trust Agreement establishes a valid pledge of the Revenues (as such term is defined in the Trust Agreement) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Trust Agreement.
5. The City is a municipal corporation duly organized and existing under the laws of the State of California, with power to enter into the Installment Sale Agreement and to perform the agreements on its part contained therein.
6. The Installment Sale Agreement has been duly authorized, executed and delivered by the City and the Authority and constitutes a legal, valid and binding obligation of the City and the Authority enforceable against the City and the Authority in accordance with its terms.
7. The Installment Sale Agreement establishes a valid pledge of the Net Water Revenues (as such term is defined in the Installment Sale Agreement) in accordance with the terms of the Installment Sale Agreement
8. Under existing statutes, regulations, rulings and court decisions, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants mentioned herein, interest on the Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, the Bonds are not “specified private activity bonds” within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on Bonds owned by a corporation may affect the computation of the alternative minimum taxable income. A corporation’s alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the Bonds to fail to be excluded

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from the gross income of the owners thereof retroactive to the date of issuance of the Bonds. Pursuant to the Trust Agreement, the Installment Sale Agreement and in the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986* being delivered by the Authority and the City in connection with the issuance of the Bonds, the Authority and the City are making representations relevant to the determination of, and is undertaking certain covenants regarding or affecting, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of such representations and the present and future compliance by the Authority and the City with such covenants. Further, except as stated in the preceding paragraph, we express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequence with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

The rights of the owners of the Bonds and the enforceability of the Installment Sale Agreement, the Trust Agreement and the Bonds 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 appropriate cases. The enforceability of the Installment Sale Agreement, the Trust Agreement and the Bonds is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in California.

No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

APPENDIX F
FORM OF CONTINUING DISCLOSURE AGREEMENT

[APPENDIX G
SPECIMEN MUNICIPAL BOND INSURANCE POLICY AND
MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY]

2014 WASTEWATER INSTALLMENT SALE AGREEMENT

between the

CITY OF EL CENTRO,
as Purchaser

and the

EL CENTRO FINANCING AUTHORITY,
as Seller

Dated as of December 1, 2014

[\$Par Amount]
El Centro Financing Authority
Wastewater Revenue Refunding Bonds,
2014 Series A

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2014 WASTEWATER INSTALLMENT SALE AGREEMENT

This 2014 WASTEWATER INSTALLMENT SALE AGREEMENT (this “2014 Installment Sale Agreement”), dated as of December 1, 2014, by and between the CITY OF EL CENTRO (the “City”), a charter city duly organized and existing under and by virtue of the laws of the State of California, and the EL CENTRO FINANCING AUTHORITY (the “Authority”), a joint powers authority duly organized and existing under and by virtue of the laws of the State of California;

W I T N E S S E T H:

WHEREAS, the City has determined that refunding the El Centro Financing Authority Wastewater Revenue Bonds, 2006 Series A, currently outstanding in the aggregate principal amount of \$_____ (the “Refunded Bonds”), and the acquisition and construction of certain additions, betterments, extensions and improvements as hereinafter described (the “2014 Wastewater Project”) to its municipal Wastewater System is necessary and proper for City purposes and uses under the terms of applicable law and are for the common benefit of the City as a whole; and

WHEREAS, to refund the Refunded Bonds, the Authority has determined to issue and sell its Wastewater Revenue Refunding Bonds, 2014 Series A (the “2014 Series A Bonds”) in the aggregate principal amount of \$[Par Amount], pursuant to and secured by a Trust Agreement, dated as of December 1, 2014 (the “Trust Agreement”), by and between the Authority and U.S. Bank National Association, as Trustee (the “Trustee”); and

WHEREAS, the Authority has determined to acquire and sell the 2014 Wastewater Project to the City; and

WHEREAS, the City has determined to make installment sale payments as hereinafter described to the Authority for the purchase of the 2014 Wastewater Project and the incidental costs and expenses related thereto paid by the Authority; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this 2014 Installment Sale Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this 2014 Installment Sale Agreement;

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

ARTICLE I
DEFINITIONS

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any opinion or report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Accountant's Report

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

Accreted Value

“Accreted Value” means, with respect to any Capital Appreciation Bonds or Capital Appreciation Certificates, as of the date of calculation, the initial amount thereof plus the interest accrued thereon to such date of calculation, compounded from the date of initial delivery at the approximate interest rate thereof on each April 1 and October 1, as determined in accordance with the table of accreted values for any Capital Appreciation Bonds or Capital Appreciation Certificates prepared by the City at the time of sale thereof, assuming in any year that such Accreted Value increases in equal daily amounts on the basis of a year of three hundred sixty (360) days composed of twelve (12) months of thirty (30) days each.

Adjusted Wastewater Revenues

“Adjusted Wastewater Revenues” means the total amount of Wastewater Revenues for a particular period, excluding all connection fees and charges for such period.

Authority

“Authority” means the El Centro Financing Authority, a joint powers authority duly organized and existing under and by virtue of the laws of the State of California and a Joint Exercise of Powers Agreement, dated July 1, 1996, between the Successor Agency to the Redevelopment Agency of the City of El Centro, formerly the Redevelopment Agency of the City of El Centro and the City, as supplemented and amended.

Bonds

“Bonds” means the 2014 Series A Bonds, the El Centro Financing Authority Wastewater Revenue Refunding Bonds, 2012 Series A and all revenue bonds authorized, executed, issued and delivered, the interest and principal and redemption premium, if any, are payable from Wastewater Revenues on a parity with the payment of the 2014 Installment Sale Payments, the 2012 Installment Sale Payments and any other Parity Obligations.

Business Day

“Business Day” means a day other than (i) a Saturday or Sunday, (ii) a day on which commercial banks in the city in which the Trustee maintains its Principal Corporate Trust Office are authorized or required by law or executive order to close or (iii) a day on which the New York Stock Exchange is closed.

Capital Appreciation Bonds

“Capital Appreciation Bonds” means any Bonds described as such when issued.

Capital Appreciation Certificates

“Capital Appreciation Certificates” means any certificates of participation in Installment Sale Payments described as such when issued.

Certificates

“Certificates” means any certificates of participation representing interests in payments to be made by the City executed and delivered by the Trustee under and pursuant to a trust agreement.

City

“City” means the City of El Centro, a charter city duly organized and existing under and by virtue of the laws and Constitution of the State of California.

Code

“Code” means the Internal Revenue Code of 1986.

Closing Date

“Closing Date” means December ____, 2014, being the date of delivery of the 2014 Series A Bonds.

Continuing Disclosure Agreement

“Continuing Disclosure Agreement” means the Continuing Disclosure Agreement, dated December 1, 2014, by and among the City, the Trustee and the Dissemination Agent, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

Contracts

“Contracts” means all installment sale contracts, capital leases or similar obligations of the City authorized and executed by the City under and pursuant to applicable law, the interest and principal and prepayment premium, if any, payments under and pursuant to

which are payable from Wastewater Revenues on a parity with the payment of the Parity Obligations, the 2012 Installment Sale Payments and the 2014 Installment Sale Payments.

Debt Service

“Debt Service” means, for any Fiscal Year, the sum of (1) the interest accruing during such Fiscal Year on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Bonds), (2) that portion of the principal amount of all outstanding serial Bonds maturing on the next succeeding principal payment date that would have accrued during such Fiscal Year if such principal amount were deemed to accrue daily in equal amounts from the next preceding principal payment date or during the year preceding the first principal payment date, as the case may be, (3) that portion of the principal amount of all outstanding term Bonds required to be redeemed or paid on the next succeeding redemption date (together with the redemption premiums, if any, thereon) that would have accrued during such Fiscal Year if such principal amount (and redemption premiums) were deemed to accrue daily in equal amounts from the next preceding redemption date or during the year preceding the first redemption date, as the case may be, and (4) that portion of the Installment Sale Payments required to be made at the times provided in the Contracts that would have accrued during such Fiscal Year if such Installment Sale Payments were deemed to accrue daily in equal amounts from, in each case, the next preceding Installment Sale Payment Date of interest or principal or the date of the pertinent Contract, as the case may be; provided, that (a) if any of such Bonds are Capital Appreciation Bonds or if the Installment Sale Payments due under any of such Contracts are evidenced by Capital Appreciation Certificates, then the Accreted Value payment shall be deemed a principal payment and interest that is compounded and paid as Accreted Value shall be deemed due on the scheduled redemption or payment date of such Capital Appreciation Bond or Capital Appreciation Certificate; (b) if any of such Bonds or if the Installment Sale Payments due under any such Contracts bear interest payable pursuant to a variable interest rate formula, the interest rate on such Bonds or such Contracts for periods when the actual interest rate cannot yet be determined, shall be assumed to be equal to the greater of (i) the actual rate on the date of calculation, or if such Bonds or Contracts are not yet outstanding, the initial rate (if then established and binding), (ii) if the Bonds or Contracts have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii)(1) if interest on such Bonds or Contracts is excludable from gross income under the applicable provisions of the Code, the most recently published “Bond Buyer 25 Bond Revenue Index” (or comparable index if no longer published) plus fifty (50) basis points, or (2) if interest is not so excludable, the interest rate on direct U.S. Treasury obligations with comparable maturities plus fifty (50) basis points; (c) if any of such Bonds or Contracts is secured by an irrevocable letter of credit issued by a bank having a combined capital and surplus of at least one hundred million dollars (\$100,000,000), the principal payments or deposits with respect to such Bonds or Contracts nominally due in the last Fiscal Year in which such Bonds or Contracts mature may, at the option of the City, be treated as if they were due as specified in any loan agreement or reimbursement agreement issued in connection with such letter of credit or pursuant to the repayment provisions of such letter of credit and interest on such Bonds or Contracts after such Fiscal Year shall be assumed to be payable pursuant to the terms of such loan agreement or reimbursement agreement or repayment provisions and (d) if any of such

Bonds or Contracts is not secured by a letter of credit as described in clause (c) of this definition and 20% or more of the original principal of such Bonds or the Installment Payments due under such Contracts is not due until the final stated maturity of such Bonds or the Installment Payments due under such Contracts, such principal may, at the option of the City, be treated as if it were due based upon a level amortization of such principal over the term of such Bonds or Installment Payments or twenty-five (25) years, whichever is greater.

Director of Finance

“Director of Finance” means the Director of Finance of the City or its successor designated by the City Council.

Engineer’s Report

“Engineer’s Report” means a report signed by an Independent Engineer.

Event of Default

“Event of Default” means an event described in Section 6.01.

Fiscal Year

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other annual accounting period hereafter selected and designated by the City Council of the City as the Fiscal Year of the City.

Generally Accepted Accounting Principles

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

Independent Certified Public Accountant

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

Independent Engineer

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

- (1) is in fact independent and not under the domination of the City;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and

(3) is not connected with the City as a councilmember, officer or employee of the City, but may be regularly retained to make reports to the City.

Installment Sale Payments; 2014 Installment Sale Payments

“Installment Sale Payments” means the installment sale, rental or other periodic payments scheduled to be paid by the City under and pursuant to the Contracts. “2014 Installment Sale Payments” means the Installment Sale Payments scheduled to be paid by the City under and pursuant to this 2014 Installment Sale Agreement.

Installment Sale Payment Date; 2014 Installment Sale Payment Date

“Installment Sale Payment Date” means any date on which Installment Sale Payments are scheduled to be paid by the City under and pursuant to any Contract. “2014 Installment Sale Payment Date” means any date on which 2014 Installment Sale Payments are scheduled to be paid by the City under and pursuant to this 2014 Installment Sale Agreement.

Insurance Consultant

“Insurance Consultant” means any insurance consultant or firm of insurance consultants generally recognized to be well qualified in insurance consulting matters relating to Wastewater and other municipal systems, appointed and paid by the City, and who or each of whom:

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

Maintenance and Operation Costs

“Maintenance and Operation Costs” means the reasonable and necessary costs paid or incurred by the City for maintaining and operating the Wastewater System, determined in accordance with Generally Accepted Accounting Principles, including all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and including all administrative costs of the City that are charged directly or apportioned to the operation of the Wastewater System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the issuance of any Bonds or of such Bonds, or of any resolution authorizing the execution of any Contract or of such Contract, such as compensation, reimbursement and indemnification of the trustee for any such Bonds or

Contracts and fees and expenses of Independent Certified Public Accountants and Independent Engineers, Insurance Consultants and the Director of Finance, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, amortization or intangibles and intergovernmental transfers by the City which are not reimbursements or payments for overhead or other administrative expenses incurred by the City.

Maximum Annual Debt Service

“Maximum Annual Debt Service” means the greatest total Debt Service payable in any Fiscal Year during the period commencing with the next ensuing Fiscal Year and terminating with the Fiscal Year in which payments are due under the last outstanding Bonds or the last outstanding Contract, whichever is later.

Net Proceeds

“Net Proceeds” means, when used with respect to any condemnation award or with respect to any insurance proceeds, the amount of such condemnation award or such insurance proceeds remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such award or such proceeds.

Net Wastewater Revenues

“Net Wastewater Revenues” means, for any Fiscal Year, the Wastewater Revenues during such Fiscal Year less the Maintenance and Operation Costs during such Fiscal Year.

Opinion of Counsel

“Opinion of Counsel” means a written opinion of counsel of national representation generally recognized to be well qualified in the field of law relating to municipal bonds, retained by the City.

Parity Obligations

“Parity Obligations” means the Enterprise Fund Installment Sale Agreement, dated as of December 17, 2002, by and between the City and California Infrastructure and Economic Development Bank and the \$7,835,000 El Centro Financing Authority Wastewater Revenue Refunding Bonds, 2012 Series A.

Principal Corporate Trust Office

The term “Principal Corporate Trust Office” means the corporate trust office of the Trustee located in Los Angeles, California, or such other office or offices in California, as the Trustee shall designate from time to time.

Purchase Price

“Purchase Price” means the principal amount plus the interest thereon owed by the City to the Authority under the conditions and terms hereof for the payment of the costs of acquisition of the 2014 Wastewater Project and the incidental costs and expenses related thereto paid by the Authority.

Rate Stabilization Fund

“Rate Stabilization Fund” means the fund by that name established pursuant to Section 3.02 hereof.

Reserve Account

“Reserve Account” means the fund by that name established pursuant to Section 3.03(c) of the Trust Agreement.

Treasurer of the Authority

“Treasurer of the Authority” means the Treasurer of the Authority or its successor designated by the Authority.

Trust Agreement

“Trust Agreement” means that certain Trust Agreement, dated as of December 1, 2014, by and between the Trustee and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

Trustee

“Trustee” means U.S. Bank National Association, at its Principal Corporate Trust Office, acting in its capacity as trustee under and pursuant to the Trust Agreement, and its successors and assigns as provided in the Trust Agreement.

Wastewater Revenue Fund

“Wastewater Revenue Fund” means the fund by that name established pursuant to Section 3.02 hereof.

Wastewater Revenues

“Wastewater Revenues” means all gross income and revenue received or receivable by the City from the ownership or operation of the Wastewater System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including capacity fees and charges and connection fees and charges) received by the City for the Wastewater Service and the other services of the Wastewater System and all other income and revenue howsoever derived by the City from the ownership or operation of the Wastewater System or arising from the Wastewater System, and also including (1) all income from the

deposit or investment of any money in the Wastewater Revenue Fund and the Rate Stabilization Fund and (2) deposits to the Wastewater Revenue Fund from amounts on deposit in the Rate Stabilization Fund, but only as and to the extent specified in Section 3.02(c), but excluding in all cases any proceeds of taxes and any refundable front footage charges and refundable deposits made to establish credit and advances or contributions in aid of construction.

Wastewater Service

“Wastewater Service” means the municipal Wastewater service furnished, made available or provided by the Wastewater System.

Wastewater System

“Wastewater System” means all facilities for the conveyance and treatment 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 Wastewater System, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed.

2014 Installment Sale Agreement

“2014 Installment Sale Agreement” means this installment sale agreement by and between the City and the Authority, dated as of December 1, 2014, as originally executed and as it may from time to time be amended or supplemented in accordance herewith and with the terms of the Trust Agreement.

2014 Installment Sale Payment Fund

“2014 Installment Sale Payment Fund” means the fund by that name established pursuant to Section 3.02 hereof.

2014 Installment Sale Payment Year

“2014 Installment Sale Payment Year” means the twelve-month period ending on October 1 of each year.

2014 Series A Bonds

“2014 Series A Bonds” means the El Centro Financing Authority Wastewater Revenue Refunding Bonds, 2014 Series A.

2014 Wastewater Project;

“2014 Wastewater Project” means any additions, betterments, extensions or improvements to the Wastewater System designated by the City Council of the City as a designated Wastewater Project, the design, acquisition or construction of which (together with the incidental costs and expenses related thereto) will be financed or refinanced by the proceeds of the 2014 Series A Bonds, including _____.

ARTICLE II

THE 2014 WASTEWATER PROJECT

SECTION 2.01. Design, Acquisition, Construction and Sale of the 2014 Wastewater Project. The Authority hereby agrees to design, acquire, construct and equip the 2014 Wastewater Project for, and to sell the 2014 Wastewater Project to, the City. To implement this provision, the Authority hereby appoints the City as its agent for the purpose of such design, acquisition, construction and equipping, and the City hereby agrees to enter into such engineering, design and construction contracts and purchase orders as may be necessary, as agent for the Authority, to provide for the complete design, acquisition, construction and equipping of the 2014 Wastewater Project. The City hereby agrees that as such agent it will cause the acquisition, construction and equipping of the 2014 Wastewater Project to be diligently completed after the deposit of funds in the Wastewater Acquisition Fund for such purpose pursuant to Section 2.11 of the Trust Agreement, and that it will use its best efforts to cause the design, acquisition, construction and equipping of the 2014 Wastewater Project to be completed as soon as reasonably practicable. The Authority hereby agrees to sell, and hereby sells, the 2014 Wastewater Project to the City. The City hereby agrees to purchase, and hereby purchases, the 2014 Wastewater Project from the Authority on the terms and conditions specified herein. Notwithstanding the foregoing, it is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any costs or expenses incurred by the City (whether as agent for the Authority or otherwise) for the acquisition of the 2014 Wastewater Project and that all such costs and expenses shall be paid by the City, regardless of whether the funds deposited in the funds created under the Trust Agreement are sufficient to cover all such costs.

ARTICLE III

2014 INSTALLMENT SALE PAYMENTS

SECTION 3.01. Purchase Price.

(a) In consideration of the financing of the 2014 Wastewater Project, the Purchase Price to be paid by the City to the Authority hereunder is the sum of the principal amount of the City's obligation hereunder plus the interest to accrue on the unpaid balance of such principal amount from the date hereof over the term hereof, subject to prepayment as provided in Section 3.03.

(b) The principal amount of the Purchase Price to be paid by the City to the Authority hereunder is \$[Par Amount].

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

(d) Interest on the unpaid balance of the principal amount of the Purchase Price shall accrue, from the Closing Date, on the principal component of each 2014 Installment

Sale Payment at the following rates calculated on the basis of a 360-day year comprised of twelve 30-day months:

Principal Component Due Date (October 1)	Principal Amount \$	Interest Rate %
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(e) The Schedule of Purchase Price Payments is set forth in Exhibit A attached hereto.

SECTION 3.02. Payment of 2014 Installment Sale Payments. The City shall, subject to prepayment as provided in Section 3.03, pay the Authority the Purchase Price, without offset or deduction of any kind, by paying the principal installments of the 2014 Installment Sale Payments, which principal installments shall be due annually on October 1, together with interest installments of the 2014 Installment Sale Payments, which interest installments shall be due semiannually on each April 1 and October 1, commencing April 1, 2015. Each 2014 Installment Sale Payment shall be payable on and shall be required to be deposited with the Trustee on or before the fifteenth day of the calendar month immediately preceding its due date.

The obligation of the City to pay the Purchase Price by paying the 2014 Installment Sale Payments is, subject to Section 8.01, absolute and unconditional, and until such time as the 2014 Installment Sale Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Section 7.01), the City will not discontinue or suspend any 2014 Installment Sale Payments required to be paid by it under this section when due, whether or not the Wastewater System or any part thereof is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

To carry out and effectuate the obligation of the City contained herein to pay the Purchase Price by paying the 2014 Installment Sale Payments, the City agrees and covenants that all Wastewater Revenues received by it shall be deposited when and as received in trust in the

“City of El Centro Wastewater Revenue Fund” which fund has been established by the City and is hereby pledged and a security interest is granted therein and which fund the City agrees and covenants to maintain so long as any 2014 Installment Sale Payments, Bonds, Certificates or Contracts remain unpaid, and all money on deposit in the Wastewater Revenue Fund shall be applied and used only as provided herein. The City shall pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) from the Wastewater Revenue Fund as they become due and payable, and all remaining money on deposit in the Wastewater Revenue Fund shall be set aside and deposited by the City at the following times in the following order of priority:

(a) 2014 Installment Sale Payment Fund Deposit. On or before the fourteenth day of each month, beginning in January 2015 the City shall, from the money in the Wastewater Revenue Fund, deposit with the Director of Finance of the City in the Installment Sale Payment Fund established under the Installment Sale Agreement, a sum equal to one-sixth (1/6) of the amount of interest becoming due under the Installment Sale Agreement on the next succeeding April 1 or October 1, as the case may be (except that the deposit for January 2015 shall be equal to one-half (1/2) of the amount of interest due on April 1, 2015). On or before the fourteenth day of each month, beginning in April 2015, the City will, from the money in the Wastewater Revenue Fund, deposit with the Director of Finance in the Installment Payment Fund, one-twelfth (1/12) of the amount of principal becoming due under the Installment Sale Agreement on the next succeeding October 1 (except that the deposits for April 2015 through September, 2015 shall be equal to one-sixth (1/6) of the amount of principal due on October 1, 2015). Notwithstanding the foregoing, no such deposit need be made if the Director of Finance then holds money in the Installment Payment Fund equal to the amount of interest becoming due under the Installment Sale Agreement on the next succeeding April 1 or October 1, as the case may be, plus the amount of principal becoming due under the Installment Sale Agreement on the next succeeding October 1. All money on deposit in the Installment Payment Fund on the fifteenth day of the calendar month immediately preceding each payment date for an Installment Sale Payment shall be paid to and deposited by the Director of Finance with the Trustee for deposit in the Wastewater Revenue Fund, as defined in, created under and in accordance with the terms of, the Trust Agreement.

(b) Reserve Account Deposit. On or before the fourteenth day of each month, beginning in January 2015, the City shall, from the remaining money on deposit in the Wastewater Revenue Fund, deposit with the Treasurer of the Authority for deposit with the Trustee in the Reserve Account the unpaid portion of that sum, if any, specified to the City by the Trustee pursuant to Section 3.03(c)(4) of the Trust Agreement as the amount, if any, required under this Installment Sale Agreement to replenish the Reserve Account. All money in the Reserve Account shall be used and withdrawn by the Trustee for the purposes specified in Section 3.03 of the Trust Agreement.

After making all the deposits to the 2014 Installment Payment Fund and the Reserve Account hereinabove required to be made in each 2014 Installment Sale Payment Year, the City may expend in such 2014 Installment Sale Payment Year any remaining money in the Wastewater Revenue Fund for any lawful purpose of the City.

(c) Rate Stabilization Fund Deposit. The City has established and will maintain and hold a separate fund known as the “Rate Stabilization Fund.” From time to time the City may deposit in the Rate Stabilization Fund from remaining Wastewater Revenues such amounts as the City shall determine, provided that deposits for each Fiscal Year may be made until (but not after) one hundred fifty (150) days following the end of such Fiscal Year. The City may withdraw amounts from the Rate Stabilization Fund only for inclusion in Wastewater Revenues for any Fiscal Year, such withdrawals to be made until (but not after) one hundred fifty (150) days after the end of such Fiscal Year. All interest or other earnings upon deposits in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Wastewater Revenues. Notwithstanding the foregoing, no deposit of Wastewater Revenues to the Rate Stabilization Fund may be made to the extent such Wastewater Revenues were included in an engineer’s or accountant’s certificate submitted in accordance with Section 4.01 hereof and withdrawal of the Wastewater Revenues to be deposited in the Rate Stabilization Fund from Wastewater Revenues employed in rendering said engineer’s or accountant’s certificate would cause noncompliance with Section 4.01.

SECTION 3.03. Prepayment of 2014 Installment Sale Payments. (a) The City may prepay from the Net Proceeds, on any date, all or any part of the principal amount of the unpaid 2014 Installment Sale Payments *pro rata* by principal amount within each principal payment date in integral multiples of five thousand dollars (\$5,000), at a prepayment price equal to the sum of the principal amount prepaid plus accrued interest thereon to the date of prepayment.

(b) The City may prepay from any source of available funds as a whole or in part on any date, on or after October 1, 20__, all or any part of the principal amount of the unpaid 2014 Installment Sale Payments becoming due on or after October 1, 20__, in such order of prepayment as the City may determine upon written direction to the Authority and the Trustee (or, if the City fails to designate the order of prepayment, on a proportionate basis among the 2014 Installment Sale Payments and by lot within an Installment Payment Date), at a prepayment price equal to the sum of the principal amount prepaid, plus accrued interest to the date of prepayment.

(c) Before making any prepayment pursuant to this section, the City shall give written notice to the Authority and the Trustee describing such event and specifying the date on which the prepayment will be paid and the order thereof, which date shall be not less than thirty (30) days nor more than sixty (60) days from the date such notice is given; provided, that notwithstanding any such prepayment, the City shall not be relieved of its obligations hereunder, including specifically its obligations under this article, until the Purchase Price shall have been fully paid (or provision for payment thereof shall have been made pursuant to Article VII). The City shall also give fifteen (15) days’ prior notice of any prepayment to the Rating Agencies (as such term is defined in the Trust Agreement).

SECTION 3.04. Pledge of Net Wastewater Revenues. All Net Wastewater Revenues are hereby irrevocably pledged to the payment of the 2014 Installment Sale Payments and such other payments as are permitted herein. This pledge shall constitute a lien on the Net Wastewater Revenues for the payment of the 2014 Installment Sale Payments, principal of and

interest on all Bonds and Installment Sale Payments on all other Contracts in accordance with the terms thereof.

ARTICLE IV

ADDITIONAL BONDS AND CONTRACTS

SECTION 4.01. Additional Bonds and Contracts. The City may at any time issue any bonds the payments under and pursuant to which, or execute any Contract the Installment Sale Payments under and pursuant to which, as the case may be, are payable from the Net Wastewater Revenues in the Wastewater Revenue Fund on a parity with the payment by the City of the 2014 Installment Sale Payments; provided the audited Net Wastewater Revenues (excluding from such calculation of Net Wastewater Revenues all connection fees and charges) for the Fiscal Year next preceding the date of the adoption by the City Council of the City of the resolution authorizing the issuance of such bonds or the execution of such Contract, as the case may be, as evidenced by both a calculation prepared by the City and a special report prepared by an Independent Certified Public Accountant on such calculation on file with the City; plus:

(i) an allowance for Net Wastewater Revenues (excluding from such calculation of Net Wastewater Revenues all connection fees and charges) that would have been derived from each new connection to the Wastewater System, which was made prior to the adoption of such resolution or the execution of such Contract, as the case may be, but which, during all or any part of said Fiscal Year, was not in existence, in an amount equal to ninety per cent (90%) of the estimated additional Net Wastewater Revenues that would have been derived from each such connection if it had been made prior to the beginning of said Fiscal Year, as shown by an Engineer's Report on file with the City;

(ii) an allowance for Net Wastewater Revenues (excluding from such calculation of Net Wastewater Revenues all connection fees and charges) that would have been derived from any increase in the rates, fees and charges fixed and prescribed for Wastewater Service which became effective prior to the adoption of such resolution or the execution of such Contract, as the case may be, but which, during all or any part of said Fiscal Year, was not in effect, in an amount equal to ninety per cent (90%) of the estimated additional Net Wastewater Revenues that would have been derived from such increase in rates, fees and charges if it had been in effect prior to the beginning of said Fiscal Year, as shown by an Engineer's Report on file with the City; and

(iii) an allowance for Net Wastewater Revenues that were derived from any connection fees for any new connections to the Wastewater System during said Fiscal Year, assuming that each such connection fee was collected at an amount equal to the current amount of each connection fee as of the date of calculation, as shown by an Engineer's Report on file with the City, provided, that such estimated additional Net Wastewater Revenues shall not exceed twenty five per cent (25%) of the total Adjusted Wastewater Revenues for such Fiscal Year;

shall have produced an amount equal to at least one hundred fifteen per cent (115%) of the Maximum Annual Debt Service on all Bonds and Contracts outstanding after the issuance of such Bonds or the execution of such Contract, as the case may be.

Notwithstanding the foregoing provisions, there shall be no limitations on the ability of the City to execute any Contract or to issue any Bonds at any time to refund any outstanding Bonds or any outstanding Contract.

ARTICLE V

COVENANTS OF THE CITY

SECTION 5.01. Compliance with 2014 Installment Sale Agreement and Trust Agreement. The City will punctually pay the 2014 Installment Sale Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this 2014 Installment Sale Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Wastewater System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including Acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The City will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Trust Agreement required to be observed and performed by it, and it is expressly understood and agreed by and among the parties to this 2014 Installment Sale Agreement and the Trust Agreement that each of the agreements, conditions, covenants and terms contained in each such agreement is an essential and material term of the obligation of the City to repay the costs of the acquisition of the 2014 Wastewater Project and the costs and expenses incidental thereto paid by the Authority pursuant to, and in accordance with, and as authorized under law and this 2014 Installment Sale Agreement.

SECTION 5.02. Use of Proceeds of 2014 Series A Bonds. The Authority and the City agree that the proceeds of the 2014 Series A Bonds will be used by the Authority to acquire the 2014 Wastewater Project and to pay the incidental costs and expenses related thereto as provided herein and in the Trust Agreement.

SECTION 5.03. Against Encumbrances. The City will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the City in, upon, about or relating to the Wastewater System and will keep the Wastewater

System free of any and all liens against any portion of the Wastewater System. In the event any such lien attaches to or is filed against any portion of the Wastewater System, the City will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City will forthwith pay or cause to be paid and discharged such judgment. The City will, to the maximum extent permitted by law, indemnify and hold the Authority and the Trustee harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against any portion of the Wastewater System.

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

SECTION 5.04. Against Sale or Other Disposition of Property. The City will not sell, lease (except to another public agency) or otherwise dispose of the Wastewater System or any part thereof essential to the proper operation of the Wastewater System or to the maintenance of the Net Wastewater Revenues, and will not enter into any agreement or lease which would impair the operation of the Wastewater System or any part thereof necessary to secure adequate Net Wastewater Revenues for the payment of the 2014 Installment Sale Payments, or which would otherwise impair the rights of the Authority with respect to the Net Wastewater Revenues or the operation of the Wastewater System; provided, that any real or personal property that has become non-operative or that is not needed for the efficient and proper operation of the Wastewater System, or any material or equipment that has become worn out, may be sold if such sale will not reduce the Net Wastewater Revenues below the requirements to be maintained under Section 5.14.

SECTION 5.05. Tax Covenants.

(a) **Special Definitions.** When used in this Section, the following terms have the following meanings:

“*Computation Date*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Gross Proceeds*”, with respect to an issue of governmental obligations, means any Proceeds of that issue (as defined below), and any “replacement proceeds” of that issue (as defined in section 1.148-1(c) of the Tax Regulations).

“*Investment*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Nonpurpose Investment*” means any “investment property” (as defined in section 148(b) of the Code), in which Gross Proceeds of an issue are invested that is not acquired to carry out the governmental purposes of that issue.

“*Original Facilities*” means any property the acquisition, construction or improvement of which was financed directly or indirectly with Gross Proceeds of the Original Issue.

“*Original Issue*” refers to the El Centro Financing Authority Wastewater Revenue Bonds, 2006 Series A.

“*Proceeds*”, with respect to an issue of governmental obligations, has the meaning set forth in has the meaning set forth in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds of, but not replacement proceeds in respect of, that issue).

“*Rebate Amount*” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“*Tax Regulations*” means the United States Treasury Regulations promulgated pursuant to sections 103 and 141 through 150 of the Code.

“*Yield*” of

(1) any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations; and

(2) the 2014 Series A Bonds has the meaning set forth in section 1.148-4 of the Tax Regulations.

For purposes of this Section, the City has treated and will treat Proceeds of the 2014 Series A Bonds as being used, ratably, for the same purposes as were the Proceeds of the Original Issue.

(b) Not to Cause Interest to Become Taxable. The City shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) or any of the Original Facilities in a manner that if made or omitted, respectively, might cause the interest on any of the 2014 Series A Bonds to fail to be excluded pursuant to section 103(a) of the Code from the gross income of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect such exclusion from gross income of interest on any 2014 Series A Bond, the City shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as would not cause any 2014 Series A Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the City shall at all times prior to the payment and cancellation of the last 2014 Series A Bond to be paid and canceled:

(1) require that one or more state or local governmental agencies exclusively own, operate and possess all of the Original Facilities, and not use or permit the use of any portion of the Original Facilities (including through contractual arrangements with terms different than those applicable to the general public or otherwise) or of any other property acquired, constructed or improved with Gross Proceeds of the 2014 Series A Bonds or of the

Original Issue in any activity carried on by a Nongovernmental Person that would create private business use described in section 141(b)(1) of the Code; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity in respect of the use by any Nongovernmental Person of Gross Proceeds of the 2014 Series A Bonds or of the Original Issue, or any portion of the Original Facilities, other than taxes of general application within the jurisdiction of the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) No Private Loan. Except as would not cause any 2014 Series A Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the City has not used, and shall not use, Proceeds of the Original Issue or of the 2014 Series A Bonds to make or finance any loan to any person or entity other than a state or local government. For purposes of the foregoing covenant, Proceeds are considered to be “loaned” to a person or entity in any transaction that for federal income tax purposes is treated as a loan of such monies, or if: (1) property acquired, constructed or improved with such Proceeds is sold or leased to such person or entity in a transaction that creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits of such Proceeds, or burdens and benefits of ownership of any property acquired, constructed or improved with such Proceeds, are otherwise transferred in a transaction that is the economic equivalent of a loan. For purposes of this covenant, the City will treat any transaction constituting a loan of Proceeds of the Original Issue as resulting in a loan of Proceeds of the 2014 Series A Bonds.

(e) No Financing of Nongovernmental Output Property. Except as would not cause any 2014 Series A Bond to be a “private activity bond”, no portion of the Proceeds or the Original Issue have been, and no portion of the Proceeds of the 2014 Series A Bonds will be, used (directly or indirectly) for the acquisition of any interest in any Nongovernmental Output Property. As set forth above, for purposes of the preceding sentence, the City will treat Proceeds of the 2014 Series A Bonds as used ratably for the same purposes as were the proceeds of the Original Issue.

(f) Not to Invest at Higher Yield. Except as would not cause any 2014 Series A Bond to become an “arbitrage bond” within the meaning of section 148 of the Code and the Tax Regulations and rulings thereunder, the City shall not at any time prior to the final maturity of the 2014 Series A Bonds directly or indirectly invest Gross Proceeds of the 2014 Series A Bonds in any Investment, if as a result of such investment the Yield of any Investment acquired with such Gross Proceeds, whether then held or previously disposed of, would materially exceed the Yield of such 2014 Series A Bond (within the meaning of said section 148).

(g) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Tax Regulations and rulings thereunder, the City shall not take or omit to take any action that would cause any 2014 Series A Bond to be “federally guaranteed” within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.

(h) Information Report. The City shall timely file or cause to be filed any information required by section 149(e) of the Code with respect to the 2014 Series A Bonds with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(i) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Tax Regulations and rulings thereunder:

(1) The City shall account for all Gross Proceeds of the 2014 Series A Bonds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last 2014 Series A Bond is discharged. However, to the extent permitted by law, the City may commingle Gross Proceeds of the 2014 Series A Bonds with its other money, provided that the City separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the City shall calculate or cause to be calculated the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Tax Regulations and rulings thereunder. The Trustee may rely conclusively upon the City's determinations, calculations and certifications required by this Section. The Trustee shall have no responsibility to independently make any calculation of determination or to review the City's calculations hereunder. The City will maintain a copy of the calculation with its official transcript of proceedings relating to the issuance of the 2014 Series A Bonds until six years after the final Computation Date.

(3) To assure the excludability of the interest on 2014 Series A Bonds from the gross income of the owners thereof for federal income tax purposes, the City shall deposit in the Rebate Fund and cause the Trustee to pay to the United States the amount that when added to the future value of previous rebate payments made for the 2014 Series A Bonds equals (A) in the case of a Final Computation Date as defined in section 1.148-3(e)(2) of the Tax Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (B) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such a date. In all cases such Rebate payments shall be made by the City (or by the Trustee at the direction of the City) at the times and in the amounts as are or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder for execution and filing by the City.

(4) The City shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3) above, and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under section 1.148-3(h) or other provision of the Tax Regulations.

(j) Not to Divert Arbitrage Profits. Except as would not cause the 2014 Series A Bonds to be “arbitrage bonds” under section 148 of the Code, the City shall not at any time prior to the final maturity of the 2014 Series A Bonds enter into any transaction that would reduce the amount required to be paid to the United States pursuant to paragraph (h) of this Section because such transaction results in a smaller profit, or a larger loss, than would have resulted if the transaction had been at arm’s length and had the Yield on the 2014 Series A Bonds not been relevant to either party.

(k) 2014 Series A Bonds Not Hedge Bonds.

(1) The City represents that none of the bonds of the Original Issue was, and that none of the 2014 Series A Bonds will be, a “hedge bond” within the meaning of section 149(g) of the Code.

(2) Without limitation of the foregoing, the City warrants that (A) on each date of issuance of the Original Issue the City reasonably expected (based upon its own knowledge and upon representations made by other governmental persons upon the issuance of those obligations) that within the three-year period commencing on such date no less than 85% of the spendable proceeds of the Original Issue would be expended for the governmental purposes thereof, and (B) the City believes and represents that at no time was more than 50% of the proceeds of the Original Issue invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more; and further the City further represents and warrants, with respect to the application of Proceeds of the 2014 Series A Bonds other than for refunding purposes, (A) the City will not issue the 2014 Series A Bonds unless on the date of the issuance of the 2014 Series A Bonds it reasonably expects that within the three-year period commencing on such date of issuance at least 85% of such spendable proceeds of the 2014 Series A Bonds will be expended for the governmental purpose of the 2014 Series A Bonds and (B) at no time will more than 50% of such spendable proceeds of the 2014 Series A Bonds be invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more.

(l) Elections. The City hereby directs and authorizes any Responsible Officer to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such Responsible Officer (after consultation with Bond Counsel) deems necessary or appropriate in connection with the 2014 Series A Bonds, in the Tax Certificate relating to the 2014 Series A Bonds or similar or other appropriate certificate, form or document.

(m) Weighted Average Maturity of the 2014 Series A Bonds. The City represents that the weighted average maturity of the 2014 Series A Bonds is not in excess of one-hundred twenty percent (120%) of the average remaining economic life of the Original Facilities, determined in accordance with the provisions of section 147(b) of the Code and within the meaning of section 1313(a)(1)(B)(i) of the Tax Reform Act of 1986 and section 1.148-1(c)(4)(B) of the Treasury Regulations.

SECTION 5.06. Acquisition of the 2014 Wastewater Project. The City has taken all necessary and appropriate steps to acquire the 2014 Wastewater Project, as agent of the Authority.

SECTION 5.07. Maintenance and Operation of the Wastewater System; Budgets.

The City will maintain and preserve the Wastewater System in good repair and working order at all times and will operate the Wastewater System in an efficient and economical manner and will pay all Maintenance and Operation Costs as they become due and payable.

Not later than August 1 of each year, the City will adopt and, if requested, make available to the Authority and the Trustee, a budget approved by the City Council of the City setting forth the estimated Maintenance and Operation Costs and the estimated payments for Debt Service for the then current Fiscal Year; provided, that any such budget may be amended at any time during any Fiscal Year and, if requested, such amended budget shall be made available to the Authority and the Trustee. In addition, not later than August 1 of each year the Director of Finance shall provide the Trustee with a written certificate demonstrating that, based upon such approved budget Net Wastewater Revenues for such Fiscal Year will equal or exceed one hundred fifteen percent (115%) of the Debt Service for such Fiscal Year; provided that for purposes of such calculation, Wastewater Revenues will mean the aggregate of the Adjusted Wastewater Revenues plus an amount of connection fees and charges not exceeding twenty five percent (25%) of such Adjusted Wastewater Revenues.

Not later than February 1 of each year the Director of Finance shall provide the Trustee with a written certificate demonstrating that based upon the audited financial statements of the City for the prior Fiscal Year, the City was in compliance with the covenant contained in Section 5.14 hereof for such Fiscal Year.

SECTION 5.08. Compliance with Contracts. The City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Wastewater System and all other contracts affecting or involving the Wastewater System to the extent that the City is a party thereto.

SECTION 5.09. Payment of Claims. The City will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Net Wastewater Revenues or any part thereof prior or superior to the obligation to make the 2014 Installment Sale Payments as provided herein or which might impair the security of the 2014 Installment Sale Payments.

SECTION 5.10. Insurance. The City will procure and maintain such insurance relating to the Wastewater System which it shall deem advisable or necessary to protect its interests and the interests of the Authority and the Trustee, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal Wastewater systems similar to the Wastewater System; provided, that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with municipal Wastewater systems similar to the Wastewater System and is, in the opinion of the Risk Manager of the City or an Insurance Consultant, financially sound. All policies of insurance required to be maintained herein shall provide that the Authority and the Trustee shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

The City shall promptly advise the Authority and the Trustee in writing if any change in the insurance coverage occurs and provide a report as to all insurance policies maintained and self-insurance programs maintained by the City with respect to the Wastewater System, including the names of the insurers which have issued the policies and the amounts thereof and the property or risks covered thereby.

SECTION 5.11. Accounting Records and Financial Statements.

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

(b) The City will prepare and file with the Authority and the Trustee annually within one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2014) financial statements of the City for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon.

SECTION 5.12. Protection of Security and Rights of the Authority and the Trustee. The City will preserve and protect the security hereof and the rights of the Authority and the Trustee to the 2014 Installment Sale Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

SECTION 5.13. Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Wastewater System or any part thereof when the same shall become due. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Wastewater System or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

SECTION 5.14. Amount of Rates, Fees and Charges. The City will at all times fix, prescribe and collect rates, fees and charges for the Wastewater Service that are reasonably fair and nondiscriminatory and which will be at least sufficient to yield Net Wastewater Revenues during the next succeeding Fiscal Year of the City equal to one hundred fifteen per cent (115%) of the Debt Service for such Fiscal Year; provided, however, for purposes of calculating Net Wastewater Revenues under this Section 5.14, Wastewater Revenues will mean the aggregate of the Adjusted Wastewater Revenues plus an amount of connection fees and charges not exceeding twenty five percent (25%) of such Adjusted Wastewater Revenues. The City may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Net Wastewater Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this section.

SECTION 5.15. Collection of Rates, Fees and Charges. The City will have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Wastewater System to pay the rates, fees and charges applicable to the Wastewater Service to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The City will not permit any part of the Wastewater System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State of California and any city, county, district, political subdivision, public corporation or agency of any thereof); provided, that the City may without charge use the Wastewater Service.

SECTION 5.16. Eminent Domain and Insurance Proceeds. If all or any part of the Wastewater System shall be taken by eminent domain proceedings, or if the City receives any insurance proceeds resulting from a casualty loss to the Wastewater System, the Net Proceeds thereof, at the option of the City, shall be applied either to the prepayment of the 2014 Installment Sale Payments as provided in Section 3.03 or shall be used to substitute other components for the condemned or destroyed components of the Wastewater System.

SECTION 5.17. Further Assurances. The City will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Authority of the rights and benefits provided to it herein.

SECTION 5.18. Continuing Disclosure. The City hereby covenants and agrees that it will enter into and comply with and carry out all of the provisions of the Continuing Disclosure Agreement. Notwithstanding any other provision of this 2014 Installment Sale Agreement, failure of the City to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default hereunder; however, the Trustee shall at the written request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) or the Holders of at least 25% aggregate principal amount in Outstanding Bonds, or any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the City to comply with its obligations under this Section. For purposes of this Section, "Beneficial Owner" means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bond (including persons holding a Bond through nominees, depositories or other intermediaries).

SECTION 5.19. Swap Agreements. Any interest rate exchange agreement ("Swap Agreement") entered into by the City shall meet the following conditions: (i) the Swap Agreement must be entered into to manage interest costs related to, or a hedge against (a) assets then held, or (b) debt then outstanding, or (iii) debt reasonably expected to be issued within the next twelve (12) months, and (ii) the Swap Agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component. Unless otherwise consented to in writing by the Bond Insurer, any uninsured net settlement, breakage or other termination amount then in effect shall be subordinate to debt service on the Bonds and on any debt on parity with the Bonds. The City shall not terminate a Swap Agreement unless it demonstrates to the satisfaction of the Bond Insurer prior to the payment of any such termination

amount that such payment will not cause the City to be in default under the related documents, including but not limited to, any monetary obligations thereunder. All counterparties or guarantors to any Swap Agreement must have a rating of at least “A-” and “A3” by Standard & Poor’s (“S&P”) and Moody’s Investors Service (“Moody’s”). If the counterparty or guarantor’s rating falls below “A-“ or “A3” by either S&P or Moody’s, the counterparty or guarantor shall execute a credit support annex to the Swap Agreement, which credit support annex shall be acceptable to the Bond Insurer. If the counterparty or the guarantor’s long term unsecured rating falls below “Baa1” or “BBB+” by either Moody’s or S&P, a replacement counterparty or guarantor, acceptable to the Bond Insurer, shall be required.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

SECTION 6.01. Events of Default and Acceleration of Principal. If one or more of the following Events of Default shall happen, that is to say:

- (1) if default shall be made in the due and punctual payment of any 2014 Installment Sale Payment when and as the same shall become due and payable;
- (2) if default shall be made by the City in the performance of any of the agreements or covenants contained herein required to be performed by it, and such default shall have continued for a period of sixty (60) days after the City shall have been given notice in writing of such default by the Authority, the Bond Insurer or the Trustee;
- (3) if an event of default shall occur with respect to any Bonds, Certificates or Contracts; or
- (4) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such Event of Default specified in clause (1) above, the Trustee shall, and for any other such Event of Default the Trustee may, with the prior written consent of the Bond Insurer, by notice in writing to the City given not later than three (3) Business Days after it receives notice of an Event of Default or direction to proceed under an Event of Default, declare the entire principal amount of the unpaid 2014 Installment Sale Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding. This subsection is subject to the condition, however, that if at any time after the entire principal amount of the unpaid 2014 Installment Sale Payments and the accrued interest thereon shall have been so declared due and payable and

before any judgment or decree for the payment of the money due shall have been obtained or entered the City shall deposit with the Trustee a sum sufficient to pay the unpaid principal amount of the 2014 Installment Sale Payments due and payable prior to such declaration and the accrued interest thereon, with interest on such overdue installments at the rate or rates applicable to such unpaid principal amounts of the 2014 Installment Sale Payments if paid in accordance with their terms, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of the entire principal amount of the unpaid 2014 Installment Sale Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Trustee, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

SECTION 6.02. Application of Net Wastewater Revenues and Rate Stabilization Fund Upon Acceleration. All Net Wastewater Revenues and all moneys on deposit in the Rate Stabilization Fund upon the date of the declaration of acceleration by the Trustee as provided in Section 6.01 and all Net Wastewater Revenues thereafter received shall be applied in the following order:

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

Second, *pari passu* to the payment of the interest then due and payable on the entire principal amount of the unpaid 2014 Installment Sale Payments, Bonds, Certificates and Contracts, and, if the amount available shall not be sufficient to pay in full all such interest then due and payable, then to the payment thereof ratably, according to the amounts due thereon without any discrimination or preference;

Third, *pari passu* to the payment of the unpaid principal amount of the 2014 Installment Sale Payments, Bonds, Certificates and Contracts, which has become due and payable, whether on the original due date or upon acceleration, with interest on the overdue principal and interest amounts of such principal amounts at the rate or rates of interest then applicable to such principal amounts if paid in accordance with their terms, and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to such principal amounts on any date, together with such interest, then to the payment thereof ratably, according to the principal amount due on such date, without any discrimination or preference; and

[Fourth, to the payment of amounts due to the Bond Insurer not paid pursuant to Second and Third, above.]

SECTION 6.03. Other Remedies. The Trustee shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any councilmember, officer or employee thereof, and to

compel the City or any such councilmember, officer or employee to perform and carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained herein;

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

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

SECTION 6.04. Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the 2014 Installment Sale Payments from the Net Wastewater Revenues to the Trustee at the respective due dates or upon prepayment, or shall affect or impair the right of the Trustee, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

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

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

SECTION 6.05. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

ARTICLE VII

DISCHARGE OF OBLIGATIONS

SECTION 7.01. Discharge of Obligations.

(a) If the City shall pay or cause to be paid all the 2014 Installment Sale Payments at the times and in the manner provided herein, the right, title and interest of the Authority herein and the obligations of the City hereunder shall thereupon cease, terminate, become void and be completely discharged and satisfied.

(b) Any unpaid principal installment of the 2014 Installment Sale Payments shall on its payment date or date of prepayment be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if the City makes payment of such 2014 Installment Sale Payments and the prepayment premium, if applicable, in the manner provided herein.

(c) All or any portion of unpaid principal installments of the 2014 Installment Sale Payments shall, prior to their payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (i) notice is provided by the City to the Trustee as required by the Trust Agreement, (ii) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or Defeasance Obligations (as that term is defined in the Trust Agreement), the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee, shall be sufficient to pay when due the principal installments of such 2014 Installment Sale Payments or such portions thereof on and prior to their payment dates or their dates of prepayment, as the case may be, and the prepayment premiums, if any, applicable thereto, and (iii) an opinion of nationally recognized bond counsel is filed with the Trustee to the effect that the action taken pursuant to this subsection will not cause the interest on the Bonds to be includable in gross income under the Code for federal income tax purposes.

(d) After the payment of all 2014 Installment Sale Payments and prepayment premiums, if any, as provided in this section, and payment of all fees and expenses of the Trustee, the Trustee, upon request of the City, shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and the Authority and shall execute and deliver to the City and the Authority all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of this 2014 Installment Sale Agreements, and the Trustee shall pay over and deliver to the City, as an overpayment of 2014 Installment Sale Payments, all such money or investments held by it pursuant hereto other than such money and such investments as are required for the payment or prepayment of the 2014 Installment Sale Payments, which money and investments shall continue to be held by the Trustee in trust for the payment of the 2014 Installment Sale Payments and shall be applied by the Trustee pursuant to the Trust Agreement.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Liability of City Limited to Net Wastewater Revenues. Notwithstanding anything contained herein, the City shall not be required to advance any moneys derived from any source of income other than the Net Wastewater Revenues for the payment of the 2014 Installment Sale Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The City may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the 2014 Installment Sale Payments is a special obligation of the City payable solely from the Net Wastewater Revenues as provided

herein, and does not constitute a debt of the City or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

SECTION 8.02. Amendment. The City and the Authority shall have the right to modify or amend this Agreement, without the consent of the Trustee, the Bond Insurer, or any of the Owners of the Bonds or any of the owners of Parity Obligations, but only if such amendment or modification (a) does not cause interest represented by the Bonds to be includable in gross income for federal income tax purposes in the opinion of Bond Counsel, (b) does not materially adversely affect the interests of the Owners of the Bonds or the owners of any Parity Obligations in the opinion of Bond Counsel, (c) does not modify any of the rights or obligations of the Trustee without the Trustee's written consent, and (d) only is for any one or more of the following purposes:

- (1) to provide for the issuance of additional Bonds pursuant to Section 4.01;
- (2) to add to the covenants and agreements of the City contained in this 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;
- (3) 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
- (4) to amend any provision thereof for the purpose of complying with the applicable requirements of the Code.

SECTION 8.03. Benefits of 2014 Installment Sale Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the Authority or the City or the Trustee or the Bond Insurer any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the Authority or the City or the Trustee shall be for the sole and exclusive benefit of the other party.

SECTION 8.04. Successor Is Deemed Included in all References to Predecessor. Whenever either the Authority or the City or the Trustee is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority or the City or the Trustee, and all agreements and covenants required hereby to be performed by or on behalf of the Authority or the City or the Trustee shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

SECTION 8.05. Waiver of Personal Liability. No councilmember, officer or employee of the City shall be individually or personally liable for the payment of the 2014 Installment Sale Payments, but nothing contained herein shall relieve any councilmember, officer or employee of the City from the performance of any official duty provided by any applicable provisions of law or hereby.

SECTION 8.06. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections,” “Exhibits” and other subdivisions or clauses are to the corresponding articles, sections, exhibits, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith” and other words of similar import refer to this 2014 Installment Sale Agreement as a whole and not to any particular article, section, exhibit, subdivision or clause hereof.

SECTION 8.07. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority or the City shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The Authority and the City hereby declare that they would have executed this 2014 Installment Sale Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 8.08. Assignment. This 2014 Installment Sale Agreement and any rights hereunder shall be assigned by the Authority to the Trustee as provided in the Trust Agreement; to which assignment the City hereby expressly acknowledges and consents.

SECTION 8.09. Net Contract. This 2014 Installment Sale Agreement shall be deemed and construed to be a net contract, and the City shall pay absolutely net during the term hereof the 2014 Installment Sale Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

SECTION 8.10. Governing Law. This 2014 Installment Sale Agreement shall be construed and governed in accordance with the laws of the State of California.

SECTION 8.11. Indemnification. The City shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Authority and its directors, officers and employees and the Trustee and its directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the entering into of this 2014 Installment Sale Agreement, the acquisition and use of the 2014 Wastewater Project and each portion thereof or any accident in connection with the operation, use, condition or possession of the 2014 Wastewater Project or any portion thereof resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the City or the Authority; any claim for patent, trademark or copyright infringement; and any claim arising out of strict liability in tort. The indemnification arising under this section shall continue in full force and effect notwithstanding the full payment of all obligations hereunder or the termination hereof for any reason. The City

agrees not to withhold or abate any portion of the payments required pursuant hereto by reason of any defects, malfunctions, breakdowns or infirmities of the 2014 Wastewater Project. The City and the Authority mutually agree to promptly give notice to each other of any claim or liability hereby indemnified against following either's learning thereof.

Amounts payable as a result of the indemnification provided for in this Section are limited to Net Wastewater Revenues.

SECTION 8.12. Funds. Any fund required to be established and maintained herein by the Director of Finance may be established and maintained in the accounting records of the Director of Finance either as an account or a fund, and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to any such fund shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Bonds and the rights of the owners of such Bonds.

SECTION 8.13. Notices. All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the City:

City of El Centro
1275 Main Street
El Centro, California 92243
Attention: Director of Finance

If to the Authority:

El Centro Financing Authority
1275 Main Street
El Centro, California 92243
Attention: Executive Director

If to the Bond Insurer:

[to come if applicable]

SECTION 8.14. Effective Date. This 2014 Installment Sale Agreement shall become effective upon its execution and delivery, and shall terminate when the Purchase Price shall have been fully paid (or provision for the payment thereof shall have been made pursuant to Article VII).

SECTION 8.15. Execution in Counterparts. This 2014 Installment Sale Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed and attested this 2014 Installment Sale Agreement by their officers thereunto duly authorized as of the day and year first written above.

CITY OF EL CENTRO

By _____
City Manager

(SEAL)

Attest:

City Clerk

EL CENTRO FINANCING AUTHORITY

By _____
Chairperson

(SEAL)

Attest:

Secretary

Attachment: Installment Sale Agreement - 2014 El Centro Wastewater Refunding (2) (1140 : Approve authorizing the issuance of Water &

EXHIBIT A
CITY OF EL CENTRO
2014 WASTEWATER INSTALLMENT SALE AGREEMENT

Schedule of Purchase Price Payments

Date	Principal	Interest	Semiannual	<u>Payment</u>	Annual
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Attachment: Installment Sale Agreement - 2014 El Centro Wastewater Refunding (2) (1140 : Approve authorizing the issuance of Water &

Fulbright & Jaworski LLP – Draft 11/10/14

PRELIMINARY OFFICIAL STATEMENT DATED _____, 2014**NEW ISSUE-FULL BOOK-ENTRY**

[INSURED RATING: Standard & Poor's: "___"]
 [UNDERLYING] RATING: Standard & Poor's: "___"
 (See "Ratings" herein)

In the opinion of Fulbright & Jaworski LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions and assuming compliance with the tax covenants described herein, the interest on the Bonds is excluded pursuant to section 103)(a) of the Internal Revenue Code of 1986 from the gross income of the owners thereof for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. It is also the opinion of Bond Counsel that under existing law interest on the Bonds is exempt from personal income taxes of the State of California. See, however, "TAX MATTERS."

[\$Par Amount]*
EL CENTRO FINANCING AUTHORITY
WASTEWATER REVENUE REFUNDING BONDS
2014 SERIES A

Dated: Date of Delivery**Due: October 1, as shown below**

The \$[Par Amount]* El Centro Financing Authority Wastewater Revenue Refunding Bonds, 2014 Series A (the "Bonds") are being issued by the Authority (i) to refund a portion the \$32,500,000 El Centro Financing Authority Wastewater Revenue Bonds, 2006 Series A, currently outstanding in the principal amount of \$28,345,000 (the "Refunded Bonds"); (ii) fund a reserve account for the Bonds; and (iii) pay costs of issuance of the Bonds.

The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Interest on the Bonds will be payable on April 1 and October 1 of each year, commencing April 1, 2015. Payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co., by U.S. Bank National Association, as trustee (the "Trustee"), so long as DTC or Cede & Co. is the registered owner of the Bonds. Disbursements of such payments to DTC's Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC's Participants and Indirect Participants, as more fully described herein. See "APPENDIX D – BOOK-ENTRY SYSTEM."

The Bonds are payable from and secured by a first pledge of certain payments received by the Authority from the City under the 2014 Installment Sale Agreement, dated as of December 1, 2014 (the "Installment Sale Agreement"), by and between City and the Authority, and from interest and other income derived from certain funds and accounts held under the Trust Agreement, dated as of December 1, 2014, by and between the City and the Trustee. The City's obligation to make payments under the Installment Sale Agreement is payable solely from all gross income and revenue received by the City from the ownership or operation of the Wastewater System, excluding Maintenance and Operation Costs of the Wastewater System. See "SECURITY FOR THE BONDS – Revenues; Pledge of Revenues."

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See "THE BONDS – Redemption."

[The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a bond insurance policy to be issued concurrently with the delivery of the Bonds by _____. See "APPENDIX G – Specimen Bond Insurance Policy."]

[INSURER LOGO]

The Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues under the Trust Agreement. Neither the full faith and credit of the Authority nor that of the City or the Successor Agency to the Redevelopment Agency of the City of El Centro (the "Successor Agency") is pledged for the payment of the interest on or principal of the Bonds and no tax or other source of funds, other than the Revenues, is pledged to pay the interest on or principal of the Bonds. The payment of the principal of or interest on the Bonds does not constitute a debt, liability or obligation of the Authority, the City or the Successor Agency for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

This cover page contains information for quick reference only. It is not intended to be a summary of all factors relating to an investment in the Bonds. Investors must read the entire Official Statement before making any investment decision.

The Bonds are offered when, as and if issued and accepted by the Underwriter subject to the approval, as to their validity, of Fulbright & Jaworski LLP, Los Angeles, California, a member of Norton Rose Fulbright, Bond Counsel to the Authority, and certain other conditions. Certain legal matters will be passed upon for the Authority and the City by the City Attorney. Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, is serving as Disclosure Counsel. It is expected that the Bonds will be available for delivery in book-entry form through the facilities of DTC on or about December ___, 2014.

[UNDERWRITER]

Dated: _____, 2014

* Preliminary, subject to change.

**[\$Par Amount]*
Wastewater Revenue Refunding Bonds
2014 Series A**

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> [†]
--	-----------------------------------	--------------------------------	--------------	---------------------------

\$ _____ % Term Bonds Maturing October 1, 20__, Priced to Yield ____ %
CUSIP No.[†] _____

* Preliminary, subject to change.

[†] CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor’s Financial Services LLC on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. The Authority, the City, the Financial Advisor and the Underwriter are not responsible for the selection or correctness of the CUSIP numbers set forth herein.

No dealer, broker, salesperson or other person has been authorized by the Authority, the City, the Financial Advisor or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

The information set forth herein has been obtained from official sources which are believed to be reliable. The information and expressions of opinion herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the City since the date hereof. All summaries of the Trust Agreement, the Installment Sale Agreement, and other documents referred to in this Official Statement, are made subject to the provisions of such documents, respectively, and do not purport to be complete statements of any or all of such provisions.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

This Official Statement contains certain “forward-looking statements” concerning the Wastewater System and the operations, performance and financial condition of the City, including their future economic performance, plans and objectives and the likelihood of success in developing and expanding. These statements are based upon a number of assumptions and estimates which are subject to significant uncertainties, many of which are beyond the control of the Authority and the City. The words “may,” “would,” “could,” “will,” “expect,” “anticipate,” “believe,” “intend,” “plan,” “estimate” and similar expressions are meant to identify these forward-looking statements. Results may differ materially from those expressed or implied by these forward-looking statements.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

**CITY OF EL CENTRO
EL CENTRO FINANCING AUTHORITY**

City Council and Authority Governing Board

Cheryl Viegas-Walker - Mayor/Chairperson of the Authority
Efrain Silva - Mayor Pro Tem/Boardmember
Jason Jackson - Council Member/Boardmember
Sedalia Sanders - Council Member/Boardmember
Alex Cardenas - Council Member/Boardmember

City Officials

Ruben A. Duran, City Manager and City Treasurer
Diane Caldwell, City Clerk
Leticia Salcido, Director of Finance
Marcela Piedra, Economic Development Director
Kris M. Becker, City Attorney

Special Services

Bond Counsel and Disclosure Counsel

Fulbright & Jaworski LLP
a member of Norton Rose Fulbright
Los Angeles, California

Financial Advisor

Ironwood Advisors
Tucson, Arizona

Trustee

U.S. Bank National Association
Los Angeles, California

Verification Agent

Grant Thornton LLP
Minneapolis, Minnesota

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Attachment: Preliminary Official Statement - El Centro 2014 Wastewater Refunding (1140 : Approve authorizing the issuance of Water &

OFFICIAL STATEMENT

\$[PAR AMOUNT]* EL CENTRO FINANCING AUTHORITY WASTEWATER REVENUE REFUNDING BONDS 2014 SERIES A

INTRODUCTION

The purpose of this Official Statement (which includes the cover page, inside cover and the appendices attached hereto) is to provide information concerning the issuance, sale and delivery by the El Centro Financing Authority (the “Authority”) of its \$[Par Amount]* Wastewater Revenue Refunding Bonds, 2014 Series A (the “Bonds”). The Authority is a joint exercise of powers authority organized under the laws of the State of California and composed of the City of El Centro, California (the “City”) and the Successor Agency to the Redevelopment Agency of the City of El Centro, formerly the Redevelopment Agency of the City of El Centro (the “Successor Agency”). The Authority was formed in 1996 to assist in the financing and refinancing of certain redevelopment activities of the Successor Agency and certain programs and projects of the City, and for the purpose of aiding in the financing of capital improvements.

The Bonds are being issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”), and a Trust Agreement, dated as of December 1, 2014 (the “Trust Agreement”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”). The proceeds of the sale of the Bonds will be used to (i) to refund a portion of the \$32,500,000 El Centro Financing Authority Wastewater Revenue Bonds, 2006 Series A, currently outstanding in the principal amount of \$28,345,000 (the “Refunded Bonds”); (ii) fund a reserve account for the Bonds and (iii) to pay certain costs of issuance of the Bonds. Proceeds of the Bonds, together with other available moneys, will be applied to refund and defease all of the outstanding Refunding Bonds. See “SOURCES AND USES OF FUNDS” and “PLAN OF REFUNDING” herein.

The Bonds are subject to optional and mandatory sinking fund redemption prior to maturity as described herein. See “THE BONDS – Redemption.”

The Bonds are payable on a basis *pari passu* with the 2003 Installment Payments (defined herein) and the Wastewater Revenue Refunding Bonds, 2012 Series A (“2012 Bonds”). See “THE WASTEWATER SYSTEM – Outstanding Wastewater System Obligations” herein.

The Bonds are payable from and secured by a first pledge of certain payments (the “Installment Sale Payments”) received by the Authority from the City under a 2014 Installment Sale Agreement, dated as of December 1, 2014 (the “Installment Sale Agreement”), by and between the Authority and the City, and from certain interest and other income derived from certain funds and accounts held under the Trust Agreement (collectively, the “Revenues”). The obligation of the City to make the Installment Sale Payments is payable solely from all gross

* Preliminary, subject to change.

income and revenue received by the City from the ownership or operation of the Wastewater System of the City (the “Wastewater System”), excluding maintenance and operating costs of the Wastewater System (the “Net Wastewater Revenues,” as more fully described herein). Under the Installment Sale Agreement, the City has irrevocably pledged all Net Wastewater Revenues to the payment of the Installment Payments, subject to the terms and conditions of the Installment Sale Agreement. See “SECURITY FOR THE BONDS – Revenues; Pledge of Revenues” herein.

[Payment of the principal of and interest on the Bonds will be guaranteed by a municipal bond insurance policy (the “Bond Insurance Policy”) to be issued simultaneously with the delivery of the Bonds by _____ (the “Bond Insurer”). See “BOND INSURANCE” herein and “APPENDIX G – SPECIMEN MUNICIPAL BOND INSURANCE POLICY AND MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY.”]

The Bonds are limited obligations of the Authority and are not secured by a legal or equitable pledge of, or charge or lien upon, any property of the Authority or any of its income or receipts, except the Revenues under the Trust Agreement. Neither the full faith and credit of the Authority nor that of the City or the Successor Agency is pledged for the payment of the interest on or principal of the Bonds and no tax or other source of funds, other than the Revenues, is pledged to pay the interest on or principal of the Bonds. The payment of the principal of or interest on the Bonds does not constitute a debt, liability or obligation of the Authority, the City or the Successor Agency for which any such entity is obligated to levy or pledge any form of taxation or for which any such entity has levied or pledged any form of taxation. The Authority has no taxing power.

The summaries and references of documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to each document, statute, report or instrument. The capitalization of any word not conventionally capitalized or otherwise defined herein, indicates that such word is defined in a particular agreement or other document and, as used herein, has the meaning given it in such agreement or document. See “APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” for summaries of certain of such definitions.

THE BONDS

General

The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”) and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. While the Bonds are subject to the book-entry system, the principal, interest and any prepayment premium with respect to a Bond will be paid by the Trustee to DTC, which in turn is obligated to remit such payment to its DTC Participants for subsequent disbursement to Beneficial Owners of the Bonds as described herein. See “APPENDIX D – BOOK-ENTRY SYSTEM” herein.

The Bonds will be dated their date of delivery and will bear interest at the rates set forth on the inside cover page of this Official Statement, payable on April 1, 2015, and semiannually thereafter on April 1 and October 1 of each year (each, an “Interest Payment Date”) until maturity or earlier redemption. Subject to the redemption provisions set forth herein, the Bonds will mature on the dates and in the amounts set forth on the inside cover page hereof. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, or unless such date of authentication is prior to the Record Date (as hereinafter defined) for the first Interest Payment Date, in which event such Bond shall bear interest from its date of delivery; provided, however, that if at the time of registration of any Bond interest is then in default on the Outstanding Bonds of such series, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on such Outstanding Bonds. The holder of \$1,000,000 or more in aggregate principal amount of Bonds of any series may request in writing, such request filed not later than the applicable Record Date, that the Trustee pay the interest thereon by wire transfer to an account in the United States.

Principal of any Bond and any premium upon redemption shall be paid by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee. Principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America. So long as Cede & Co. is the registered owner of the Bonds, payments of principal and interest on the Bonds will be paid to DTC as registered owner of the Bonds. See “APPENDIX D – BOOK-ENTRY SYSTEM” herein.

Redemption*

Optional Redemption

The Bonds maturing on or before October 1, 2024 are not subject to optional redemption prior to their maturities. The Bonds maturing on or after October 1, 2025 shall be subject to redemption prior to their respective maturities at the option of the Authority from prepaid Installment Sale Payments under the Installment Sale Agreement on or after October 1, 2024, as a whole or in part (in such maturities as are designated to the Trustee by the Authority or, if the Authority fails to designate such maturities, on a proportionate basis among maturities) on any date, at a redemption price of par, together with interest accrued thereon to the date fixed for redemption.

Mandatory Sinking Fund Redemption

The Wastewater Bonds maturing on October 1, 20__ are also subject to redemption prior to their respective stated maturities, in part by lot, from mandatory sinking account payments deposited in the 20__ Term Bonds Sinking Account pursuant to the applicable Trust Agreement, on October 1 in the following years and at the following principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium:

* Preliminary, subject to change.

Sinking Account
Redemption Date
(October 1)

Principal
Amount
\$

*

* Maturity

If less than all the Outstanding Term Bonds of any maturity and series are called for redemption at any one time, the Authority will revise the sinking account redemption schedule to reduce the mandatory sinking account payments required to be made with respect to such series of Bonds (in an amount equal to the amount of Outstanding Term Bonds of such series to be redeemed), to the extent practicable, to achieve approximately equal Annual Debt Service on such series of Bonds Outstanding following such redemption.

Extraordinary Redemption

The Bonds are subject to redemption by the Authority on any date prior to their respective stated maturities, as a whole or in part, *pro rata* by maturity, from payments made by the Authority from the Net Proceeds received by the City due to a prepayment of the City's related Installment Sale Payments, at the principal amount thereof and interest accrued thereon to the date fixed for redemption, without premium.

Notice of Redemption

Notice of redemption shall be mailed by first-class mail by the Trustee, not less than twenty (20) nor more than sixty (60) days prior to the redemption date to (i) the respective Holders of the Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) one or more Information Services. Notice of redemption to the Securities Depositories and the Information Services shall be given by first-class mail or facsimile transmission. Each notice of redemption shall state the date of such notice, the redemption price, if any (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any such maturity is to be redeemed, the distinctive certificate numbers of the Bonds of such maturity and series to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on said date there will become due and payable on each of said Bonds the redemption price, if any, thereof and in the case of a Bond to be redeemed in part only, the specified portion of the principal amount thereof to be redeemed, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Failure to receive such notice shall not invalidate any of the proceedings taken in connection with such redemption.

If notice of redemption has been duly given and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice Bonds so called for redemption shall become due and

payable, and from and after the date so designated interest on such Bonds shall cease to accrue, and the Holders of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

Any notice of redemption may be rescinded by written notice given to the Trustee by the Authority and the Trustee shall provide notice of such rescission as soon thereafter as practicable in the same manner, and to the same recipients, as notice of such redemption was given, but in no event later than the date set for redemption.

Debt Service Requirements

The amounts required to be set aside each fiscal year ending June 30 for principal, sinking account payments and interest on the Bonds are set forth below. Also set forth are the debt service payments due on the 2003 Installment Payments and the 2012 Bonds. The following table assumes a full refunding of the Refunded Bonds. See “PLAN OF REFUNDING” and “THE WASTEWATER SYSTEM - Outstanding Wastewater System Obligations” herein.

Fiscal Year	Bonds		2003 Installment	2012 Bonds	Total
	Ending				
June 30	Principal	Interest	Payments		
2015			\$284,991.09		
2016			284,246.37		
2017			283,479.31		
2018			282,689.24		
2019			281,875.46		
2020			281,037.26		
2021			280,173.93		
2022			279,284.69		
2023			278,368.78		
2024			-		
2025			-		
2026			-		
2027			-		
2028			-		
2029			-		
2030			-		
2031			-		
2032			-		
2033			-		
2034			-		
2035			-		
2036			-		
Total			\$2,536,146.13		

Attachment: Preliminary Official Statement - El Centro 2014 Wastewater Refunding (1140 : Approve authorizing the issuance of Water &

SOURCES AND USES OF FUNDS

The following sets forth the estimated sources and uses of funds related to the Bonds.

Sources of Funds:

Principal Amount	\$
Net Original Issue (Premium/Discount)	
Release from Prior Trust Agreement	
Total Sources of Funds	\$

Uses of Funds:

Escrow Fund	\$
Deposit to Wastewater Expense Fund ⁽¹⁾	
Total Uses of Funds	\$

⁽¹⁾ Includes fees of Bond and Disclosure Counsel, fees of the Verification Agent, Financial Advisor and the Trustee, [bond insurance and surety bond premiums,] Underwriter's discount, printing and other miscellaneous fees and expenses.

PLAN OF REFUNDING

A portion of the proceeds of the Bonds will be used to refund a portion of the Refunded Bonds. The Refunded Bonds were issued pursuant to a Trust Agreement, dated as of June 1, 2006 (the "Prior Trust Agreement"), by and between the Authority and U.S. Bank National Association (the "Prior Trustee"). Pursuant to the terms of an Escrow Agreement, dated as of December 1, 2014 (the "Escrow Agreement"), by and between the Authority and U.S. Bank National Association, as escrow agent (the "Escrow Agent"), a portion of the proceeds of the Bonds, together with other available moneys (collectively, the "Escrow Deposit"), will be deposited into the Escrow Fund established under the Escrow Agreement. The Escrow Deposit will be sufficient to purchase state and local government series securities (SLGS) (the "Defeasance Securities"), the principal and interest on which when due will provide moneys that, together with uninvested moneys deposited with the Escrow Agent, will be sufficient to pay (i) at maturity the principal amount of the Refunded Bonds maturing on and prior to October 1, 2016 and to pay interest thereon to their respective maturity dates and (ii) the principal amount of the Refunded Bonds plus accrued and unpaid interest thereon (the "Redemption Price") maturing on and after October 1, 2017 on the Redemption Date (i.e. October 1, 2016).

Grant Thornton LLP, certified public accountants (the "Verification Agent"), will deliver a report stating that the firm has verified the accuracy of mathematical computations concerning the adequacy of the Escrow Deposit deposited in the Escrow Fund. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS" herein.

SECURITY FOR THE BONDS

Revenues; Pledge of Revenues

All Revenues and any other amounts (including proceeds of the sale of the Bonds) held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit in the Rebate Fund) are irrevocably pledged to the payment of the interest and premium, if any, on and principal of the Bonds as provided in the Trust Agreement, and the Revenues shall not be used for any other purpose while any Bonds remain Outstanding; provided, however, that out of the Revenues and other moneys of the Wastewater System there may be applied such sums for such purposes as are permitted under the Trust Agreement. Such pledge constitutes a first pledge of and charge and lien upon the Revenues and all other moneys on deposit in the funds and accounts established under the Trust Agreement (other than amounts on deposit in the Rebate Fund) for the payment of the interest on and principal of the Bonds, in accordance with their terms and the terms of the Trust Agreement.

To carry out and effectuate the pledge, charge and lien on the Revenues of the Wastewater System provided in the Trust Agreement, the Authority agrees and covenants that, with respect to the Wastewater System, all Revenues when and as received shall be received by the Authority in trust for the benefit of the holders of the Bonds and shall be deposited when and as received by the Authority in the Wastewater Revenue Fund created under the Trust Agreement and which funds the Authority agrees and covenants to maintain with the Trustee so long as any Bonds are Outstanding. All Revenues shall be accounted for through and held in trust in the Wastewater Revenue Fund, and the Authority has no beneficial right or interest in any of the Revenues except only as provided in the Trust Agreement.

“Revenues” are defined in the Trust Agreement as all Installment Sale Payments and other payments paid by the City and received by the Authority pursuant to the Installment Sale Agreement and all interest or other income from, any investment of any money in any fund or account (other than the Rebate Fund) created under the Trust Agreement.

Installment Sale Payments

Pursuant to the Installment Sale Agreement, the City is obligated to make Installment Sale Payments, but solely from Net Wastewater Revenues, which are sufficient to provide for the payment of the principal of and interest on the Bonds. The obligation of the City to pay the Installment Sale Payments from Net Wastewater Revenues is absolute and unconditional, and until such time as all Installment Sale Payments under the Installment Sale Agreement have been paid in full (or provision for the payment thereof shall have been made pursuant to the Trust Agreement), the City will not discontinue or suspend any Installment Sale Payments required to be paid by it under the Installment Sale Agreement when due, whether or not the Wastewater System or any part thereof is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments will not be subject to reduction whether by offset or otherwise and will not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

As security for the payment of the Bonds, the Authority has assigned to the Trustee the Authority's rights and remedies under the Installment Sale Agreement, including the right to receive the Installment Sale Payments.

As stated below, the obligation of the City to pay the Installment Sale Payments is limited to the Net Wastewater Revenues. The Installment Sale Agreement defines Net Wastewater Revenues as, for any fiscal year, the Revenues during such fiscal year less the Maintenance and Operation Costs during such fiscal year. These terms are defined as follows:

“Wastewater Revenues” means all gross income and revenue received or receivable by the City from the ownership or operation of the Wastewater System, determined in accordance with generally accepted accounting principles, including all rates, fees and charges (including connection fees and charges and capacity fees and charges) received by the City for municipal wastewater service furnished, made available or provided by the Wastewater System (collectively, the “Wastewater Service”) and the other services of the Wastewater System and all other income and revenue howsoever derived by the City from the ownership or operation of the Wastewater System or arising from the Wastewater System and also including all income from the deposit or investment of any money in the Wastewater Revenue Fund and the Rate Stabilization Fund and deposits to the Wastewater Revenue Fund from amounts on deposit in the Rate Stabilization Fund as and to the extent provided in the Installment Sale Agreement, but excluding in all cases any proceeds of taxes and any refundable charges and refundable deposits made to establish credit and advances or contributions in aid of construction.

“Maintenance and Operation Costs” mean the reasonable and necessary costs paid or incurred by the City for maintaining and operating the Wastewater System, determined in accordance with generally accepted accounting principles, including all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and including all administrative costs of the City that are charged directly or apportioned to the operation of the Wastewater System such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of any resolution authorizing the issuance of the Bonds or of such Bonds or of any resolution authorizing the execution of any Contract or of such Contract, such as compensation, reimbursement and indemnification of the trustee for any such Bonds or Contracts and fees and expenses of Independent Certified Public Accountants and Independent Engineers and the Director of Finance, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, amortization or intangibles and any intergovernmental transfers by the City which are not reimbursement or payments for overhead or other administrative expenses incurred by the City.

“Wastewater System” means all facilities for the conveyance and treatment of wastewater now owned by the City and all other properties, structures or works acquired and constructed by the City and determined to be a part of the Wastewater System, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof acquired and constructed.

To carry out and effectuate the obligation of the City to pay the Purchase Price by paying the Installment Sale Payments, the City agrees and covenants in the Installment Sale Agreement that all Wastewater Revenues received by it shall be deposited when and as received in trust in the City of El Centro Wastewater Revenue Fund (the “Wastewater Revenue Fund”) established by the City and the City pledges and grants a security interest in such fund and agrees and covenants to maintain such fund so long as any Installment Sale Payments, Bonds, Certificates or Contracts remain unpaid. The City shall pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) from the Wastewater Revenue Fund, as they become due and payable, and all remaining money on deposit in the Wastewater Revenue Fund shall be set aside and deposited by the City at the following times in the following order of priority:

2014 Installment Sale Payment Fund Deposit. [On or before the fourteenth day of each month, beginning in January 2015 the City shall, from the money in the Wastewater Revenue Fund, deposit with the Director of Finance of the City in the Installment Sale Payment Fund established under the Installment Sale Agreement, a sum equal to one-sixth (1/6) of the amount of interest becoming due under the Installment Sale Agreement on the next succeeding April 1 or October 1, as the case may be (except that the deposit for January 2015 shall be equal to one-half (1/2) of the amount of interest due on April 1, 2015). On or before the fourteenth day of each month, beginning in April 2015, the City will, from the money in the Wastewater Revenue Fund, deposit with the Director of Finance in the Installment Payment Fund, one-twelfth (1/12) of the amount of principal becoming due under the Installment Sale Agreement on the next succeeding October 1 (except that the deposits for April 2015 through September, 2015 shall be equal to one-seventh (1/6) of the amount of principal due on October 1, 2015). Notwithstanding the foregoing, no such deposit need be made if the Director of Finance then holds money in the Installment Payment Fund equal to the amount of interest becoming due under the Installment Sale Agreement on the next succeeding April 1 or October 1, as the case may be, plus the amount of principal becoming due under the Installment Sale Agreement on the next succeeding October 1. All money on deposit in the Installment Payment Fund on the fifteenth day of the calendar month immediately preceding each payment date for an Installment Sale Payment shall be paid to and deposited by the Director of Finance with the Trustee for deposit in the Wastewater Revenue Fund, as defined in, created under and in accordance with the terms of, the Trust Agreement.][discuss]

Reserve Account Deposit. On or before the fourteenth day of each month, beginning in January 2015, the City shall, from the remaining money on deposit in the Wastewater Revenue Fund, deposit with the Treasurer of the Authority for deposit with the Trustee in the Reserve Account the unpaid portion of that sum, if any, specified to the City by the Trustee pursuant to the Trust Agreement as the amount, if any, required under the Installment Sale Agreement to replenish the Reserve Account.

Remainder to the City. After making all the deposits to the Installment Payment Fund and the Reserve Account required to be made in each year, the City may expend any remaining money in the Wastewater Revenue Fund for any lawful purpose of the City.

Rate Stabilization Fund. The City will establish, maintain and hold a separate fund to be known as the Rate Stabilization Fund pursuant to the Installment Sale Agreement. From time to time the City may deposit in the Rate Stabilization Funds from remaining Revenues such amounts as the City will determine, provided that deposits for each fiscal year of the City may be made until (but not after) 150 days following the end of such fiscal year. The City may withdraw amounts from the Rate Stabilization Funds only for inclusion in Revenues, as applicable, for any fiscal year of the City, such withdrawals to be made until (but not after) 150 days after the end of such fiscal year. All interest or other earnings upon deposits in the Rate Stabilization Funds shall be withdrawn therefrom and accounted for as Wastewater Revenues. See “-Rate Stabilization Fund” below.

Unconditional Obligation

Installment Sale Payments due under the Installment Sale Agreement are calculated to be in an amount sufficient to provide for the payment of the principal of and the interest on the Bonds. The obligation of the City to pay the Installment Sale Payments from Net Wastewater Revenues is absolute and unconditional, and until such time as the Installment Sale Payments have been paid in full (or provisions for the payment thereof shall have been made pursuant to the Trust Agreement), the City may not discontinue or suspend any Installment Sale Payments required to be paid by it under the Installment Sale Agreement when due, whether or not the Wastewater System or any part thereof is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments will not be subject to reduction whether by offset or otherwise and will not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

Rate Covenant; Collection of Rates and Charges

The City covenants under the Installment Sale Agreement that it will at all times fix, prescribe and collect rates, fees and charges for the Wastewater Service which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield Net Wastewater Revenues, during the next succeeding fiscal year of the City, equal to 115% of the Debt Service for such fiscal year; provided, however, for purposes of calculating Net Wastewater Revenues under this paragraph, Wastewater Revenues will mean the aggregate of the total amount of

Wastewater Revenues for a particular period; excluding all connection fees and charges for such period (the “Adjusted Wastewater Revenues”), plus an amount of connection fees and charges not exceeding 25% of such Adjusted Wastewater Revenues. The City may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but covenants not to reduce the rates, fees and charges then in effect unless the Net Wastewater Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements described in this paragraph.

The City further covenants to have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Wastewater System to pay the rates, fees and charges applicable to the Wastewater Service to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The City will not permit any part of the Wastewater System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State of California and any city, county, district, political subdivision, public corporation or agency of any thereof); provided, that the City may without charge use the Wastewater Service.

Rate Stabilization Fund

To avoid fluctuations in its fees and charges of the Wastewater System, from time to time the City may deposit in the Rate Stabilization Fund from remaining Wastewater Revenues such amounts as the City shall determine, provided that deposits for each Fiscal Year may be made until (but not after) one hundred fifty (150) days following the end of such Fiscal Year. The City may withdraw amounts from the Rate Stabilization Fund only for inclusion in Wastewater Revenues for any Fiscal Year, such withdrawals to be made until (but not after) one hundred fifty (150) days after the end of such Fiscal Year. All interest or other earnings upon deposits in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Wastewater Revenues. Notwithstanding the foregoing, no deposit of Wastewater Revenues to the Rate Stabilization Fund may be made to the extent such Wastewater Revenues were included in an engineer’s or accountant’s certificate submitted in accordance with the Installment Sale Agreement and withdrawal of the Wastewater Revenues to be deposited in the Rate Stabilization Fund from Wastewater Revenues employed in rendering said engineer’s or accountant’s certificate would cause noncompliance with the Installment Sale Agreement. As of November 15, 2014, there was \$3,245,000 in the Rate Stabilization Fund.

Other Covenants

Additional covenants contained in the Installment Sale Agreement include, but are not limited to, the following:

Against Encumbrances. The City will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the City in, upon, about or relating to the Wastewater System and will keep the Wastewater System free of any liens against any portion of the Wastewater System. In the event any such lien attaches to or is filed against any portion of the Wastewater System, the City will cause each such lien to be fully

discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so. If any such lien is reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City will forthwith pay or cause to be paid and discharged such judgment. Notwithstanding the foregoing, the City may pledge, encumber or otherwise secure its obligations with the Net Wastewater Revenues; provided, that in all instances any such pledge, lien or security is wholly subordinate and junior to the obligations of the City contained in the Installment Sale Agreement.

Against Sale or Other Disposition of Property. The City will not sell, lease or otherwise dispose of the Wastewater System or any part thereof essential to the proper operation of the Wastewater System or to the maintenance of the Net Wastewater Revenues, except to another public agency which assumes all of the assets and liabilities of the Wastewater System, and will not enter into any agreement or lease which would impair the operation of the Wastewater System or any part thereof necessary to secure adequate Net Wastewater Revenues for the payment of the Installment Sale Payments, or which would otherwise impair the rights of the Authority with respect to the Net Wastewater Revenues or the operation of the Wastewater System; provided, that any real or personal property which has become non-operative or which is not needed for the efficient and proper operation of the Wastewater System, or any material or equipment which has become worn out, may be sold if such sale will not reduce the Net Wastewater Revenues below the requirements to be maintained as described under “Rate Covenant; Collection of Rates and Charges” above.

Maintenance and Operation of Wastewater System. The City will maintain and preserve the Wastewater System in good repair and working order at all times and will operate the Wastewater System in an efficient and economical manner and will pay all Maintenance and Operation Costs as they become due and payable.

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

Insurance. The City will procure and maintain such insurance relating to the Wastewater System which it deems advisable or necessary to protect its interests and the interest of the Authority and the Trustee, which insurance will afford protection in such amounts and against such risks as are usually covered in connection with municipal wastewater systems similar to the Wastewater System; provided, that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with municipal wastewater systems similar to

the Wastewater System and is, in the opinion of the Risk Manager of the City or an independent insurance consultant, financially sound.

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

Additional Bonds and Contracts

The City may at any time issue any revenue bonds (the “Additional Bonds”) under applicable law or may execute any installment payment contracts (the “Additional Contracts”) under applicable law which are payable from the Net Wastewater Revenues in the Wastewater Revenue Fund on a parity with the payment by the City of the Installment Sale Payments; provided the audited Net Wastewater Revenues (excluding from such calculation of Net Wastewater Revenues all connection fees and charges) for the fiscal year next preceding the date of the adoption by the City Council of the City of the resolution authorizing the issuance of such Additional Bonds or the execution of such Additional Contract, as the case may be, as evidenced by both a calculation prepared by the City and a special report prepared by an Independent Certified Public Accountant on such calculation on file with the City was at least sufficient to satisfy the requirements of the rate covenants described above plus:

(i) an allowance for Net Wastewater Revenues (excluding from such calculation of Net Wastewater Revenues all connection fees and charges) that would have been derived from each new connection to the Wastewater System which was made prior to the adoption of such resolution or the execution of such Additional Contract, as the case may be, but which, during all or any part of said fiscal year, was not in existence, in an amount equal to 90% of the estimated additional Net Wastewater Revenues that would have been derived from each such connection if it had been made prior to the beginning of said fiscal year, as shown by an independent engineer’s report on file with the City, and

(ii) an allowance for Net Wastewater Revenues (excluding from such calculation of Net Wastewater Revenues all connection fees and charges) that would have been derived from any increase in the rates, fees and charges fixed and prescribed for Wastewater Service which became effective prior to the adoption of such resolution or the execution of such Additional Contract, as the case may be, but which, during all or any part of said fiscal year, was not in effect, in an amount equal to 90% of the estimated additional Net Wastewater Revenues that would have been derived from such increase in rates, fees and charges if it had been in effect prior to the beginning of said fiscal year, as shown by an independent engineer’s report on file with the City, and

(iii) an allowance for Net Wastewater Revenues that were derived from any connection fees from any new connections to the Wastewater System during said fiscal year, assuming that each such connection fee was collected at an amount equal to the

current amount of each connection fee as of the date of calculation, as shown by an independent engineer's report on file with the City, provided that such estimated additional Net Wastewater Revenues will not exceed 25% of the total Adjusted Net Wastewater Revenues for such fiscal year,

shall have produced an amount equal to at least 115% of the Maximum Annual Debt Service on all Bonds and Contracts outstanding after the issuance of such Additional Bonds or the execution of such Additional Contract, as the case may be.

Reserve Account

Under the Trust Agreement, a Reserve Account is created for the Bonds (the "Reserve Account"), and shall be held in trust by the Trustee. On the date of delivery of the Bonds (the "Closing Date"), the Trustee shall deposit into the Reserve Account the Municipal Bond Debt Service Reserve Insurance Policy (the "Reserve Policy") to be issued by the Bond Insurer to satisfy the Reserve Account Requirement. "Reserve Account Requirement" means, as of any date of calculation, an amount equal to the least of (i) ten percent (10%) of the original issue price of the Bonds; (ii) one hundred twenty-five percent (125%) of average Annual Debt Service on the Bonds as of the Closing Date, or (iii) the Maximum Annual Debt Service on all Bonds Outstanding. An amount equal to the Reserve Account Requirement for the Bonds shall be maintained in the Reserve Account at all times, subject to the provisions of the Trust Agreement, and any deficiency therein shall be replenished from the first available Revenues pursuant to the Trust Agreement. The Reserve Account shall be used solely for the purpose of replenishing the Interest Account or the Principal Account under the Trust Agreement, in that order, in the event of any deficiency at any time in either such account. If the amount on deposit in either such account on any date is insufficient to enable the Trustee to pay in full the aggregate amount of principal of, redemption premium, if any, and interest on the Bonds coming due and payable, the Trustee shall withdraw the amount of such insufficiency from the Reserve Account and transfer such amount to the Interest Account and Principal Account. See "APPENDIX C – SUMMARY OF PRINCIPAL LEGAL DOCUMENTS" and "APPENDIX G – SPECIMEN MUNICIPAL BOND INSURANCE POLICY AND MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY."

Special Obligation

The City's obligation to pay the Installment Sale Payments is a special obligation of the City limited solely to the Net Wastewater Revenues. Under no circumstances shall the City be required to advance moneys derived from any source of income other than the Net Wastewater Revenues and other sources specifically identified in the Installment Sale Agreement for the payment of such Installment Sale Payments.

BOND INSURANCE

No representation is made by the Authority as to the accuracy or adequacy of the following information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained and incorporated herein by reference is correct. The following information has been furnished by the Bond Insurer for use in this Official Statement.

[to come if applicable]

THE CITY

The City of El Centro is located in Imperial County in the southeast corner of the State. The City is located approximately 120 miles east of the City of San Diego, 60 miles west of Yuma, Arizona and 7 miles north of the Mexican border. The Imperial Valley, of which El Centro is the major urban area, has been developed from an arid desert into one of the richest and most productive agricultural regions in the nation.

El Centro was incorporated on April 16, 1908 as a general law city. On November 3, 2009, the electorate of El Centro ratified and approved a City Charter which became effective on February 12, 2010. The City has a Council/Manager form of government. The City Council is made up of five members who are elected to four year overlapping terms at elections held every two years. The City Manager is appointed by the City Council. For additional information regarding the City, see “APPENDIX A – THE CITY OF EL CENTRO.”

Ruben A. Duran, City Manager and City Treasurer. Ruben Duran has served as the City Manager of the City since October 27, 2003. Under El Centro’s council-manager form of government, the City Manager serves as the chief operating officer of the City. Since November 2011, Mr. Duran also serves as Treasurer for the City. Prior to working for El Centro, Mr. Duran served as the city administrator for Oroville, California, assistant city manager and finance director for Avondale, Arizona and as an internal auditor and operations analyst for Phoenix, Arizona.

Mr. Duran is a member of the International City Managers Association (“ICMA”), the California City Managers Association and the Hispanic Network, an affiliate of the ICMA. He is an ICMA Credentialed Manager and has received the ICMA’s 30 year Service Award. He has served on the board of directors for the Hispanic Network and is a past chairman of the Arizona City/County Managers Association Annual Conference Committee. Mr. Duran has a Bachelors of Arts degree in business and accounting from Western International University.

In the County, Mr. Duran has served as the chairman of the Imperial Valley Association of Government, Management Committee. He is also a board member of the Imperial Valley Emergency Communications Authority which manages the region’s emergency communication system. He served as its President from 2007 to 2009. Mr. Duran is also a member of the Imperial County Transportation Commission, and the Imperial Valley Resource Management Agency.

Leticia Salcido, Director of Finance. Ms. Salcido has served as Director of Finance for the City of El Centro since January 2006. Prior to working for the City of El Centro, Ms. Salcido served as the Assistant Finance Director for the City of Brawley for ten years. Prior to this Ms. Salcido was employed as an examiner for the California State Department of Corporations for approximately six years. Ms. Salcido has more than 18 years of experience in city finance. Ms. Salcido received a Bachelor of Science degree in accounting from California State Polytechnic University Pomona.

Ms. Salcido received the Award of Financial Reporting Achievement from the Government Finance Officers Association of the United States and Canada for the City of El Centro Comprehensive Annual Financial Reports for fiscal years 2007 through 2013. Prior to this the City of El Centro had not received this distinction in over ten years. Ms. Salcido is a member of the California State Municipal Finance Officers Association, and the Government Finance Officers Association of the United States and Canada.

THE WASTEWATER SYSTEM

General Description

The City's wastewater collection and conveyance systems consists of more than 120 miles of mainline wastewater lines ranging from eight to 30 inches, eight wastewater lift stations and other miscellaneous facilities. Most of the Wastewater System has been developed since 1957 with the oldest portions installed about 100 years ago.

The Wastewater System was first constructed between 1912 and 1915 with a 27-inch wastewater main which crossed the City parallel to the Southern Pacific railroad tracks. The wastewater main extended to the New River approximately six miles northwest of the City. In 1937 the main lift station was constructed which pumped the wastewater to a new location on the New River approximately 5.5 miles northwest of the City. The City's Wastewater Treatment Plant was constructed in 1957 and provided primary wastewater treatment that discharged into the Alamo River which leads to the Salton Sea. In 1974 the plant was expanded to provide secondary treatment. In 1995 further improvements to the Wastewater System were installed.

The Wastewater Treatment Plant has a current capacity of 8.0 million gallons per day providing secondary treatment. The primary system consists of three digesters (anaerobic), and two primary clarifiers. Facilities for secondary treatment include six aeration basins, four secondary clarifiers, and two belt filter presses. Additional facilities at the Wastewater Treatment Plant include an 800 square foot storage building, a 4,000 square foot workshop building, a 1,000 square foot building used for workmen lockers and showers, and an 800 square foot old administration building which is currently used for storage.

[describe uses of the Wastewater Revenue Bonds, 2016 Series A proceeds]

The Wastewater System currently employs 15 people full time, and operates one shift, seven days a week.

The Wastewater System has a total of 14 pump stations. The oldest was constructed in 1937 and the newest was constructed in 2012, which replaced a pump station originally built in

1910. The Wastewater System currently serves 9,365 customers. The City has no contractual obligations for large industrial users of the Wastewater System.

Wastewater from the City is treated in a series of tanks and chambers. The fluid first flows through primary clarification, in which heavier particles settle and are removed. The wastewater then goes through secondary treatment with activated sludge, through which fine bubbles are diffused into the wastewater in aeration basins and secondary clarification before being disinfected with ultra violet light prior to discharge.

Future Facilities

Pursuant to the Master Plan, the City is planning numerous capital improvements to the Wastewater System over the next five years. The improvements will increase the capacity of the treatment, collection, and pumping facilities in order to support the City's growth, and repair, replace and improve existing facilities to continue to serve existing customers. The City has no current plans to build new wastewater facilities but plans to continue significant upgrades and repairs to its current wastewater facilities. Projects expected to be implemented over the next five years include installing a new Southern Pump Station and relocating Pump Station No. 2, installing a barscreen at Pump Station No. 3, relocating the main entrance of the Wastewater plant, and replacing the fencing around the Wastewater facility. A Master plan update will be started in 2015 to address facility needs starting in fiscal year 2017.

Wastewater Rates and Revenues

The City currently recovers the cost of Wastewater System operation, maintenance, renewal and replacement and capital expansion through a user fee system consisting of three major components, plus miscellaneous income consisting primarily of interest income on reserves. The four components of the user fees currently imposed by the City are:

1. *Wastewater Treatment Rates.* Charges based on flow which are divided into classes for residential and commercial users.
2. *Wastewater Capacity Fees.* A charge designed to recover the cost of new capital improvements of the Wastewater System required by new sewer connections.
3. *Wastewater Connection Fees.* Fees charged for additional connections to the Wastewater System. The fees represent the City's actual costs.
4. *Miscellaneous.* Charges derived from interest income.

Rate changes are enacted by the City Council based upon the recommendations of the Director of Finance. On October 2, 2013, pursuant to Resolution No. 12-130, the City Council adopted a schedule of rate increases for the Wastewater System through July 2016. The rates were adopted following a rate study prepared by an independent contractor in 2012.

The following table sets forth the Wastewater System rates for the past five years.

Table 1-A
City of El Centro
Wastewater Treatment Rates for the Wastewater System⁽¹⁾

Rate Class	Customer Class	7/1/09	7/1/10	7/1/11	11/1/12	7/1/13
	<u>Residential</u>					
1.	Single Family	\$ 44.35	\$ 44.35	\$ 44.35	\$ 46.92	\$ 49.64
2.	Duplex	66.63	66.63	66.63	70.21	74.28
3.	Multiple Family, Condominium	3.0546	3.0546	3.0546	3.2300	3.4200
4.	Mobile Home Park	3.0546	3.0546	3.0546	3.2300	3.4200
	<u>Commercial and Other</u>					
5.	Hotel, Motel, without dining facilities	4.0140	4.0140	4.0140	4.2468	4.4931
6.	Laundromat	3.1919	3.1919	3.1919	3.3770	3.5729
7.	Commercial Laundry, Dry Cleaner	5.2714	5.2714	5.2714	5.5771	5.9006
8.	Market w/Garbage Disposal, Butcher Shop, Mortuary	9.6729	9.6729	9.6729	10.2339	10.8275
9.	Professional Office	2.9502	2.9502	2.9502	3.1213	3.3023
10.	Repair Shop, Service Station	4.1593	4.1593	4.1593	4.4005	4.6557
11.	Bar, Tavern	3.8690	3.8690	3.8690	4.0934	4.3308
12.	Car Wash	2.7566	2.7566	2.7566	2.9165	3.0857
13.	Soft Water Service	2.2150	2.2150	2.2150	2.3435	2.4794
14.	Hospital, Convalescent Facility, Medical Office	3.6275	3.6275	3.6275	3.8379	4.0605
15.	Hotel, Motel with Dining Facilities	7.2545	7.2545	7.2545	7.6753	8.1205
16.	Restaurant, Bakery	9.6729	9.6729	9.6729	10.2339	10.8275
17.	School, College, Church	3.0469	3.0469	3.0469	3.2236	3.4106
18.	Retail Store	3.3855	3.3855	3.3855	3.5819	3.7897
19.	Beauty Parlor	3.3855	3.3855	3.3855	3.5819	3.7897
20.	Ice-Making	1.1285	1.1285	1.1285	1.1940	1.2633
21.	Movie Theatre	3.3855	3.3855	3.3855	3.5819	3.7897
22.	Packing Shed	1.1285	1.1285	1.1285	1.1940	1.2633

⁽¹⁾ Rates for customer classes 1 and 2 are flat monthly charges and for customer classes 3 through 22 are expressed per 1,000 gallons of water.

Source: *The City of El Centro*.

The following table sets forth the Wastewater System rates for the next three years.

Table 1-B
City of El Centro
Wastewater Treatment Rates for the Wastewater System⁽¹⁾

Rate Class	Customer Class	7/1/14	7/1/15	7/1/16
	<u>Residential</u>			
1.	Single Family	\$ 52.52	\$ 55.57	\$ 58.79
2.	Duplex	78.59	83.15	87.97
3.	Multiple Family, Condominium	3.6200	3.8300	4.0500
4.	Mobile Home Park	3.6200	3.8300	4.0500
	<u>Commercial and Other</u>			
5.	Hotel, Motel, without dining facilities	4.7537	5.0294	5.3211
6.	Laundromat	3.7801	3.9993	4.2313
7.	Commercial Laundry, Dry Cleaner	6.2428	6.6049	6.9880
8.	Market w/Garbage Disposal, Butcher Shop, Mortuary	11.4555	12.1199	12.8229
9.	Professional Office	3.4938	3.6964	3.9108
10.	Repair Shop, Service Station	4.9257	5.2114	5.5137
11.	Bar, Tavern	4.5820	4.8478	5.1290
12.	Car Wash	3.2647	3.4541	3.6544
13.	Soft Water Service	2.6232	2.7753	2.9363
14.	Hospital, Convalescent Facility, Medical Office	4.2960	4.5452	4.8088
15.	Hotel, Motel with Dining Facilities	8.5915	9.0898	9.6170
16.	Restaurant, Bakery	11.4555	12.1199	12.8229
17.	School, College, Church	3.6084	3.8177	4.0391
18.	Retail Store	4.0095	4.2421	4.4881
19.	Beauty Parlor	4.0095	4.2421	4.4881
20.	Ice-Making	1.3366	1.4141	1.4961
21.	Movie Theatre	4.0095	4.2421	4.4881
22.	Packing Shed	1.3366	1.4141	1.4961

⁽¹⁾ Rates for customer classes 1 and 2 are flat monthly charges and for customer classes 3 through 22 are expressed per 1,000 gallons of water.

Source: *The City of El Centro*.

The following table provides a summary of the residential connections of the Wastewater System for the most recent five fiscal years.

Table 2
City of El Centro
Historic Residential Wastewater Connections

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>Number of</u> <u>Connections</u>	<u>Percent Increase</u>
2009	9,061	0.93%
2010	9,236	1.93
2011	9,276	1.16
2012	9,288	0.12
2013	9,347	0.63

Source: The City of El Centro.

The ten largest customers of the Wastewater System as measured by charges for the fiscal year ended June 30, 2014, were responsible for approximately 18.06% of Wastewater System revenue during such period. As the majority of the City is residential, no one individual user tends to have a dominating influence either on the revenues or operations of the Wastewater System.

Table 3
Wastewater Service Charge Revenue Provided by
Ten Largest Customers
Fiscal Year ended June 30, 2014

<u>Account Name</u>	<u>Billed Amount</u>	<u>Percentage</u> <u>of Annual Total</u>
County of Imperial	\$ 640,618	7.55%
El Centro School District	249,604	2.94
Wal-Mart Stores	166,884	1.97
Gios Mobile Home Estates	96,524	1.14
El Centro Regional Medical Center	81,949	.97
U.S. Immigration	76,107	.90
I.V. Housing Authority	60,534	.71
IV Mall	55,572	.66
Posada Del Sol	52,520	.62
Parkside Villas	<u>52,326</u>	<u>.62</u>
Total	<u>\$1,532,638</u>	<u>18.06%</u>

Source: The City of El Centro.

Comparative Wastewater Rates and Charges

The following table is a comparison of the City's current average monthly residential Wastewater treatment charges with those of other communities in the region.

Table 4
City of El Centro
Comparison of Average Current Monthly
Single Family Residential Wastewater Treatment Charges

<u>City/Agency</u>	<u>Single Family Dwelling Monthly User Fee⁽¹⁾</u>
El Centro ⁽²⁾	49.64
Heber Public Utility District	52.31
Calexico	38.08
Brawley	46.10
Otay Water District	61.38
Imperial	48.40
Holtville	52.57
Calipatria (Golden State WC)	22.05
Westmorland	31.85
Seeley County Water District	45.53
Escondido	86.12
Carlsbad Municipal Water District	25.52

⁽¹⁾ Values based on 20,000 gallon demand per month for a single family home. In some cases, fees were converted from units to gallons.

⁽²⁾ El Centro rates based on ¾ inch meter.

Source: *The City of El Centro*.

Wastewater System Summary Financial Information

The following table presents the audited financial results of the Wastewater System for the fiscal years ended June 30, 2009 through June 30, 2013 and unaudited results of the Wastewater System for the fiscal year ended June 30, 2014.

**Table 5
City of El Centro Wastewater Enterprise Fund
Historical Revenues, Expenses and Changes in Retained Earnings
Fiscal Years ended June 30, 2009 through 2014**

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u> <u>(Unaudited)</u>
Operating Revenues						
Charges for Current Services	\$ 7,369,120	\$ 7,400,961	\$ 7,419,760	\$ 7,472,448	\$ 7,878,846	\$ 8,487,547
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,893</u>	<u>191</u>	<u>301</u>
Total Operating Revenues	\$ 7,369,120	\$ 7,400,961	\$ 7,419,760	\$ 7,622,341	\$ 7,879,037	\$ 8,487,848
Operating Expenses						
Personnel services	\$ 2,046,087	\$ 1,978,313	\$ 1,742,017	\$ 1,778,188	\$ 1,803,413	\$ 1,888,510
Supplies and services	1,507,772	1,349,279	1,661,538	1,686,722	1,571,568	1,638,778
General and administrative	885,424	694,629	759,315	874,604	832,051	1,005,948
Depreciation & amortization	<u>1,014,608</u>	<u>1,329,075</u>	<u>1,375,131</u>	<u>1,369,060</u>	<u>1,542,195</u>	<u>1,585,013</u>
Total Operating Expenses	\$ 5,453,891	\$ 5,351,296	\$ 5,538,001	\$ 5,708,574	\$ 5,749,227	\$ 6,118,249
Operating Income (Loss)	\$ 1,915,229	\$ 2,049,665	\$ 1,881,759	\$ 1,913,767	\$ 2,129,810	\$ 2,369,599
Non-Operating Revenue (Expenses)						
Interest revenue	\$ 864,662	\$ 252,882	\$ 171,265	\$ 180,639	\$ 212,336	201,983
Interest expense	(2,045,574)	(2,007,813)	(1,967,316)	(2,137,218)	(1,736,765)	(1,665,899)
Grant Revenue	<u>-</u>	<u>2,203</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Non-Operating Revenue (Expenses)	\$ (1,180,912)	\$ (1,752,728)	\$ (1,796,051)	\$ (1,956,579)	\$ (1,524,429)	\$ (1,463,916)
Net Income (Loss)	\$ 734,317	\$ 296,937	\$ 85,708	\$ (42,812)	\$ 605,381	\$ 905,683
Grants and Contributions	\$ 1,251,560	\$ 176,344	\$ 131,618	\$ 542,349	\$ 43,434	\$ 97,265
Income (Loss) Before Transfers	-	-	-	499,537	648,815	1,002,948
Transfers Out	(778,540)	-	(111,840)	(120,960)	(120,960)	(96,600)
Change in Net Assets	\$ 1,207,337	\$ 473,281	\$ 105,486	\$ 378,577	\$ 527,855	\$ 906,348
Fund Balance - July 1	\$15,794,913	\$17,002,250	\$17,475,531	\$17,592,012	\$17,970,589	\$18,498,444
Prior Year Adjustment	<u>-</u>	<u>-</u>	<u>10,995</u>	<u>-</u>	<u>-</u>	<u>(1,033,042)</u>
Fund Balance - July 1 as restated	\$15,794,913	\$17,002,250	\$17,486,526	\$17,592,012	\$17,970,589	\$17,465,402
Fund Balance - June 30	<u>\$17,002,250</u>	<u>\$17,475,531</u>	<u>\$17,592,012</u>	<u>\$17,970,589</u>	<u>\$18,498,444</u>	<u>\$18,371,750</u>
Coverage Ratios ⁽¹⁾	1.31x	1.22x	1.15x	1.17x	1.54x	1.4x

⁽¹⁾ Includes interest revenue and grant revenue and excludes depreciation and amortization expenses.

Source: The City of El Centro.

The following table shows audited assets, liabilities and fund equity of the Wastewater System for the fiscal years ended June 30, 2009 through June 30, 2014.

**Table 6
City of El Centro
Wastewater Enterprise Fund Balance Sheet
Fiscal Years Ending June 30, 2009 through 2013**

ASSETS	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014 (Unaudited)</u>
Current Assets:						
Cash and Investments	\$ 6,375,375	\$ 6,213,926	\$ 6,669,770	\$ 7,562,618	\$ 8,841,282	\$ 9,868,158
Cash and Investments with Fiscal Agent	-	27,918,403	27,556,769	27,312,915	24,802,798	24,773,060
Receivables						
Accounts receivable	1,263,044	1,304,518	1,293,958	1,193,143	1,378,765	1,454,346
Interest receivable	13,043	4,869	3,934	2,245	4,160	73,175
Other receivables	-	2,203	-	-	-	302
Unamortized bond cost	<u>1,017,374</u>	<u>967,647</u>	<u>918,717</u>	<u>-</u>	<u>-</u>	<u>4,164</u>
Total Current Assets	\$ 8,668,836	\$36,411,566	\$36,443,148	\$36,070,921	\$35,027,005	\$36,173,205
Noncurrent Assets:						
Cash with Fiscal Agent	\$30,200,409	\$ -	\$ -	\$ -	\$ -	\$ -
Unamortized bond cost	-	-	-	1,024,334	973,420	-
Land	78,560	78,560	78,560	78,560	78,560	78,560
Buildings	835,015	835,015	835,015	835,015	835,015	835,015
Improvements other than building	50,531,946	52,448,305	52,853,643	53,973,135	55,614,393	55,678,236
Machinery and equipment	1,146,476	1,190,279	1,190,279	1,190,279	1,190,279	1,202,397
Furniture and equipment	46,515	46,515	46,515	46,515	46,515	46,515
Vehicles	684,424	940,682	980,356	980,356	980,356	1,074,131
Less Accumulated Depreciation	<u>(30,053,418)</u>	<u>(31,261,522)</u>	<u>(32,587,723)</u>	<u>(33,956,783)</u>	<u>(35,498,978)</u>	<u>(37,083,992)</u>
Total Noncurrent Assets	\$53,469,927	\$24,277,834	\$23,396,645	\$24,171,411	\$24,219,560	\$21,830,862
Total Assets	\$62,138,763	\$60,689,400	\$59,839,793	\$60,242,332	\$59,246,565	\$58,004,067
LIABILITIES AND FUND EQUITY						
Liabilities						
Current Liabilities:						
Accounts payable	\$ 1,095,808	\$ 127,645	\$ 206,453	\$ 950,550	\$ 213,821	\$ 267,144
Salaries/Benefits payable	80,259	85,625	86,793	27,874	28,233	36,957
Interest payable	525,428	514,717	503,528	453,007	444,614	433,645
Unearned revenue	-	-	-	-	3,423	8,123

ASSETS	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u> (Unaudited)
Compensated absences	-	-	-	88,414	100,801	97,853
Current Portion of Long-Term Obligations	<u>1,047,651</u>	<u>1,083,787</u>	<u>1,138,780</u>	<u>788,470</u>	<u>1,264,574</u>	<u>1,302,950</u>
Total Current Liabilities	\$ 2,749,146	\$1,811,774	\$ 1,935,554	\$ 2,308,315	\$ 2,055,466	\$ 2,146,672
Noncurrent Liabilities:						
Compensated absences	\$ 122,030	\$ 148,549	\$ 116,224	\$ 125,895	\$ 119,696	\$ 134,625
Long-Term debt	<u>42,265,337</u>	<u>41,253,546</u>	<u>40,196,003</u>	<u>39,837,533</u>	<u>38,572,959</u>	<u>37,351,020</u>
Total Non-Current Liabilities	\$42,387,367	\$41,402,095	\$40,312,227	\$39,963,428	\$38,692,655	\$37,485,645
Total Liabilities	\$45,136,513	\$43,213,869	\$42,247,781	\$42,271,743	\$40,748,121	\$39,632,317
Equity:						
Net Investments in Capital Assets	\$ 8,923,456	\$ 8,719,793	\$ 8,291,280	\$ 7,680,382	\$ 5,924,259	\$ 3,546,335
Restricted for debt service	1,801,876	1,812,587	1,823,776	2,724,934	2,815,952	2,786,409
Unrestricted	<u>6,276,918</u>	<u>6,943,151</u>	<u>7,476,956</u>	<u>7,565,273</u>	<u>9,758,233</u>	<u>12,039,006</u>
Total Fund Equity	<u>\$17,002,250</u>	<u>\$17,475,531</u>	<u>\$17,592,012</u>	<u>\$17,970,589</u>	<u>\$18,498,444</u>	<u>\$18,371,750</u>

Source: The City of El Centro.

Attachment: Preliminary Official Statement - El Centro 2014 Wastewater Refunding (1140) : Approve

Outstanding Wastewater System Obligations

On December 17, 2002, the City entered into an Enterprise Fund Installment Sale Agreement with the California Infrastructure and Economic Development Bank (“CIEDB”) pursuant to which the City pledged Net Wastewater Revenues to the payment of certain installment payments (the “2003 Installment Payments”). The 2003 Installment Payments have a stated interest rate of 3.00% and mature in 2022. The 2003 Installment Payments are currently outstanding in the aggregate principal amount of \$1,977,097. Pursuant to the Enterprise Fund Installment Sale Agreement, the City covenanted to fix, prescribe and collect rates, fees and charges for the Wastewater System in an amount so that Revenues are at least 1.10 times the debt service on the 2003 Installment Sale Payments and any parity obligations. The Bonds and the 2012 Bonds are payable on a basis *pari passu* with the 2003 Installment Sale Payments.

In June, 2006, the City executed and delivered a 2006 Installment Sale Agreement in connection with the execution and delivery of \$32,500,000 aggregate principal amount of Wastewater Revenue Bonds, 2006 Series A (the “2006 Bonds”), currently outstanding in the aggregate principal amount of \$28,345,000. Pursuant to the 2006 Installment Sale Agreement, the City has covenanted to fix, prescribe and collect rates, fees and charges for the Wastewater System so that revenues are at least 1.15 times the debt service on the 2006 Bonds and all parity obligations. Proceeds of the Bonds will be applied, together with other available moneys, to refund a portion of the outstanding 2006 Bonds and to defease the balance of the outstanding 2006 Bonds, which are referred to hereunder as the Refunded Bonds. See “PLAN OF REFUNDING” herein.

In February 2012, the City executed and delivered a 2012 Installment Sale Agreement in connection with the execution and delivery of \$7,835,000 aggregate principal amount of Wastewater Revenue Refunding Bonds, 2012 Series A (the “2012 Bonds”), currently outstanding in the aggregate principal amount of \$6,950,000. Pursuant to the 2012 Installment Sale Agreement, the City has covenanted to fix, prescribe and collect rates, fees and charges for the Wastewater System so that revenues at least sufficient to yield Net Wastewater Revenues, during the next succeeding fiscal year of the City, equal to 115% of the debt service on the 2012 Bonds and all parity obligations. The Bonds are payable on a basis *pari passu* with the 2012 Bonds.

California Regional Water Quality Control Board

On May 8, 2014, the California Regional Water Quality Control Board (the “Board”) adopted Board Order No. R7-2014-0002 (the “Order”) which established discharge limits and monitoring requirements for the El Centro Wastewater Treatment Plant and Collection System. The Order is a license to operate the Wastewater System and requires that the City comply with Federal, State, and local laws and regulations. The primary laws that regulate the Wastewater System are found in the Federal Clean Water Act and the State Porter Cologne Water Act. Board orders are renewed every 5 years to reflect changes in regulatory laws. The City is able to request changes to Board orders to remove outdated procedures and testing.

Generally, Board order compliance costs are stable and do not change significantly from year to year. If the construction of new facilities to the Wastewater System are required for compliance with a Board order, a time schedule is usually adopted to allow the City the time to

design and build the new facilities. When new Wastewater System facilities are completed, compliance costs will generally increase during startup. These increased costs, however, are absorbed into the operational funding for the Wastewater System. Rate studies determine how the compliance costs are passed on to the users of the Wastewater System.

Non-Compliance costs with a Board order can be significant. The maximum fine that can be levied is \$10 per gallon of sewage discharged. The maximum fine that could be levied for a violation of the Order can reach \$40 million dollars per day that such violation occurs. Additionally, the Wastewater Treatment Plant operators and officers of the City could be jailed for violations of the Order. Most violations of the Order, however, if any, are minor or occasional in occurrence and result in minor fines and or penalties. The minimum cost for a violation is \$3,000. Due to the structure of the Order, most non-compliance issues result in multiple violations. Based on the Wastewater System's past history, the average fine is approximately \$15,000. Over the past five years, the financial impact of fines with respect to Board orders has been minimal. Through constant monitoring, testing, and operation, operators are able to correct most issues before they escalate into large fines.

WASTEWATER SYSTEM CAPACITY FEES

In July 2007, the City adopted new capacity fees. The current fee received by the Wastewater System per equivalent dwelling unit ("E.D.U.") is \$7,174. There are currently no proposed changes to future wastewater capacity fees.

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The capacity fees are based on E.D.U.s for 22 different uses. The 22 different development uses and the E.D.U.s for each use are detailed below.

Table 7
City of El Centro
Equivalent Dwelling Units

<u>OCCUPANCY</u>	<u>EQUIVALENT DWELLING UNIT</u>	
1. Single Family Home	Unit	= 1.00 EDU
2. Duplex, Triplex, Apts.	1 bedroom	= 0.60 EDU
	2 bedrooms	= 0.70 EDU
	3 bedrooms	= 1.00 EDU
	Thereafter each bedroom equals 0.25 EDU	
3. Motels, Hotels, Auto Courts	Unit w/kitchen	= 0.55 EDU
	Unit w/o kitchen	= 0.33 EDU
4. Townhouse, Condominiums	1 bedroom	= 0.60 EDU
	2 bedrooms	= 0.70 EDU
	3 bedrooms	= 1.00 EDU
	Thereafter each bedroom equals 0.25 EDU	
5. Trailer, Mobile-Home Park	Space allocated for singlewide unit*	= 0.60 EDU
	Space allocated for doublewide unit*	= 0.70 EDU
	Space allocated for triplewide unit*	= 1.00 EDU
6. Churches	Per each 113 seating capacity	= 1.00 EDU
7. Theaters, Auditoriums	Per each 100 seating capacity	= 1.00 EDU
8. Bar/Nightclub (No Food)	Per each 100 seating capacity	= 1.00 EDU
	Per each 26 seating capacity	= 1.00 EDU
9. <u>Restaurant/Café</u> Fast Food w/Drive Thru <u>Restaurant/Café</u> Sit Down Restaurant	First 35 seats or less	= 1.00 EDU
	Then per each 8 seating capacity	
	First 35 seats or less	= 1.00 EDU
10. Automotive Service Station	Per each 2 pumps	= 1.00 EDU
	(6 or more pumps = 3 EDU Max.)	
11. Self Service Laundry	Each Washer	= 0.75 EDU
12. Commercial Laundry Including Dry Cleaners	Per each 500 square feet of building	= 1.00 EDU
13. Car Washes	Per two (2) stalls in self service	= 1.00 EDU
	Automatic wash with attendants	= 2.00 EDU
14. Hospitals, Convalescent Homes	Per each 4 beds	= 1.00 EDU
15. Laboratories	Per each 500 square feet of building	= 1.00 EDU
16. RV Parks	Space	= 0.60 EDU
	(Buildings separate) Subject to no dumping by RV units of holding tanks into City sewer	
17. Schools, Public or Private, Elementary Junior High High School	Per 60 pupils	= 1.00 EDU
	Per 50 pupils	= 1.00 EDU
	Per 30 pupils	= 1.00 EDU
18. Photo Development Shops	Per 500 square feet of building	= 1.00 EDU
19. Stores, Offices	Per each 2,000 square feet of building.	= 1.00 EDU
20. Industrial	Per each 2,000 square feet. (For buildings other than warehouses)	= 1.00 EDU
21. Printing Shops	Per 500 square feet of building	= 1.00 EDU
22. Newspaper Printing	Per 1,000 square feet of building	= 1.00 EDU

* EDU calculation is based on size of lot or land regardless of the size of the unit parked.

Source: *The City of El Centro.*

WASTEWATER SYSTEM RATE SETTING AND COLLECTIONS

Rate Setting Process

The City is required by the Installment Purchase Agreement to establish rates and charges for the use of the Wastewater System to produce Net Wastewater Revenues sufficient to cover the operation and maintenance expenses of the Wastewater System and so that the Net Wastewater Revenues are equal to at least 1.15 times the Debt Service due and payable in each fiscal year. Wastewater Treatment Charges are established by resolution adopted by a majority vote of the City Council following a public hearing. See “THE WASTEWATER SYSTEM – Wastewater Rates and Revenues” herein.

Utility rates and charges are reviewed as part of the City’s budgetary process. Once results of operations for the various enterprise funds are known, a determination is made as to whether it is appropriate for rate adjustments to be made. The timing of rate adjustments may or may not coincide with the budget adoption process, but the implications of any rate adjustment are considered in budget development. A public hearing is held to review staff studies and recommendations concerning rate adjustments before final adopting of rate changes.

Each year prior to June 1, the City Manager submits to the City Council a preliminary budget for the fiscal year commencing the following July 1. The preliminary budget includes expected expenditures or expenses, as appropriate, and the means of financing them. Typically, City Council review occurs prior to adoption of the budget and public meetings are conducted in June to obtain citizen comments. The final budget is generally adopted prior to July 1.

In each year, total expenditures of any fund may not exceed the total appropriation for that fund. However, the City Council may amend the budget at any time during the fiscal year by adoption of supplemental appropriations and transfers between funds.

Billing and Collection

Billing and collection services for the water and wastewater treatment charges are provided by the City’s Finance Department. All customers are billed on a monthly basis. The Finance Department prepares a single bill covering charges for water, wastewater and trash collection services.

When a customer account is in arrears for the length of one billing period, a delinquent notice is sent. On the notice is a statement that payment must be received by a certain date or wastewater service to the service location will be discontinued. Any payment received after the shut-off date includes a charge for service restoration. The payment delinquency rate for fiscal year 2013-14 for the Wastewater System, expressed as a percentage of revenues, was 1.99%.

RISK FACTORS

Wastewater System Demand

There can be no assurance that the demand for wastewater services will occur as described in this Official Statement. Reduction in levels of demand could require an increase in rates or charges to comply with the covenants to fix rates and charges so as to produce Net Wastewater Revenues equal to 115% of the Debt Service.

Wastewater System Expenses

There can be no assurance that the City's expenses will be consistent with the descriptions in this Official Statement. Increases in expenses could require an increase in rates or charges to comply with the rate covenant.

Natural Hazards

The occurrence of a natural calamity, such as an earthquake, a drought, a flood or any other disaster, may substantially damage or destroy Wastewater System facilities or otherwise disrupt the Wastewater System's operation. In such circumstances, Net Wastewater Revenues may be reduced or eliminated if the City is unable to provide the affected Wastewater System's services to its customers, or if large amounts of revenues were required to be applied to make extensive repairs to the affected Wastewater System. Such a reduction or elimination of Net Wastewater Revenues could impair the City's ability to make Installment Payments when due under the 2014 Installment Sale Agreement. The City is located in a seismically active region of Southern California and faults are located near the City, including the San Andreas, approximately 30 miles northeast of the City.

Limited Recourse on Default

If the City defaults on its obligation to make the Installment Sale Payments, the Trustee has the right to accelerate the total unpaid principal amount of such Installment Sale Payments. However, in the event of a default and such acceleration there can be no assurance that the City will have sufficient funds to pay the accelerated Installment Sale Payments.

Proposition 218

Proposition 218, a state ballot initiative known as the "Right to Vote on Taxes Act" was approved by California voters on November 5, 1996 and, except for certain provisions which became effective on July 1, 1997, became effective on November 6, 1996. Proposition 218 added Article XIIC, entitled "Voter Approval of Local Tax Levies" ("Article XIIC"), and Article XIID, entitled "Assessment and Property Related Fee Reform" ("Article XIID"), to the California Constitution. Article XIIC and Article XIID limit the imposition by a local government of "general taxes", "special taxes", "assessments" and "fees" or "charges." The City is a local government within the meaning of Article XIIC and Article XIID.

Article XIIC, provides, among other things, that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local fee or charge. This extension of the initiative power is not limited by the terms of Article XIIC to fees and charges

imposed after November 6, 1996 and, absent other authority, could result in retroactive reduction in existing fees and charges. The terms “fees” and “charges” are not defined in Article XIIC and it is unclear whether the definitions of such terms in Article XIID described below apply with respect to Article XIIC. The City is unable to predict whether any of its existing fees or charges, including its wastewater service charges, will be subjected to the initiative process or the outcome of any initiative proceedings with respect to such fees or charges. If fees or charges charged or collected by the City for its wastewater services are subjected to the initiative process and the outcome of any initiative proceedings results in a reduction or repeal of such fees or charges, the ability of the City to generate Revenues sufficient to comply with its covenants under the Installment Sale Agreement may be adversely affected.

Article XIID prohibits the assessment upon any parcel of property or upon any person “as an incident of property ownership” (defined to exclude fees for the provision of electrical or gas service) by a local government of any tax, assessment, fee or charge except voter-approved ad valorem property taxes and special taxes, fees or charges as a condition of property development, and assessments and “fees or charges for property related services” levied or imposed in accordance with the provisions of Article XIID. City believes that its wastewater capacity and connection charges are fees or charges as a condition of property development within the meaning of Article XIID, although there can be no assurance that a court would not determine otherwise.

Under Article XIID, revenues derived from a “fee” or “charge” (defined as “any levy other than an ad valorem tax, a special tax or an assessment, imposed by a local government upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service”) may not exceed the funds required to provide the “property-related service” and may not be used for any purpose other than that for which the fee or charge was imposed. Further, the amount of a “fee” or “charge” may not exceed the proportional cost of the service attributable to the parcel, no “fee” or “charge” may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question, and no “fee” or “charge” may be imposed for general governmental service where the service is “available to the public at large in substantially the same manner as it is to the property owners.”

In addition, in order for a “fee” or “charge” to be imposed or increased, Article XIID provides that, among other things, the parcel upon which a fee or charge is proposed for imposition must be identified, the amount of the fee or charge proposed to be imposed on each such parcel must be calculated, written notice by mail of the proposed fee or charge must be provided to the “record owner” of each identified parcel, and a public hearing must be conducted upon the proposed fee or charge. If written protests against the proposed “fee” or “charge” are presented by a majority of owners of the identified parcels, the fee or charge may not be imposed. The City is unable to predict whether the imposition or increase of any fee or charge for its wastewater service will be the subject of such a majority protest. If such a majority protest occurs, the ability of the City to generate Net Wastewater Revenues sufficient to comply with its covenants under the Installment Sale Agreement may be adversely affected.

Article XIID states that, beginning July 1, 1997, all “fees” or “charges” must comply with its provisions. It is unclear how the provisions of Article XIID will be applied to fees or charges established prior to such date. On July 14, 1997, the California Attorney General issued

an opinion that water charges based on consumption, in contrast to a per parcel or per acre charge, are not “imposed as an incident of property ownership” for purposes of Article XIID, but rather are imposed for the use or consumption of water. It is possible, however, that this opinion may be challenged in court, and in such event the court would not be bound to follow the Attorney General’s findings. The City believes that the requirements of Article XIID do not apply to its water and wastewater fees and charges, including the wastewater fee increase adopted by the City Council on September 17, 1997 pursuant to Resolution No. 97-72. See “THE WASTEWATER SYSTEM – Wastewater Rates and Revenues” herein.

The City is unable to predict how Article XIIC and Article XIID will be interpreted by the courts and what, if any, implementing legislation will be enacted. Bond Counsel has advised that there can be no assurance that Article XIIC and Article XIID will not limit the ability of the City to charge and collect fees and charges for its wastewater service sufficient to enable the City to comply with its covenants under the Installment Sale Agreement or that the ability of the City to generate Net Wastewater Revenues sufficient to pay principal and interest on the Bonds will not be adversely affected. See “SECURITY FOR THE BONDS – Rate Covenant; Collection of Rates and Charges” herein. Further, in such event, there can be no assurance that remedies will be available to fully protect the interests of the holders of the Bonds. See “Limitations on Remedies” herein.

Limitations on Remedies

The ability of the City to comply with its covenants under the Installment Sale Agreement and to generate Net Wastewater Revenues sufficient to pay principal of and interest on the Bonds may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. See “Proposition 218” herein. Furthermore, any remedies available to the owners of the Bonds upon the occurrence of an event of default under either Installment Sale Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies contained in the Installment Sale Agreement, the rights and obligations under the Bonds and the Installment Sale Agreement may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State of California. The opinion to be delivered by Fulbright & Jaworski LLP, Bond Counsel, concurrently with the issuance of the Bonds, that the Bonds constitute valid and binding limited obligations of the City payable from and secured by a first lien upon and pledge of Net Wastewater Revenues as and to the extent provided in the Installment Sale Agreement and the Installment Sale Agreement constitute valid and binding obligations of the City will be subject to such limitations and the various other legal opinions to be delivered concurrently with the issuance of the Bonds will be similarly qualified. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto. In the event the City fails to comply with its covenants under the Installment Sale Agreement or to pay principal of or interest on the Bonds, there can be no assurance that remedies will be available to fully protect the interests of the holders of the Bonds.

Constitutional Limitations on Appropriations and Fees

Under Article XIII B of the California Constitution, as amended, state and local government entities have an annual “appropriations limit” which limits their ability to spend certain moneys called “appropriations subject to limitation,” which consist of tax revenues, certain state subventions and certain other moneys, including user charges to the extent they exceed the costs reasonably borne by the entity in providing the service for which it is levying the charge. The Authority is of the opinion that the user charges of the Wastewater System imposed by the City do not exceed the costs the City reasonably bears in providing the Wastewater Service. In general terms, the “appropriations limit” is to be based on certain 1978/79 expenditures, and is to be adjusted annually to reflect changes in the consumer price index, population, and services provided by these entities. Among other provisions of Article XIII B, if an entity’s revenues in any year exceed the amount permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Future Initiatives

Articles XIII B, XIII C and XIII D were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiatives have been and could be proposed and adopted affecting the Wastewater System’s revenues or ability to increase revenues. Neither the nature and impact of these measures nor the likelihood of qualification for ballot or passage can be anticipated by the City.

One such initiative, recently approved by the electorate at the November 2, 2010 election, is Proposition 26. The initiative would impose a two-thirds voter approval requirement for the imposition of fees and charges by the State. It would also impose a majority voter approval requirement on local governments with respect to fees and charges for general purposes, and a two-thirds voter approval requirement with respect to fees and charges for special purposes. The initiative, according to its supporters, is intended to prevent the circumvention of tax limitations imposed by the voters pursuant to Proposition 13, approved in 1978, and other measures through the use of non-tax fees and charges. Proposition 26 expressly excludes from its scope “a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the [State/local government] of providing the service or product to the payor.” The City believes that the initiative is not intended to and would not apply to fees for utility services charged by the City. The City, however, is unable to predict whether Proposition 26 will be interpreted by the courts to apply to the provision of utility services by local governments such as the City.

THE AUTHORITY

The El Centro Financing Authority was established pursuant to a Joint Exercise of Powers Agreement dated July 1, 1996, by and between the City and the Successor Agency (the “Joint Powers Agreement”). The Joint Powers Agreement was entered into pursuant to the provisions of Articles 1, 2 and 4, Chapter 5, Division 7, Title 1 of the California Government Code. The Authority was created to assist in the financing and refinancing of certain redevelopment activities of the Successor Agency and certain programs and projects of the City, and for the purpose of aiding in the financing of capital improvements.

The Authority is administered by a governing board comprised of all of the individuals who currently are the Mayor and the members of the City Council of the City. The Authority has no independent staff. The Executive Director of the Authority is the City Manager of the City, and the Treasurer of the Authority is the Treasurer of the City. The Executive Director serves as Chief Executive Officer of the Authority, and the Treasurer has custody of all money of the Authority from whatever source.

CONTINUING DISCLOSURE

The Authority has determined that no financial or operating data concerning the Authority is material to any decision to purchase, hold or sell the Bonds and the Authority will not provide any such information.

The City has covenanted for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the City by not later than eight months after the end of the City's fiscal year (presently June 30) in each year commencing with its report for the fiscal year ended June 30, 2014 (the "Annual Report") and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the Dissemination Agent on behalf of the City with the Municipal Securities Rulemaking Board (the "MSRB"). The notices of enumerated events will be filed by the Dissemination Agent on behalf of the City or by the City with the MSRB. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12. The specific nature of the information to be contained in the Annual Report and the enumerated events is summarized in "APPENDIX F – FORM OF CONTINUING DISCLOSURE AGREEMENT." The City has not failed within the last five years to comply in all material respects with its undertakings pursuant to Rule 15c2-12.

LEGAL OPINIONS

Legal matters incident to the authorization and issuance of the Bonds are subject to the approving opinion of Fulbright & Jaworski LLP, Los Angeles, California, a member of Norton Rose Fulbright, Bond Counsel to the Authority and certain other conditions. Certain legal matters will be passed upon for the Authority and the City by the City Attorney. Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, is serving as Disclosure Counsel. The compensation of Fulbright & Jaworski LLP for this issue is contingent on the successful sale of the Bonds.

TAX MATTERS

Tax Exemption

The Internal Revenue Code of 1986 (the "Code") imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Noncompliance with such requirements could cause the interest on the Bonds to be included in the gross income of the owners thereof for federal income tax purposes retroactive to the date of issuance of the Bonds. Each of the Authority and the City has covenanted to maintain the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In the opinion of Fulbright & Jaworski LLP, Los Angeles, California, Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants mentioned herein, interest on the Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, the Bonds are not “specified private activity bonds” within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on Bonds owned by a corporation may affect the computation of the alternative minimum taxable income. A corporation’s alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

Pursuant to the Indenture and the Installment Purchase Agreement, and in the Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986, to be delivered by the Authority and the City in connection with the issuance of the Bonds, each of the Authority and the City will make representations relevant to the determination of, and will make certain covenants regarding or affecting, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes. In reaching its opinions described in the immediately preceding paragraph, Bond Counsel will assume the accuracy of such representations and the present and future compliance by each of the Authority and the City with its covenants.

Except as stated in this section above, Bond Counsel will express no opinion as to any federal or state tax consequences of the receipt of interest on, or the ownership or disposition of, the Bonds. Furthermore, Bond Counsel will express no opinion as to any federal, state or local tax law consequences with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel. Bond Counsel has not undertaken to advise in the future whether any events after the date of issuance of the Bonds may affect the tax status of interest on the Bonds or the tax consequences of the ownership of the Bonds.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Authority and of the City described above. No ruling has been sought from the Internal Revenue Service (the “Service”) with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the Service. The Service has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures the Service is likely to treat the Authority as the “taxpayer,” and the owners would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the Authority or the City may have different or conflicting interest from the owners. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

No assurance can be given that future legislation, if enacted into law, will not contain provisions that could directly or indirectly reduce the benefit of the exemption of interest on the Bonds from personal income taxation by the State of California or of the exclusion of the interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

A copy of the proposed form of opinion of Bond Counsel relating to the Bonds is attached hereto as Appendix E.

Tax Accounting Treatment of Bond Premium and Original Issue Discount on Bonds

To the extent that a purchaser of a Bond acquires that Bond at a price in excess of its “stated redemption price at maturity” (within the meaning of section 1273(a)(2) of the Code), such excess will constitute “bond premium” under the Code. Section 171 of the Code, and the Treasury Regulations promulgated thereunder, provide generally that bond premium on a tax-exempt obligation must be amortized over the remaining term of the obligation (or a shorter period in the case of certain callable obligations); the amount of premium so amortized will reduce the owner’s basis in such obligation for federal income tax purposes, but such amortized premium will not be deductible for federal income tax purposes. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of the obligation. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser’s yield to maturity. The rate and timing of the amortization of the bond premium and the corresponding basis reduction may result in an owner realizing a taxable gain when its Bond is sold or disposed of for an amount equal to or in some circumstances even less than the original cost of the Bond to the owner.

The excess, if any, of the stated redemption price at maturity of Bonds of a maturity over the initial offering price to the public of the Bonds of that maturity is “original issue discount.” Original issue discount accruing on a Bond is treated as interest excluded from the gross income of the owner thereof for federal income tax purposes and is exempt from California personal income tax to the same extent as would be stated interest on that Bond. Original issue discount on any Bond purchased at such initial offering price and pursuant to such initial offering will accrue on a semiannual basis over the term of the Bond on the basis of a constant yield method and, within each semiannual period, will accrue on a ratable daily basis. The amount of original issue discount on such a Bond accruing during each period is added to the adjusted basis of such Bond to determine taxable gain upon disposition (including sale, redemption or payment on maturity) of such Bond. The Code includes certain provisions relating to the accrual of original issue discount in the case of purchasers of Bonds who purchase such Bonds other than at the initial offering price and pursuant to the initial offering

Persons considering the purchase of Bonds with original issue discount or initial bond premium should consult with their own tax advisors with respect to the determination of original issue discount or amortizable bond premium on such Bonds for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of such Bonds.

Other Tax Consequences

Although interest on the Bonds may be exempt from California personal income tax and excluded from the gross income of the owners thereof for federal income tax purposes, an owner's federal, state or local tax liability may be otherwise affected by the ownership or disposition of the Bonds. The nature and extent of these other tax consequences will depend upon the owner's other items of income or deduction. Without limiting the generality of the foregoing, prospective purchasers of the Bonds should be aware that (i) section 265 of the Code denies a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds and the Code contains additional limitations on interest deductions applicable to financial institutions that own tax-exempt obligations (such as the Bonds), (ii) with respect to insurance companies subject to the tax imposed by section 831 of the Code, section 832(b)(5)(B)(i) reduces the deduction for loss reserves by 15% of the sum of certain items, including interest on the Bonds, (iii) interest on the Bonds earned by certain foreign corporations doing business in the United States could be subject to a branch profits tax imposed by section 884 of the Code, (iv) passive investment income, including interest on the Bonds, may be subject to federal income taxation under section 1375 of the Code for Subchapter S corporations that have Subchapter C earnings and profits at the close of the taxable year if greater than 25% of the gross receipts of such Subchapter S corporation is passive investment income, (v) section 86 of the Code requires recipients of certain Social Security and certain Railroad Retirement benefits to take into account, in determining the taxability of such benefits, receipts or accruals of interest on the Bonds and (vi) under section 32(i) of the Code, receipt of investment income, including interest on the Bonds, may disqualify the recipient thereof from obtaining the earned income credit. Bond Counsel will express no opinion regarding any such other tax consequences.

NO LITIGATION

There is no action, suit, or proceeding known by the Authority or the City to be pending or threatened at the present time restraining or enjoining the delivery or in any way contesting or affecting the validity of the Bonds, the Trust Agreement, the Installment Sale Agreement or any proceedings of the Authority or the City taken with respect to the execution or delivery thereof.

RATINGS

[S&P is expected to assign its municipal bond rating of “___” to the Bonds, based on the understanding that upon delivery of the Bonds the Bond Insurance Policy will be issued by the Bond Insurer.] S&P has assigned the Bonds an underlying rating of “___.” Such ratings reflect only the views of such organization and any desired explanation of the significance of such ratings should be obtained from S&P, at the following address: Standard & Poor's Ratings Group, 55 Water Street, 45th Floor, New York, New York 10041. The City and the Authority have furnished to S&P certain materials and information with respect to the Authority, the City and the Bonds. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. The Authority, the City, the Financial Advisor and the Underwriter undertake no responsibility to oppose any such proposed revision or withdrawal. Any such

downward change in or withdrawal of the ratings might have an adverse effect on the market price or marketability of the Bonds.

FINANCIAL ADVISOR

The City has retained Ironwood Advisors as a financial advisor to the City (the “Financial Advisor”) in connection with the issuance of the Bonds. The Financial Advisor has not been engaged, nor has it undertaken, to audit, authenticate or otherwise verify the information set forth in this Official Statement, or any other related information available to the City or the Authority, with respect to accuracy and completeness of disclosure of such information. The Financial Advisor has reviewed this Official Statement but makes no guaranty, warranty or other representation respecting accuracy and completeness of the information contained in this Official Statement.

UNDERWRITING

The Bonds are being purchased by _____ (the “Underwriter”) pursuant to a Bond Purchase Agreement between the Underwriter and the City (the “Purchase Contract”). The Underwriter has agreed to purchase all of the Bonds for an aggregate purchase price of \$_____, subject to certain conditions set forth in the Purchase Contract. The purchase price for the Bonds reflects the principal amount thereof, plus a net original issue [premium] of \$_____ and less an underwriter’s discount of \$_____. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing Bonds into investment trusts), dealer banks, banks acting as agent and others at prices lower than said public offering prices.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

The Verification Agent will verify the accuracy of (i) mathematical computations concerning the adequacy of the maturing principal amounts of and interest earned on the Defeasance Securities deposited in the Escrow Fund, together with amounts held as cash therein, to provide for payment of the Redemption Price of the Refunded Bonds on the Redemption Date and (ii) certain mathematical computations supporting the conclusion that the Bonds are not “arbitrage bonds” under the Code, which will be used in part by Bond Counsel to be delivered at the closing of the Bonds in concluding that interest on the Bonds is excluded from gross income of the Owners thereof for federal income tax purposes under present laws, including applicable provisions of the Code, existing court rulings, regulations and Internal Revenue Service rulings.

The report of the Verification Agent will include the statement that the scope of its engagement was limited to verifying the mathematical accuracy of the computations contained in such schedules provided to it and that the Verification Agent has no obligation to update its report because of events occurring, or data or information coming to its attention, after the date of its report.

MISCELLANEOUS

All quotations from, and summaries and explanations of the Trust Agreement, the Installation Sale Agreements, the Bonds or other documents contained herein do not purport to be complete, and reference is made to said documents and statutes for full and complete statements of their provisions.

This Official Statement is submitted only in connection with the sale of the Bonds by the Authority. All estimates, assumptions, statistical information and other statements contained herein, while taken from sources considered reliable, are not guaranteed by the Authority, the City or the Underwriter. The information contained herein should not be construed as representing all conditions affecting the Authority, the City or the Bonds.

All information contained in this Official Statement pertaining to the Authority and the City has been furnished by the Authority and the City and the execution and delivery of this Official Statement has been duly authorized by the Authority.

EL CENTRO FINANCING AUTHORITY

By: _____
Executive Director

Attachment: Preliminary Official Statement - El Centro 2014 Wastewater Refunding (1140 : Approve authorizing the issuance of Water &

APPENDIX A

THE CITY OF EL CENTRO

Geography

The City of El Centro (the “City” or “El Centro”) is situated in the Imperial Valley, 120 miles east of San Diego, 60 miles west of Yuma, Arizona and 7 miles from the Mexican city of Mexicali, the capital of the state of Baja. It is the industrial, agricultural and government center of Imperial County (the “County”). The City encompasses approximately ten square miles. El Centro enjoys a year-round growing season with mean monthly temperatures ranging between 61 and 91 degrees.

The County has an annual average rainfall of less than four inches, and three-fourths of the area is desert sand and rugged mountains. Even so, the County is one of the State’s major agricultural producers. El Centro is the County seat and is a retail center for a strong agribusiness economic base and a rapidly expanding resort and recreational economy. A major interstate highway and railroad offer excellent transportation service for an emerging industrial economy.

City Government

The City was incorporated in 1908 and was formed as a general law city under the laws of the State of California (the “State”). On November 3, 2009 City voters approved Measure G which authorized the City to become a charter city. The City Council of the City certified the November 3, 2009 election results on December 1, 2009 and the City Mayor executed the City Charter and filed the same. The City Charter became effective February 12, 2010. The City Council members are elected at large. Terms are staggered so that two or three Council members are elected in alternating City elections which are held on odd numbered years. The City Council elects a Mayor and Mayor Pro Tem from among its members every year.

The City operates on a Council/Manager system of government. Among the City Council’s responsibilities are the appointment of the City Manager and City Attorney; approval of the City budget; and policy guidance and conflict resolution over civic matters as required. The Council also appoints numerous advisory commissions and boards to assist in specific matters. Among the City Manager’s duties are responsibility for police and fire protection, public works, utilities, administrative services and operation of the City Library. The City also owns El Centro Community Hospital, doing business as El Centro Regional Medical Center.

Assessed Valuation

The table below presents the assessed valuations in the City for the fiscal years ended June 30 2009 through June 30, 2013.

City of El Centro Assessed Valuation of Taxable Property Last Five Fiscal Years Fiscal Years Ending June 30

<u>Fiscal Years (Ending)</u>	<u>Assessed Value</u>
2009	\$1,519,039,128
2010	1,481,883,898
2011	1,471,969,889
2012	1,431,557,030
2013	1,324,180,588
2014	1,333,160,938

Source. County of Imperial Assessor's Office.

Economic and other factors beyond the City's control, such as economic recession, deflation or land values, or the complete or partial destruction of taxable property caused by, among other eventualities, earthquake, flood or other natural disaster could cause a deduction in the assessed value of taxable property in the City.

City of El Centro Property Tax Levies and Collections Last Five Fiscal Years Fiscal Years Ending June 30

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Collected within the Fiscal Year of Levy</u>	<u>Percent of Levy</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Total Collections as Percent of Current Levy</u>
2009	\$ 9,588,273	\$10,262,937	107.04%	-	\$10,262,937	107.04%
2010	10,145,730	9,744,862	96.05	-	9,744,862	96.05
2011	9,454,027	8,921,928	94.37	-	8,921,928	94.37
2012	9,145,137	7,745,877	84.70	-	7,745,877	84.70
2013	9,202,670	8,905,252	96.77	-	8,905,252	96.77
2014	9,047,691	8,899,326	98.36	-	8,899,326	98.36

The amounts presented include City property taxes and Successor Agency tax increment.

Source: County of Imperial Auditor/Controller.

Tax Levies and Delinquencies

The City uses the facilities of the County for the assessment and collection of taxes. City taxes are collected at the same time and on the same tax rolls as County, District and Special District taxes. Taxes on the secured roll are payable in two installments on November 1 and February 1 of each fiscal year, and become delinquent after December 10 and April 10, respectively. Taxes on unsecured property are assessed to the January 1 lien date owner for the next fiscal year assessment. Unsecured property taxes become due after July 1 and are delinquent after August 31. A 10% penalty attaches to delinquent taxes which have been levied on property on the secured roll. If the total tax is not paid in full by June 30, the amount remaining transfers to the default tax roll, an additional State fee of \$15 is added on July 1 and the defaulted taxes begin accruing redemption penalty/interest at the rate of 1.5% per month. Such property may thereafter be redeemed by payment of the delinquent taxes. If taxes are unpaid for a period of five years or more, the County Tax Collector has the power to sell the property after a "Power of Sale" notice has been recorded.

A list of the ten largest taxpayers in the City for the most recent fiscal year is included in the following table.

**City of El Centro
Principal Taxpayers
June 30, 2014**

Taxpayer	Assessed Valuation	Percentage of Total Assessed Valuation
I.V. Plaza LLC	\$ 44,993,202	2.33%
Imperial Valley Mall II, LP	42,274,637	2.19
RJ Development Co. LLC	19,952,845	1.39
Wal-Mart Stores Inc.	18,470,047	0.96
Target Corporation	13,868,838	0.72
Dillard Stores Services Inc.	12,571,820	0.65
Auto Plaza Apartments LLC	12,500,000	0.65
Costco Wholesale Corp.	10,329,839	0.53
Sears Roebuck and Co.	9,984,682	0.50
Macy's California	<u>8,960,000</u>	<u>0.46</u>
Total	\$193,605,910	10.02%

Source: City of El Centro Finance Department.

Population

The City's population increased approximately 8.12% between 2005 and 2014. The following table shows the population of the City of El Centro as of January 1 of each year.

City Demographic Data

Year	Population
2005	40,982
2006	42,002
2007	42,071
2008	43,316
2009	44,303
2010	42,480
2011	43,013
2012	43,827
2013	44,192
2014	44,311

Source: U.S. Department of the Census and the California State Department of Finance.

Utilities

Southern California Gas Company and the Imperial Irrigation District supply natural gas and electric service to the City. Pacific Bell and AT&T provide telephone service. The City owns and operates water and wastewater treatment facilities, water distribution system and wastewater collection system. In 2010, the water treatment plant had a major upgrade that was financed from the proceeds of El Centro Financing Authority Water Revenue Bonds, 2006 Series A.

Employment and Industry

The following table sets forth the annual average employment by industry within the County for the fiscal years 2009 through 2013.

**IMPERIAL COUNTY
ANNUAL AVERAGE EMPLOYMENT BY INDUSTRY
(In Thousands)
2009 through 2013**

	2009	2010	2011	2012	2013
Agriculture	7,600	9,100	10,400	10,300	10,200
Non-Agriculture	48,500	47,700	47,500	49,100	51,100
Construction and Mining	1,300	1,200	1,400	1,500	2,300
Transportation Warehousing and Utilities	1,800	1,800	1,800	1,800	2,000
Manufacturing	2,300	2,600	2,600	2,600	2,500
Retail Trade	7,000	6,900	7,000	7,700	8,100
Financial Activities	1,300	1,300	1,300	1,300	1,400
Private Service Providing ⁽¹⁾	26,000	25,400	25,400	27,000	28,600
Government	<u>18,800</u>	<u>18,500</u>	<u>18,200</u>	<u>17,900</u>	<u>17,900</u>
Total All Industries	56,100	56,800	57,800	59,400	61,300

⁽¹⁾ Services is a broad category that may incorporate employment in other listed categories. Totals may not add up due to rounding.

Source: State of California Employment Development Department.

Major Employers

There are a number of manufacturing and distribution facilities located in the City. Principal employers within the County of Imperial are listed in the tables below.

City of El Centro Civilian Labor Force As of June 30, 2014

<u>Name of Company</u>	<u>Type of Business</u>	<u>Employees</u>
County of Imperial ⁽¹⁾	Governmental	2,099
Imperial Irrigation District	Water and Power	1,348
Homeland Security/U.S. Border Patrol ⁽¹⁾	Government	1,310
Centinela State Prison	Prison	1,280
El Centro School System ⁽¹⁾	Education	1,221
Calipatria State Prison	Prison	1,222
El Centro Regional Medical Center ⁽¹⁾	Hospital	944
Naval Air Facility	Military	550
Imperial Valley College	Education	521
Wal Mart ⁽¹⁾	Retail	391

⁽¹⁾ Employers within or near the geographical boundaries of the City of El Centro.

Source: City of El Centro.

Agriculture

Gross value of agricultural production in Imperial County was over \$2 billion in fiscal year 2013 an increase of 10.9% from 2012. Field crops and vegetable crops are dominant within the County, accounting for approximately 55% of the total production in fiscal year 2013.

The agriculture industry continued to be the leading job provider in the County. Farm equipment normally peaks during the first quarter of each year in Imperial Valley. Various vegetables and field crops are being harvested during the mild winter period, the local growers gain the advantage of an early market. Melons, sugar beets, broccoli, asparagus and lettuce are prepared and planted in the fields concurrently; these activities also boost labor requirements in the winter months.

The following table presents the value of agricultural products grown throughout Imperial County for fiscal years 2012 and 2013.

**Imperial County
Agricultural Value
(In Thousands)**

Agricultural Product	2012	2013
Apiary Products	\$ 3,144	\$ 4,708
Field Crops	587,977	470,461
Fruit and Nut Crops	85,154	100,019
Livestock	483,833	617,371
Seed & Nursery	67,432	100,557
Vegetable and Melon Crops	<u>718,219</u>	<u>865,401</u>
Total	<u>\$1,945,759</u>	<u>\$2,158,517</u>

Source: Imperial County Department of Agriculture.

Building Activity

The value of building permits issued in the City in 2014 totaled approximately \$27.8 million. The following table presents building permit valuations for the City from 2010 through 2014.

**City of El Centro
Building Permit Valuations
(In Thousands)**

	2010	2011	2012	2013	2014
Type of Permit Valuation					
Residential	\$ 2,081,888	\$ 2,532,493	\$ 7,149,231	\$ 3,567,531	\$ 9,470,642
Other Additions, Alterations	1,425,612	815,138	545,753	747,002	569,594
Non-Residential	<u>14,655,090</u>	<u>50,808,067</u>	<u>17,378,318</u>	<u>13,470,009</u>	<u>17,790,385</u>
Total	<u>\$18,162,590</u>	<u>\$54,155,698</u>	<u>\$25,073,302</u>	<u>\$17,784,542</u>	<u>\$27,830,621</u>
New Residential Units:	103	179	161	172	262

Source: City of El Centro Building Department.

Commercial Activity

In March 2005, the Imperial Valley Mall (the “Mall”) opened in the City. The Mall consists of 766,333 square feet of rentable retail space currently occupied by 78 retail, dining and entertainment establishments. The Mall is anchored by Dillard’s, J.C. Penney, Macy’s, Sears and Ultrastar Cinemas. The Mall also provides 3,934 parking spaces.

In October 2007, the Plaza at Imperial Valley (the “Plaza”) opened on 38 acres. The Plaza consists of 350,000 square feet of retail space currently occupied by retail and dining establishments such as Best Buy, Bed Bath and Beyond, Petco, Burlington Coat Factory, Ross, Marshalls Michaels, Staples, BevMo and Olive Garden. The Plaza provides 1,568 parking spaces. Both the Mall and the Plaza draw customers from the City, surrounding cities and the Mexican City of Mexicali.

The following table provides a summary of taxable transactions in the City from January 1, 2009 through the second quarter of 2013.

Taxable Transactions (In Thousands)

	2009	2010	2011	2012	2013 ⁽¹⁾
Motor Vehicle and Parts Dealers	\$65,785	\$86,862	\$94,839	\$91,988	\$25,164
Home Furnishings and Appliance Stores	29,473	33,556	(2)	36,772	8,082
Bldg. Matrl. and Garden Equip. and Supplies	52,623	54,767	58,895	62,908	16,273
Food and Beverage Stores	23,571	23,922	24,643	24,849	6,495
Gasoline Stations	44,903	52,852	63,548	64,735	16,674
Clothing and Clothing Accessories Stores	88,787	101,043	105,716	118,191	28,987
General Merchandise Stores	212,235	223,333	236,865	244,916	58,424
Food Services and Drinking Places	78,155	81,669	84,899	90,223	24,422
Other Retail Group	<u>37,901</u>	<u>37,372</u>	<u>74,093</u>	<u>39,954</u>	<u>9,257</u>
Total Retail and Food Services	\$633,432	\$695,377	\$743,498	\$774,536	\$193,778
All Other Outlets	\$120,414	\$125,726	\$161,355	\$160,139	\$13,981
Total All Outlets	\$753,847	\$821,102	\$904,853	\$934,675	\$237,759

⁽¹⁾ Second quarter figures for 2013. More recent data unavailable.

⁽²⁾ Sales omitted because their publication would result in the disclosure of confidential information. Figures included with “Total All Outlets.”

Source: California State Board of Equalization Statistical Research and Consulting Division.

Transportation

The County’s transportation network includes road, railroad and shipping services. Interstate 8 is a major east-west transcontinental highway which bisects the southern portion of the City. State Routes 86 and 111 link the City north to Indio and Los Angeles. The Southern Pacific Railroad provides freight services primarily for agricultural transportation. The nearest port facilities are located in San Diego, 120 miles to the west of the City.

Imperial County Airport (Boley Field), three miles north of El Centro, provides scheduled passenger and air freight service to Los Angeles and Phoenix. The San Diego Airport is located 115 miles west of the City and is served by 18 major carriers as well as commuter carriers. Service is available to all principal cities on the West Coast as well as direct flights to other major cities, including New York and Chicago. Also, Greyhound Lines provides transcontinental service.

Education and Community Services

Current enrollment in the City's schools is approximately 10,241. Advanced education is available at two colleges: Imperial Valley Community College (two-year) and San Diego State University – Imperial Valley Center at Calexico.

The nearby City of Mexicali offers many educational opportunities that contribute to the skilled work force in the region, including the Universidad Autónoma de Baja California, CETYS Universidad, Instituto Tecnológico de Mexicali, UNIVER Mexicali, Universidad Xochicalco Campus Mexicali, Universidad del Valle de Mexico Campus Mexicali, Tecnológico de Baja California, Benemerita Escuela Normal Urbana federal Fronteriza, Instituto Salvatierra and CECyTE.

El Centro has one general hospital. Cultural facilities in the City and surrounding area include 48 churches or synagogues and a 14-screen movie theater at the Cinemark Imperial Valley Mall. The City operates a public library.

The El Centro area has four radio stations, four TV channels and one cable TV system. Local newspaper coverage is provided by the Imperial Valley Press which is published seven times a week. Financial institutions located in the City include seven banks, three credit unions and ten mortgage, thrift or loan institutions.

The Parks and Recreation Department of the City maintains seventeen parks and nine playgrounds. Other recreational facilities include approximately twenty three lighted baseball fields, two golf courses, racquetball and tennis courts, boating and water sports facilities at the Salton Sea (within a one-hour drive) and at two man-made lakes – Sunbeam Lake and Weist Lake.

The City operates its own police and fire departments. The police department has 52 sworn officers. The fire department operates out of three fire stations and consists of 41 sworn firefighters.

APPENDIX B
AUDITED FINANCIAL STATEMENTS
OF THE CITY AS OF JUNE 30, 2013

Attachment: Preliminary Official Statement - El Centro 2014 Wastewater Refunding (1140 : Approve authorizing the issuance of Water &

[insert Appendix C]

APPENDIX D

BOOK-ENTRY SYSTEM

The information in this Appendix D concerning DTC and its book-entry system has been obtained from sources that the Authority and the City believe to be reliable, but the Authority and the City take no responsibility for the accuracy thereof.

General

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s rating of “AA+.” The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.org. The information on such website is not incorporated by reference herein.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on a payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The City or the Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

APPENDIX E**PROPOSED FORM OF BOND COUNSEL OPINION**

[Dated the date of closing]

El Centro Financing Authority
 1275 Main Street
 El Centro, California 92243

City of El Centro
 1275 Main Street
 El Centro, California 92243

\$ _____
 El Centro Financing Authority
 Wastewater Revenue Refunding Bonds, 2014 Series A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the El Centro Financing Authority (the "Authority") of its \$_____ Wastewater Revenue Refunding Bonds, 2014 Series A" (the "Bonds"), pursuant to the provisions of Article 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Bond Law"), and pursuant to a Trust Agreement, dated as of December 1, 2014 (the "Trust Agreement"), by and between the Authority and U.S. Bank National Association, as trustee (the "Trustee"), and a resolution of the governing body of the Authority adopted on _____, 2014 (the "Resolution"). The proceeds of the Bonds will be applied by the Authority to refund all of the El Centro Financing Authority Wastewater Revenue Bonds, 2006 Series A, currently outstanding in the aggregate principal amount of \$_____ (the "Refunded Bonds"). The Bonds are special limited obligations of the Authority, payable from Revenues which consist primarily of Installment Payments to be made by the City of El Centro (the "City") under the 2014 Installment Sale Agreement, dated as of December 1, 2014 (the "Installment Sale Agreement"), by and between the Authority and the City. The City's obligation to make Installment Payments is secured by a pledge of Net Revenues of the City's Wastewater System. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to them in the Trust Agreement and the Installment Sale Agreement, as applicable.

We have examined the Bond Law and other statutes and such certified proceedings and other papers as we deem necessary to render this opinion. As to questions of fact material to our opinion, we have relied upon representations of the Authority and the City contained in the Trust Agreement, the Installment Sale Agreement and in the certified proceedings, and upon other certifications furnished to us, without undertaking to verify the same by independent investigation.

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

1. The Authority is a joint powers authority duly organized and existing under the laws of the State of California, with power to enter into the Trust Agreement and the Installment Sale Agreement, to perform the agreements on its part contained therein and to issue the Bonds.
2. The Bonds have been duly authorized, executed and delivered by the Authority in accordance with the Bond Law, the Resolution and the Trust Agreement and constitute legal, valid and binding special obligations of the Authority enforceable in accordance with their terms and payable solely from the sources provided therefor in the Trust Agreement.
3. The Trust Agreement has been duly authorized, executed and delivered by the Authority and constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms.
4. The Trust Agreement establishes a valid pledge of the Revenues (as such term is defined in the Trust Agreement) and other funds pledged thereby for the security of the Bonds, in accordance with the terms of the Trust Agreement.
5. The City is a municipal corporation duly organized and existing under the laws of the State of California, with power to enter into the Installment Sale Agreement and to perform the agreements on its part contained therein.
6. The Installment Sale Agreement has been duly authorized, executed and delivered by the City and the Authority and constitutes a legal, valid and binding obligation of the City and the Authority enforceable against the City and the Authority in accordance with its terms.
7. The Installment Sale Agreement establishes a valid pledge of the Net Wastewater Revenues (as such term is defined in the Installment Sale Agreement) in accordance with the terms of the Installment Sale Agreement
8. Under existing statutes, regulations, rulings and court decisions, interest on the Bonds is exempt from personal income taxes of the State of California and, assuming compliance with the covenants mentioned herein, interest on the Bonds is excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. In the further opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, the Bonds are not “specified private activity bonds” within the meaning of section 57(a)(5) of the Code and, therefore, interest on the Bonds will not be treated as an item of tax preference for purposes of computing the alternative minimum tax imposed by section 55 of the Code. Receipt or accrual of interest on Bonds owned by a corporation may affect the computation of the alternative minimum taxable income. A corporation’s alternative minimum taxable income is the basis on which the alternative minimum tax imposed by section 55 of the Code will be computed.

The Code imposes certain requirements that must be met subsequent to the issuance and delivery of the Bonds for interest thereon to be and remain excluded pursuant to section 103(a) of the Code from the gross income of the owners thereof for federal income tax purposes. Non-compliance with such requirements could cause the interest on the Bonds to fail to be excluded

47093027.3

from the gross income of the owners thereof retroactive to the date of issuance of the Bonds. Pursuant to the Trust Agreement, the Installment Sale Agreement and in the *Tax Certificate Pertaining to Arbitrage and Other Matters under Sections 103 and 141-150 of the Internal Revenue Code of 1986* being delivered by the Authority and the City in connection with the issuance of the Bonds, the Authority and the City are making representations relevant to the determination of, and is undertaking certain covenants regarding or affecting, the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

In reaching our opinions described in the immediately preceding paragraph, we have assumed the accuracy of such representations and the present and future compliance by the Authority and the City with such covenants. Further, except as stated in the preceding paragraph, we express no opinion as to any federal or state tax consequence of the receipt of interest on, or the ownership or disposition of, the Bonds. Furthermore, we express no opinion as to any federal, state or local tax law consequence with respect to the Bonds, or the interest thereon, if any action is taken with respect to the Bonds or the proceeds thereof predicated or permitted upon the advice or approval of other counsel.

The rights of the owners of the Bonds and the enforceability of the Installment Sale Agreement, the Trust Agreement and the Bonds 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 appropriate cases. The enforceability of the Installment Sale Agreement, the Trust Agreement and the Bonds is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in California.

No opinion is expressed herein on the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Respectfully submitted,

APPENDIX F
FORM OF CONTINUING DISCLOSURE AGREEMENT

47093027.3

F-1

Attachment: Preliminary Official Statement - El Centro 2014 Wastewater Refunding (1140 : Approve authorizing the issuance of Water &

**[APPENDIX G
SPECIMEN MUNICIPAL BOND INSURANCE POLICY AND
MUNICIPAL BOND DEBT SERVICE RESERVE INSURANCE POLICY]**

Attachment: Preliminary Official Statement - El Centro 2014 Wastewater Refunding (1140 : Approve authorizing the issuance of Water &

Fulbright & Jaworski LLP – Draft 11/05/14

ESCROW AGREEMENT

by and between

EL CENTRO FINANCING AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent and Prior Trustee

Dated as of December 1, 2014

Relating to

El Centro Financing Authority
Water Revenue Bonds
2006 Series A

Attachment: Escrow Agreement - 2014 El Centro Water Refunding (2006 Bonds) (1140 : Approve authorizing the issuance of Water &

ESCROW AGREEMENT

THIS ESCROW AGREEMENT, dated as of December 1, 2014 (this “Escrow Agreement”), is made by and between the EL CENTRO FINANCING AUTHORITY (the “Authority”), a public entity and agency, duly organized and existing pursuant to an agreement entitled “Joint Exercise of Powers Agreement” by and between the City of El Centro (the “City”), and the Successor Agency to the Redevelopment Agency of the City of El Centro, formerly known as the Redevelopment Agency of the City of El Centro, and U.S. BANK NATIONAL ASSOCIATION, as escrow agent (the “Escrow Agent”).

WITNESSETH:

WHEREAS, to provide the funds necessary to refund [all] of the El Centro Financing Authority Water Revenue Bonds, 2006 Series A, currently outstanding in the aggregate principal amount of \$_____ (the “Refunded Bonds”), the Authority will issue its \$_____ Water Revenue Refunding Bonds, 2014 Series A (the “Bonds”);

WHEREAS, the Authority has determined to apply a portion of the proceeds of the Bonds to refund on an advance basis the Refunded Bonds on October 1, 2016 (the “Redemption Date”), at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon, without premium (the “Redemption Price”); and

WHEREAS, in accordance with the Trust Agreement, dated as of June 1, 2006 (the “Prior Trust Agreement”), between the Authority and U.S. Bank National Association, as trustee thereunder (the “Prior Trustee”), the proceeds of the Bonds, together with certain other amounts held by the Prior Trustee, will be available to refund [all] of the outstanding Refunded Bonds on the Redemption Date at the Redemption Price;

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

Section 1. Definitions. Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to such terms in the Prior Trust Agreement.

Section 2. The Escrow Fund. (a) There is hereby established a fund (the “Escrow Fund”) to be held as an irrevocably pledged escrow by the Escrow Agent, which the Escrow Agent shall keep separate and apart from all other funds of the Authority, the City and the Escrow Agent. All amounts in the Escrow Fund shall be held in trust by the Escrow Agent for the Holders of the Refunded Bonds and shall be applied solely as provided in this Escrow Agreement. Pending application as provided in this Escrow Agreement, amounts on deposit in the Escrow Fund are hereby pledged solely to the payment of the principal of and interest on the Refunded Bonds to and including the Redemption Date and the payment of the Redemption Price on the Redemption Date.

(b) As reflected in the report of a nationally recognized firm of independent certified public accountants delivered in connection herewith, upon the issuance and delivery of the Bonds, there shall be deposited in the Escrow Fund \$_____ received from the proceeds of

the sale of the Bonds and \$_____ from the accounts held under the Prior Trust Agreement, which the Authority hereby directs the Escrow Agent, as Prior Trustee, to deposit in the Escrow Fund, for a total of \$_____ (the "Escrow Deposit"). A portion of the Escrow Deposit in the amount of \$_____ shall be invested in state and local government series securities ("SLGS") described in Schedule I hereto and the remainder of the Escrow Deposit in the amount of \$_____ shall be held uninvested in cash.

The Escrow Deposit is at least equal to an amount sufficient to purchase SLGS, the principal and interest on which when due will provide moneys that, together with the uninvested moneys deposited with the Escrow Agent, shall be sufficient to pay (i) at maturity the principal amount of the Refunded Bonds maturing on and prior to October 1, 2016 and to pay interest thereon to their respective maturity dates and (ii) the Redemption Price of the Refunded Bonds maturing on and after October 1, 2017 on the Redemption Date (i.e. October 1, 2016). The amounts required to be paid on the Refunded Bonds are shown on Schedule II hereto.

If the Escrow Agent learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a subscription of SLGS that is to be submitted pursuant to this Escrow Agreement, the Escrow Agent shall promptly request alternative written investment instructions from the Authority with respect to funds that were to be invested in SLGS. The Escrow Agent shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Agent shall hold such funds uninvested and without liability for interest until receipt of further written instructions from the Authority. In the absence of investment instructions from the Authority, the Escrow Agent shall not be responsible for the investment of such funds or interest thereon. The Escrow Agent may conclusively rely upon the Authority's selection of an alternative investment as a determination of the alternative investment's legality and suitability and shall not be liable for any losses related to the alternative investments or for compliance with any yield restriction applicable thereto.

Section 3. Use of Moneys in Escrow Fund. The Escrow Agent hereby acknowledges deposit of the moneys described in Section 2(b) hereof and agrees to invest and hold such moneys uninvested in the Escrow Fund, as directed herein. The Holders of the Refunded Bonds shall have a first and exclusive lien on the moneys in the Escrow Fund until such moneys are used and applied as provided in this Escrow Agreement and the Prior Trust Agreement to redeem in full then outstanding Refunded Bonds.

Section 4. Instruction to Provide Notice.

(a) The Authority hereby irrevocably instructs the Escrow Agent to send a redemption notice to the Holders of the Refunded Bonds in substantially the form set forth in Exhibit A hereto as provided in the Prior Trust Agreement, within the period specified for such notice in the Prior Trust Agreement and to post to EMMA (defined below) the notice of defeasance to the Holders of the Refunded Bonds in substantially the form set forth in Exhibit B hereto on the date of issuance of the Bonds.

(b) The Escrow Agent is hereby further instructed to mail a copy of the redemption notice to the Information Services. "Information Services" shall mean, the Electronic Municipal Market Access System ("EMMA"), a facility of the Municipal Securities Rulemaking Board, at

<http://emma.msrb.org>; and, in accordance with then current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other services providing information with respect to called bonds as the Authority may designate to the Escrow Agent.

Section 5. Payment of Refunded Bonds. From the Escrow Deposit held in the Escrow Fund, the Escrow Agent shall apply such amounts on or before the Redemption Date to the payment of the Refunded Bonds in accordance herewith and the payment of principal the Redemption Price on the Redemption Date. From and after the Redemption Date, Holders of the Bonds will cease to be entitled to the pledge of and charge and lien upon the Revenues as provided in the Prior Trust Agreement, and all agreements, covenants and other obligations of the Authority to the Holders of such Bonds shall cease, terminate and become void and be discharged and satisfied. To the extent that the amount on deposit in the Escrow Fund on the Redemption Date is in excess of the amount necessary to make the required payments with respect to the Refunded Bonds, such excess shall be transferred to the Trustee for deposit in the Interest Account established under the Trust Agreement for the Bonds.

Section 6. Substitution of Securities. Upon the written request of the Authority, and subject to the conditions and limitations herein set forth, the Escrow Agent shall sell, redeem or otherwise dispose of SLGS, provided that there are substituted therefor from the proceeds of such SLGS, other Defeasance Obligations satisfying the criteria for Defeasance Obligations set forth in the Prior Trust Agreement, but only after the Authority has obtained and delivered to the Escrow Agent (i) an unqualified opinion of nationally recognized bond counsel that such reinvestment will not adversely affect the exclusion from gross income of interest payable on the Refunded Bonds or the Bonds for purposes of federal income taxation and (ii) a report by a verification agent to the effect that such reinvestment will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay the Refunded Bonds as provided herein.

Section 7. Performance of Duties; Acknowledgement with Respect to Irrevocable Instructions. The Escrow Agent hereby agrees to perform the duties set forth herein and agrees that the irrevocable instructions to the Escrow Agent herein provided are in a form satisfactory to it.

Section 8. Escrow Agent's Authority to Make Investments. The Escrow Agent shall have no power or duty to invest any funds held under this Escrow Agreement, except as provided in Section 2 and Section 6. The Escrow Agent shall have no power or duty to transfer or otherwise dispose of the moneys held hereunder except as provided herein.

Section 9. Indemnity. To the extent permitted by law, the Authority hereby assumes liability for, and hereby agrees to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, officers, directors, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees, expenses and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time in any way relating to or arising out of the execution, delivery and performance of this Escrow Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the moneys deposited therein, and any payment, transfer or other application of

moneys by the Escrow Agent in accordance with the provisions of this Escrow Agreement; provided, however, that the Authority shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Agent's respective successors, assigns, agents and employees or the material breach by the Escrow Agent of the terms of this Escrow Agreement. In no event shall the Authority or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Escrow Agreement and the earlier removal or resignation of the Escrow Agent.

Section 10. Responsibilities of Escrow Agent. The Escrow Agent makes no representation as to the sufficiency of the uninvested moneys to accomplish the redemption of the Refunded Bonds pursuant to the Prior Trust Agreement or to the validity of this Escrow Agreement as to the Authority and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent 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 Agent shall be determined by the express provisions of this Escrow Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the Authority, 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 Agent 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 of recognized standing in the field of law relating to municipal bonds) may be deemed to be conclusively established by a written certification of the Authority.

The Escrow Agent undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Agent. None of the provisions of this Escrow Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Escrow Agent may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties. The Escrow Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed. Anything in this Escrow Agreement to the contrary notwithstanding, in no event shall the Escrow Agent be liable for special, indirect or punitive loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action. The Escrow Agent shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Escrow Agent and could not

have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The Escrow Agent 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 Agent 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 Authority elects to give the Escrow Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Agent in its discretion elects to act upon such instructions, the Escrow Agent's understanding of such instructions shall be deemed controlling. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

The Escrow Agent may resign by giving written notice to the Authority, and upon receipt of such notice the Authority shall promptly appoint a successor Escrow Agent. If the Authority does not appoint a successor Escrow Agent within thirty (30) days of receipt of such notice, the resigning Escrow Agent may petition a court of competent jurisdiction for the appointment of a successor Escrow Agent, which court may thereupon, upon such notice as it shall deem proper, appoint a successor Escrow Agent. Upon acceptance of appointment by a successor Escrow Agent, the resigning Escrow Agent shall transfer all amounts held by it in the Escrow Fund to such successor Escrow Agent and be discharged of any further obligation or responsibility hereunder. Any bank, corporation or association into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any bank, corporation or association succeeding to all or substantially all of the business of the Escrow Agent shall be the successor of the Escrow Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except on the part of any of the parties hereto where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

Section 11. Amendments. The Authority and the Escrow Agent may (but only with the consent of the Holders of all of the Refunded Bonds) amend this Escrow Agreement or enter into agreements supplemental to this Escrow Agreement.

Section 12. Term. This Escrow Agreement shall commence upon its execution and delivery and shall terminate on the date upon which the Refunded Bonds have been paid in accordance with this Escrow Agreement.

Section 13. Compensation. The Authority shall from time to time pay or cause to be paid to the Escrow Agent the agreed upon compensation for its services to be rendered hereunder, and reimburse the Escrow Agent for all of its reasonable advances in the exercise and performance of its duties hereunder; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services rendered or expenses incurred by the Escrow Agent under this Escrow Agreement or otherwise.

Section 14. Severability. If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the Authority or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

Section 15. Counterparts. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

Section 16. Governing Law. This Escrow Agreement shall be construed under the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed this Escrow Agreement as of the date first above written.

**U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent and Prior Trustee**

By _____
Authorized Officer

EL CENTRO FINANCING AUTHORITY

By _____
Executive Director

Attachment: Escrow Agreement - 2014 El Centro Water Refunding (2006 Bonds) (1140 : Approve authorizing the issuance of Water &

EXHIBIT A

FORM OF NOTICE OF REDEMPTION

**El Centro Financing Authority
Water Revenue Bonds
2006 Series A**

Notice is hereby given to the Holders of the El Centro Financing Authority Water Revenue Bonds, 2006 Series A (the "Bonds"), that the Bonds maturing in the years and bearing the CUSIP numbers set forth below will be called for redemption on October 1, 2016, in accordance with that certain Trust Agreement, dated as of June 1, 2006 (the "Prior Trust Agreement"), by and between the El Centro Financing Authority (the "Authority"), and U.S. Bank National Association, as trustee thereunder (the "Prior Trustee").

<u>Maturing (October 1)</u>	<u>Principal Amount To Be Redeemed</u>	<u>Price</u>	<u>CUSIP⁽¹⁾ (282832)</u>
2017	\$ 815,000	100%	AL8
2018	855,000	100	AM6
2019	895,000	100	AN4
2021	1,915,000	100	AQ7
2026	6,435,000	100	AV6
2031	8,200,000	100	BA1
2035	8,200,000	100	BE3

On October 1, 2016, all of the Bonds will become due and payable at the redemption price aforesaid, and payment will be made upon presentation and surrender to the Prior Trustee for the Bonds at:

Attention: _____

⁽¹⁾ The Authority and Prior Trustee shall not be responsible for the use of the CUSIP Numbers selected, nor is any representation made as to their correctness indicated in the notice or as printed on any Bond. They are included solely for the convenience of the Holders.

Attachment: Escrow Agreement - 2014 El Centro Water Refunding (2006 Bonds) (1140 : Approve authorizing the issuance of Water &

From and after October 1, 2016, Holders of the Bonds will cease to be entitled to the pledge of and charge and lien upon the Revenues as provided in the Prior Trust Agreement, and all agreements, covenants and other obligations of the Authority to the Holders of such Bonds shall cease, terminate and become void and be discharged and satisfied.

Dated: _____, 2016

EL CENTRO FINANCING AUTHORITY

**By: U.S. BANK NATIONAL ASSOCIATION,
as Prior Trustee**

Attachment: Escrow Agreement - 2014 El Centro Water Refunding (2006 Bonds) (1140 : Approve authorizing the issuance of Water &

EXHIBIT B
FORM OF DEFEASANCE NOTICE

El Centro Financing Authority
Water Revenue Bonds
2006 Series A

Notice is hereby given that on December __, 2014 the El Centro Financing Authority (the “Authority”) deposited with U.S. Bank National Association, as escrow agent (the “Escrow Agent”) pursuant to an Escrow Agreement, dated as of December 1, 2014 (the “Escrow Agreement”), by and between the Authority and the Escrow Agent, moneys and securities that will, with interest earnings thereon, be sufficient to pay (i) at maturity the principal amount of the El Centro Financing Authority Water Revenue Bonds, 2006 Series A set forth in the table below (the “Refunded Bonds”) maturing on and prior to October 1, 2016 (the “Redemption Date”) and to pay interest thereon to their respective maturity dates and (ii) the redemption price of 100% of the principal amount thereof, together with accrued and unpaid interest thereon to the Redemption Date of the Refunded Bonds maturing on and after October 1, 2017 on the Redemption Date.

Refunded Bonds

<u>Maturing (October 1)</u>	<u>Principal Amount To Be Redeemed</u>	<u>Price</u>	<u>CUSIP⁽²⁾ (282832)</u>
2015	\$ 750,000	100%	AJ3
2016	785,000	100	AK0
2017	815,000	100	AL8
2018	855,000	100	AM6
2019	895,000	100	AN4
2021	1,915,000	100	AQ7
2026	6,435,000	100	AV6
2031	8,200,000	100	BA1
2035	8,200,000	100	BE3

From and after October 1, 2016, Holders of the Bonds will cease to be entitled to the pledge of and charge and lien upon the Revenues as provided in the Trust Agreement, dated as of June 1, 2006, by and between the Authority, and U.S. Bank National Association, as trustee thereunder, and all agreements, covenants and other obligations of the Authority to the Holders of such Bonds shall cease, terminate and become void and be discharged and satisfied.

⁽²⁾ The Authority and Prior Trustee shall not be responsible for the use of the CUSIP Numbers selected, nor is any representation made as to their correctness indicated in the notice or as printed on any Bond. They are included solely for the convenience of the Holders.

Dated: December ____, 2014

EL CENTRO FINANCING AUTHORITY

**By: U.S. BANK NATIONAL ASSOCIATION,
as Prior Trustee**

Attachment: Escrow Agreement - 2014 El Centro Water Refunding (2006 Bonds) (1140 : Approve authorizing the issuance of Water &

Schedule I

Schedule II

Fulbright & Jaworski LLP – Draft 11/05/14

ESCROW AGREEMENT

by and between

EL CENTRO FINANCING AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent and Prior Trustee

Dated as of December 1, 2014

Relating to

El Centro Financing Authority
Wastewater Revenue Bonds
2006 Series A

Attachment: Escrow Agreement - 2014 El Centro Wastewater Refunding (2006 Bonds) (1140 : Approve authorizing the issuance of Water &

ESCROW AGREEMENT

THIS ESCROW AGREEMENT, dated as of December 1, 2014 (this “Escrow Agreement”), is made by and between the EL CENTRO FINANCING AUTHORITY (the “Authority”), a public entity and agency, duly organized and existing pursuant to an agreement entitled “Joint Exercise of Powers Agreement” by and between the City of El Centro (the “City”), and the Successor Agency to the Redevelopment Agency of the City of El Centro, formerly known as the Redevelopment Agency of the City of El Centro, and U.S. BANK NATIONAL ASSOCIATION, as escrow agent (the “Escrow Agent”).

WITNESSETH:

WHEREAS, to provide the funds necessary to refund [all] of the El Centro Financing Authority Wastewater Revenue Bonds, 2006 Series A, currently outstanding in the aggregate principal amount of \$_____ (the “Refunded Bonds”), the Authority will issue its \$_____ Wastewater Revenue Refunding Bonds, 2014 Series A (the “Bonds”);

WHEREAS, the Authority has determined to apply a portion of the proceeds of the Bonds to refund on an advance basis the Refunded Bonds on October 1, 2016 (the “Redemption Date”), at a redemption price equal to 100% of the principal amount thereof, plus accrued interest thereon, without premium (the “Redemption Price”); and

WHEREAS, in accordance with the Trust Agreement, dated as of June 1, 2006 (the “Prior Trust Agreement”), between the Authority and U.S. Bank National Association, as trustee thereunder (the “Prior Trustee”), the proceeds of the Bonds, together with certain other amounts held by the Prior Trustee, will be available to refund [all] of the outstanding Refunded Bonds on the Redemption Date at the Redemption Price;

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

Section 1. Definitions. Unless otherwise defined herein, capitalized terms used herein shall have the meanings ascribed to such terms in the Prior Trust Agreement.

Section 2. The Escrow Fund. (a) There is hereby established a fund (the “Escrow Fund”) to be held as an irrevocably pledged escrow by the Escrow Agent, which the Escrow Agent shall keep separate and apart from all other funds of the Authority, the City and the Escrow Agent. All amounts in the Escrow Fund shall be held in trust by the Escrow Agent for the Holders of the Refunded Bonds and shall be applied solely as provided in this Escrow Agreement. Pending application as provided in this Escrow Agreement, amounts on deposit in the Escrow Fund are hereby pledged solely to the payment of the principal of and interest on the Refunded Bonds to and including the Redemption Date and the payment of the Redemption Price on the Redemption Date.

(b) As reflected in the report of a nationally recognized firm of independent certified public accountants delivered in connection herewith, upon the issuance and delivery of the Bonds, there shall be deposited in the Escrow Fund \$_____ received from the proceeds of

the sale of the Bonds and \$_____ from the accounts held under the Prior Trust Agreement, which the Authority hereby directs the Escrow Agent, as Prior Trustee, to deposit in the Escrow Fund, for a total of \$_____ (the “Escrow Deposit”). A portion of the Escrow Deposit in the amount of \$_____ shall be invested in state and local government series securities (“SLGS”) described in Schedule I hereto and the remainder of the Escrow Deposit in the amount of \$_____ shall be held uninvested in cash.

The Escrow Deposit is at least equal to an amount sufficient to purchase SLGS, the principal and interest on which when due will provide moneys that, together with the uninvested moneys deposited with the Escrow Agent, shall be sufficient to pay (i) at maturity the principal amount of the Refunded Bonds maturing on and prior to October 1, 2016 and to pay interest thereon to their respective maturity dates and (ii) the Redemption Price of the Refunded Bonds maturing on and after October 1, 2017 on the Redemption Date (i.e. October 1, 2016). The amounts required to be paid on the Refunded Bonds are shown on Schedule II hereto.

If the Escrow Agent learns that the Department of the Treasury or the Bureau of Public Debt will not, for any reason, accept a subscription of SLGS that is to be submitted pursuant to this Escrow Agreement, the Escrow Agent shall promptly request alternative written investment instructions from the Authority with respect to funds that were to be invested in SLGS. The Escrow Agent shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Agent shall hold such funds uninvested and without liability for interest until receipt of further written instructions from the Authority. In the absence of investment instructions from the Authority, the Escrow Agent shall not be responsible for the investment of such funds or interest thereon. The Escrow Agent may conclusively rely upon the Authority’s selection of an alternative investment as a determination of the alternative investment’s legality and suitability and shall not be liable for any losses related to the alternative investments or for compliance with any yield restriction applicable thereto.

Section 3. Use of Moneys in Escrow Fund. The Escrow Agent hereby acknowledges deposit of the moneys described in Section 2(b) hereof and agrees to invest and hold such moneys uninvested in the Escrow Fund, as directed herein. The Holders of the Refunded Bonds shall have a first and exclusive lien on the moneys in the Escrow Fund until such moneys are used and applied as provided in this Escrow Agreement and the Prior Trust Agreement to redeem in full then outstanding Refunded Bonds.

Section 4. Instruction to Provide Notice.

(a) The Authority hereby irrevocably instructs the Escrow Agent to send a redemption notice to the Holders of the Refunded Bonds in substantially the form set forth in Exhibit A hereto as provided in the Prior Trust Agreement, within the period specified for such notice in the Prior Trust Agreement and to post to EMMA (defined below) the notice of defeasance to the Holders of the Refunded Bonds in substantially the form set forth in Exhibit B hereto on the date of issuance of the Bonds.

(b) The Escrow Agent is hereby further instructed to mail a copy of the redemption notice to the Information Services. “Information Services” shall mean, the Electronic Municipal Market Access System (“EMMA”), a facility of the Municipal Securities Rulemaking Board, at

<http://emma.msrb.org>; and, in accordance with then current guidelines of the Securities and Exchange Commission, to such other addresses and/or such other services providing information with respect to called bonds as the Authority may designate to the Escrow Agent.

Section 5. Payment of Refunded Bonds. From the Escrow Deposit held in the Escrow Fund, the Escrow Agent shall apply such amounts on or before the Redemption Date to the payment of the Refunded Bonds in accordance herewith and the payment of principal the Redemption Price on the Redemption Date. From and after the Redemption Date, Holders of the Bonds will cease to be entitled to the pledge of and charge and lien upon the Revenues as provided in the Prior Trust Agreement, and all agreements, covenants and other obligations of the Authority to the Holders of such Bonds shall cease, terminate and become void and be discharged and satisfied. To the extent that the amount on deposit in the Escrow Fund on the Redemption Date is in excess of the amount necessary to make the required payments with respect to the Refunded Bonds, such excess shall be transferred to the Trustee for deposit in the Interest Account established under the Trust Agreement for the Bonds.

Section 6. Substitution of Securities. Upon the written request of the Authority, and subject to the conditions and limitations herein set forth, the Escrow Agent shall sell, redeem or otherwise dispose of SLGS, provided that there are substituted therefor from the proceeds of such SLGS, other Defeasance Obligations satisfying the criteria for Defeasance Obligations set forth in the Prior Trust Agreement, but only after the Authority has obtained and delivered to the Escrow Agent (i) an unqualified opinion of nationally recognized bond counsel that such reinvestment will not adversely affect the exclusion from gross income of interest payable on the Refunded Bonds or the Bonds for purposes of federal income taxation and (ii) a report by a verification agent to the effect that such reinvestment will not adversely affect the sufficiency of the amounts of securities, investments and money in the Escrow Fund to pay the Refunded Bonds as provided herein.

Section 7. Performance of Duties; Acknowledgement with Respect to Irrevocable Instructions. The Escrow Agent hereby agrees to perform the duties set forth herein and agrees that the irrevocable instructions to the Escrow Agent herein provided are in a form satisfactory to it.

Section 8. Escrow Agent's Authority to Make Investments. The Escrow Agent shall have no power or duty to invest any funds held under this Escrow Agreement, except as provided in Section 2 and Section 6. The Escrow Agent shall have no power or duty to transfer or otherwise dispose of the moneys held hereunder except as provided herein.

Section 9. Indemnity. To the extent permitted by law, the Authority hereby assumes liability for, and hereby agrees to indemnify, protect, save and keep harmless the Escrow Agent and its respective successors, assigns, officers, directors, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees, expenses and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time in any way relating to or arising out of the execution, delivery and performance of this Escrow Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the moneys deposited therein, and any payment, transfer or other application of

moneys by the Escrow Agent in accordance with the provisions of this Escrow Agreement; provided, however, that the Authority shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Agent's respective successors, assigns, agents and employees or the material breach by the Escrow Agent of the terms of this Escrow Agreement. In no event shall the Authority or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Escrow Agreement and the earlier removal or resignation of the Escrow Agent.

Section 10. Responsibilities of Escrow Agent. The Escrow Agent makes no representation as to the sufficiency of the uninvested moneys to accomplish the redemption of the Refunded Bonds pursuant to the Prior Trust Agreement or to the validity of this Escrow Agreement as to the Authority and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent 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 Agent shall be determined by the express provisions of this Escrow Agreement. The Escrow Agent may consult with counsel, who may or may not be counsel to the Authority, 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 Agent 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 of recognized standing in the field of law relating to municipal bonds) may be deemed to be conclusively established by a written certification of the Authority.

The Escrow Agent undertakes to perform only such duties as are expressly set forth in this Agreement and no implied duties, covenants or obligations shall be read into this Agreement against the Escrow Agent. None of the provisions of this Escrow Agreement shall require the Escrow Agent to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Escrow Agent may conclusively rely and shall be fully protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties. The Escrow Agent may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed. Anything in this Escrow Agreement to the contrary notwithstanding, in no event shall the Escrow Agent be liable for special, indirect or punitive loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action. The Escrow Agent shall not be liable to the parties hereto or deemed in breach or default hereunder if and to the extent its performance hereunder is prevented by reason of force majeure. The term "force majeure" means an occurrence that is beyond the control of the Escrow Agent and could not

have been avoided by exercising due care. Force majeure shall include acts of God, terrorism, war, riots, strikes, fire, floods, earthquakes, epidemics or other similar occurrences.

The Escrow Agent 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 Agent 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 Authority elects to give the Escrow Agent e-mail or facsimile instructions (or instructions by a similar electronic method) and the Escrow Agent in its discretion elects to act upon such instructions, the Escrow Agent's understanding of such instructions shall be deemed controlling. The Escrow Agent shall not be liable for any losses, costs or expenses arising directly or indirectly from the Escrow Agent's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Escrow Agent, including without limitation the risk of the Escrow Agent acting on unauthorized instructions, and the risk of interception and misuse by third parties.

The Escrow Agent may resign by giving written notice to the Authority, and upon receipt of such notice the Authority shall promptly appoint a successor Escrow Agent. If the Authority does not appoint a successor Escrow Agent within thirty (30) days of receipt of such notice, the resigning Escrow Agent may petition a court of competent jurisdiction for the appointment of a successor Escrow Agent, which court may thereupon, upon such notice as it shall deem proper, appoint a successor Escrow Agent. Upon acceptance of appointment by a successor Escrow Agent, the resigning Escrow Agent shall transfer all amounts held by it in the Escrow Fund to such successor Escrow Agent and be discharged of any further obligation or responsibility hereunder. Any bank, corporation or association into which the Escrow Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Escrow Agent shall be a party, or any bank, corporation or association succeeding to all or substantially all of the business of the Escrow Agent shall be the successor of the Escrow Agent hereunder without the execution or filing of any paper with any party hereto or any further act on the part of any of the parties hereto except on the part of any of the parties hereto where an instrument of transfer or assignment is required by law to effect such succession, anything herein to the contrary notwithstanding.

Section 11. Amendments. The Authority and the Escrow Agent may (but only with the consent of the Holders of all of the Refunded Bonds) amend this Escrow Agreement or enter into agreements supplemental to this Escrow Agreement.

Section 12. Term. This Escrow Agreement shall commence upon its execution and delivery and shall terminate on the date upon which the Refunded Bonds have been paid in accordance with this Escrow Agreement.

Section 13. Compensation. The Authority shall from time to time pay or cause to be paid to the Escrow Agent the agreed upon compensation for its services to be rendered hereunder, and reimburse the Escrow Agent for all of its reasonable advances in the exercise and performance of its duties hereunder; provided, however, that under no circumstances shall the Escrow Agent be entitled to any lien whatsoever on any moneys or obligations in the Escrow Fund for the payment of fees and expenses for services rendered or expenses incurred by the Escrow Agent under this Escrow Agreement or otherwise.

Section 14. Severability. If any one or more of the covenants or agreements provided in this Escrow Agreement on the part of the Authority or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenants or agreements shall be null and void and shall be deemed separate from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

Section 15. Counterparts. This Escrow Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as an original but all of which shall constitute and be but one and the same instrument.

Section 16. Governing Law. This Escrow Agreement shall be construed under the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed this Escrow Agreement as of the date first above written.

**U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent and Prior Trustee**

By _____
Authorized Officer

EL CENTRO FINANCING AUTHORITY

By _____
Executive Director

Attachment: Escrow Agreement - 2014 El Centro Wastewater Refunding (2006 Bonds) (1140 : Approve authorizing the issuance of Water &

EXHIBIT A

FORM OF NOTICE OF REDEMPTION

**El Centro Financing Authority
Wastewater Revenue Bonds
2006 Series A**

Notice is hereby given to the Holders of the El Centro Financing Authority Wastewater Revenue Bonds, 2006 Series A (the "Bonds"), that the Bonds maturing in the years and bearing the CUSIP numbers set forth below will be called for redemption on October 1, 2016, in accordance with that certain Trust Agreement, dated as of June 1, 2006 (the "Prior Trust Agreement"), by and between the El Centro Financing Authority (the "Authority"), and U.S. Bank National Association, as trustee thereunder (the "Prior Trustee").

<u>Maturing (October 1)</u>	<u>Principal Amount To Be Redeemed</u>	<u>Price</u>	<u>CUSIP⁽¹⁾ (28282Q)</u>
2017	\$ 730,000	100%	AL6
2018	760,000	100	AM4
2019	795,000	100	AN2
2021	1,710,000	100	AQ5
2026	6,305,000	100	AV4
2031	8,340,000	100	BA9
2035	8,340,000	100	BE1

On October 1, 2016, all of the Bonds will become due and payable at the redemption price aforesaid, and payment will be made upon presentation and surrender to the Prior Trustee for the Bonds at:

Attention: _____

⁽¹⁾ The Authority and Prior Trustee shall not be responsible for the use of the CUSIP Numbers selected, nor is any representation made as to their correctness indicated in the notice or as printed on any Bond. They are included solely for the convenience of the Holders.

Attachment: Escrow Agreement - 2014 El Centro Wastewater Refunding (2006 Bonds) (1140 : Approve authorizing the issuance of Water &

From and after October 1, 2016, Holders of the Bonds will cease to be entitled to the pledge of and charge and lien upon the Revenues as provided in the Prior Trust Agreement, and all agreements, covenants and other obligations of the Authority to the Holders of such Bonds shall cease, terminate and become void and be discharged and satisfied.

Dated: _____, 2016

EL CENTRO FINANCING AUTHORITY

**By: U.S. BANK NATIONAL ASSOCIATION,
as Prior Trustee**

Attachment: Escrow Agreement - 2014 El Centro Wastewater Refunding (2006 Bonds) (1140 : Approve authorizing the issuance of Water &

EXHIBIT B
FORM OF DEFEASANCE NOTICE

El Centro Financing Authority
Wastewater Revenue Bonds
2006 Series A

Notice is hereby given that on December __, 2014 the El Centro Financing Authority (the “Authority”) deposited with U.S. Bank National Association, as escrow agent (the “Escrow Agent”) pursuant to an Escrow Agreement, dated as of December 1, 2014 (the “Escrow Agreement”), by and between the Authority and the Escrow Agent, moneys and securities that will, with interest earnings thereon, be sufficient to pay (i) at maturity the principal amount of the El Centro Financing Authority Wastewater Revenue Bonds, 2006 Series A set forth in the table below (the “Refunded Bonds”) maturing on and prior to October 1, 2016 (the “Redemption Date”) and to pay interest thereon to their respective maturity dates and (ii) the redemption price of 100% of the principal amount thereof, together with accrued and unpaid interest thereon to the Redemption Date of the Refunded Bonds maturing on and after October 1, 2017 on the Redemption Date.

Refunded Bonds

<u>Maturing (October 1)</u>	<u>Principal Amount To Be Redeemed</u>	<u>Price</u>	<u>CUSIP⁽²⁾ (28282Q)</u>
2015	\$ 665,000	100%	
2016	700,000	100	
2017	730,000	100	AL6
2018	760,000	100	AM4
2019	795,000	100	AN2
2021	1,710,000	100	AQ5
2026	6,305,000	100	AV4
2031	8,340,000	100	BA9
2035	8,340,000	100	BE1

From and after October 1, 2016, Holders of the Bonds will cease to be entitled to the pledge of and charge and lien upon the Revenues as provided in the Trust Agreement, dated as of June 1, 2006, by and between the Authority, and U.S. Bank National Association, as trustee thereunder, and all agreements, covenants and other obligations of the Authority to the Holders of such Bonds shall cease, terminate and become void and be discharged and satisfied.

⁽²⁾ The Authority and Prior Trustee shall not be responsible for the use of the CUSIP Numbers selected, nor is any representation made as to their correctness indicated in the notice or as printed on any Bond. They are included solely for the convenience of the Holders.

Dated: December ____, 2014

EL CENTRO FINANCING AUTHORITY

**By: U.S. BANK NATIONAL ASSOCIATION,
as Prior Trustee**

Attachment: Escrow Agreement - 2014 El Centro Wastewater Refunding (2006 Bonds) (1140 : Approve authorizing the issuance of Water &

Schedule I

Schedule II

\$[Par Amount]
 El Centro Financing Authority
 Water Revenue Refunding Bonds
 2014 Series A

BOND PURCHASE AGREEMENT

_____, 2014

City of El Centro
 1275 Main Street
 El Centro, CA 92243

El Centro Financing Authority
 1275 Main Street
 El Centro, CA 92243

Ladies and Gentlemen:

_____ (the “Underwriter”) hereby offers to enter into the following bond purchase agreement (this “Bond Purchase Agreement”) with the City of El Centro, California (the “City”) and the El Centro Financing Authority (the “Authority”). Upon the acceptance hereof by you, this offer will be binding upon the Authority, the City and the Underwriter. This offer is made subject to (i) the written acceptance hereof by you and (ii) withdrawal by the Underwriter upon written notice delivered to you at any time prior to the acceptance hereof by you.

The City and the Authority each acknowledges and agrees that: (i) the issuance of the Bonds pursuant to this Bond Purchase Agreement is an arm’s-length commercial transaction among the City, the Authority and the Underwriter; (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of the City or the Authority; (iii) the Underwriter has not assumed (individually or collectively) a fiduciary responsibility in favor of the City or the Authority with respect to: (x) the offering of the Bonds or the process leading thereto (whether or not any Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the City or the Authority on other matters; or (y) any other obligation to the City or the Authority except the obligations expressly set forth in this Bond Purchase Agreement; and (iv) the City and the Authority has each consulted with their own legal and financial advisors to the extent they deemed appropriate in connection with the offering of the Bonds.

1. **Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the Authority at the Closing Time on the Closing Date (both as defined herein), and the Authority hereby agrees to cause to sell and deliver to the Underwriter, \$[Par Amount] aggregate principal amount of Water Revenue Refunding Bonds, 2014 Series A (the “Bonds”). The Bonds shall be dated the date of their delivery and shall mature on October 1 in the years

shown on Exhibit A hereto, shall bear interest at the rates shown on Exhibit A hereto and shall be subject to optional and mandatory redemption from sinking fund payments in the amounts and on the dates set forth in the Trust Agreement. Interest on the Bonds shall be payable on April 1, 2015 and semiannually thereafter on April 1 and October 1 of each year to maturity unless earlier prepaid.

The aggregate purchase price for the Bonds shall be \$_____, being the \$[Par Amount].00 aggregate principal amount thereof, [plus a net original issue premium] of \$_____, and less an Underwriter's discount of \$_____. (The date of such payment and delivery is referred to herein as the "Closing Date," the hour and date of such delivery and payment is referred to herein as the "Closing Time," and the other actions contemplated hereby to take place at the time of such payment and delivery being herein sometimes called the "Closing").

2. **The Bonds.** The Bonds shall be described in, and shall be issued and secured pursuant to, the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 (commencing with Section 6584), Division 7, Title 1 of the Government Code of the State of California (the "Law"). The Bonds shall be issued and secured pursuant to a Trust Agreement, dated as of December 1, 2014 (the "Trust Agreement"), by and among the City, the Authority and U.S. Bank National Association, as trustee (the "Trustee"), authorizing the issuance of the Bonds.

The Authority has determined to assist the City in providing funds to refund [all of] the \$_____ El Centro Financing Authority Water Revenue Bonds, 2006 Series A (the "Refunded Bonds") by entering into a 2014 Water Installment Sale Agreement, dated as of December 1, 2014 with the City (the "Installment Sale Agreement"), and providing for the execution and delivery of the Bonds.

The Bonds are secured by the 2014 Water Installment Sale Payments (as defined in the Installment Sale Agreement) to be made by the City from Net Water Revenues (as defined in the Installment Sale Agreement) of the water system of the City. [Payment of principal and interest on the Bonds when due is covered by a municipal bond insurance policy issued by _____ (the "Insurer").] The Trust Agreement, the Installment Sale Agreement, and this Bond Purchase Agreement are referred to collectively herein as the "Authority Documents." The Installment Sale Agreement, this Bond Purchase Agreement and the Continuing Disclosure Agreement are referred to collectively herein as the "City Documents."

The Bonds shall be payable and shall be subject to redemption as provided in the Trust Agreement and shall be as described in the Preliminary Official Statement of the Authority dated _____, 2014 and the Official Statement of the Authority dated of even date herewith. Such Official Statement, including the cover page, the appendices thereto relating to the Bonds, as amended to conform to the terms of this Bond Purchase Agreement and with such changes and amendments thereto as have been mutually agreed to by the Authority, the City and the Underwriter, is hereinafter referred to as the "Official Statement."

3. **Offering by the Underwriter.** It shall be a condition to the Authority's obligations to sell and to deliver the Bonds to the Underwriter and to the Underwriter's obligation to purchase, to accept delivery of and to pay for the Bonds that the entire principal amount of the Bonds shall be issued, sold and delivered by the Authority and purchased, accepted and paid for by the Underwriter at the Closing. It is understood that the Underwriter proposes to offer the Bonds for sale to the public (which may include selected dealers and special purchasers) at prices or yields as set forth in Exhibit A hereto and on the cover page of the Official Statement. Concessions from the public offering price may be allowed to selected dealers and special purchasers. It is understood that the initial public offering price and concessions set forth in the Official Statement may vary after the initial public offering. It is further understood that the Bonds may be offered to the public at prices other than the par value thereof.

4. **Official Statement, Delivery of Other Documents, Use of Documents.**

(a) The Authority and the City hereby authorize the use by the Underwriter of the Preliminary Official Statement and the Official Statement (including any supplements or amendments to the Official Statement) and the Trust Agreement and the information therein contained, in connection with the public offering and sale of the Bonds.

(b) The Authority shall deliver to the Underwriter, within seven business days from the date hereof, such number of copies of the final Official Statement executed on behalf of and approved for distribution by the Authority as the Underwriter may reasonably request in order for the Underwriter to comply with the rules of the Municipal Securities Rulemaking Board and Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12").

(c) As soon as practicable following receipt thereof, the Underwriter shall deliver the Official Statement, and any supplements or amendments thereto, to the Municipal Securities Rulemaking Board.

5. **Representations, Warranties and Agreements of the Authority.** The Authority represents, warrants and agrees as follows:

(a) The Authority is an entity duly organized and validly existing under the laws of the State of California.

(b) The Authority has full legal right, power and authority (i) to enter into the Authority Documents, to sell, issue and deliver the Bonds to the Underwriter as provided herein; and (ii) to carry out and consummate the transactions on its part contemplated by the Authority Documents.

(c) By all necessary official action, the Authority has duly authorized and approved the Authority Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement, has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations in connection with the issuance of the Bonds on its part contained in the Bonds and the

Authority Documents and the consummation by it of all other transactions contemplated by the Authority Documents in connection with the issuance of the Bonds.

(d) To the best of its knowledge, the Authority is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the Trust Agreement) or other instrument to which the Authority is a party which breach or default has or may have an adverse effect on the ability of the Authority to perform its obligations under the Authority Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the authentication and delivery of the Bonds, or the execution and delivery of the Authority Documents, and compliance with the provisions on the Authority's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority or under the terms of any such law, regulation or instrument, except as provided by the Bonds and the Trust Agreement.

(e) To the best of its knowledge, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations in connection with the issuance of the Bonds under this Bond Purchase Agreement or the Trust Agreement have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations under the Trust Agreement have been duly obtained.

(f) The Bonds when issued will conform to the descriptions thereof contained in the Official Statement under the captions "INTRODUCTION" and "THE BONDS"; and the Trust Agreement when adopted will conform to the descriptions thereof contained in the Official Statement under the captions "INTRODUCTION," "THE BONDS," "SECURITY FOR THE BONDS," and "APPENDIX B - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

(g) The Bonds, when issued, authenticated and delivered in accordance with the Trust Agreement, and sold to the Underwriter as provided herein, will be validly issued and outstanding obligations of the Authority, entitled to the benefits of the Trust Agreement, and upon such issuance and delivery, the Trust Agreement will provide, for the benefit of the owners from time to time of the Bonds, the legally valid and binding pledge of and lien and security interest it purports to create.

(h) As of the date hereof, there is no action, suit, proceeding, inquiry or investigation, notice of which has been served on the Authority, at law or in equity before or by any court, government agency, public board or body, pending or to the best knowledge of the officer of the Authority executing this Bond Purchase Agreement, threatened against the Authority, affecting the existence of the Authority or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge and lien on the Revenues pursuant to the Trust Agreement, or contesting or affecting as to the Authority the validity or enforceability of the Bonds, or the Authority Documents or contesting the tax-exempt status of interest on the Bonds, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the Authority for the issuance of the Bonds, or the execution and delivery or adoption by the Authority of the Authority Documents, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the Authority, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Law, as to the Authority, or the authorization, execution, delivery or performance by the Authority of the Bonds, or the Authority Documents.

(i) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Authority shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction, provided, that the Underwriter shall bear all costs in connection with the Authority's action under (i) and (ii) herein, and (iii) assure or maintain the tax-exempt status of the interest on the Bonds.

(j) As of the date thereof, the Preliminary Official Statement does not, except for the omission of certain information permitted to be omitted in accordance with Rule 15c2-12, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein with respect to the Authority, in light of the circumstances under which they were made, not misleading.

(k) At the time of the Authority's acceptance hereof, and (unless an event occurs of the nature described in paragraph (m) of this Section 5) at all times subsequent thereto up to and including the date of the Closing, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that these representations and warranties of the Authority shall apply only to the information contained in the Official Statement relating to the Authority.

(l) If the Official Statement is supplemented or amended pursuant to paragraph (m) of this Section 5, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the date of the Closing, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that these representations and warranties of the Authority shall apply only to the information contained in the Official Statement relating to the Authority.

(m) If between the date of this Bond Purchase Agreement and that date which is 25 days after the end of the underwriting period (as determined in accordance with Section 14 hereof) any event known to the Authority shall occur affecting the Authority which might adversely affect the marketability of the Bonds or the market prices thereof, or which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Authority shall notify the Underwriter thereof, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will at its expense prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter.

(n) The Authority will refrain from taking any action, or permitting any action to be taken, with regard to which the Authority may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds.

(o) Any certificate signed by any officer of the Authority and delivered to the Underwriter pursuant to the Authority Documents or any document contemplated thereby, shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.

(p) The Authority will cause the proceeds from the sale of the Bonds to be paid to the Trustee for the purposes specified in the Trust Agreement and the Official Statement. So long as any of the Bonds are outstanding and except as may be authorized by the Trust Agreement, the Authority will not issue or sell any bonds or other obligations, other than the Bonds sold thereby, the interest on and premium, if any, or

principal of which will be payable from the payments to be made under the Trust Agreement.

(q) The Authority shall honor all other covenants on its part contained in the Authority Documents which are incorporated herein and made a part of this Bond Purchase Agreement.

6. **Representations, Warranties and Agreements of the City.** The City represents, warrants and agrees as follows:

(a) The City is an entity duly organized and validly existing under the laws of the State of California.

(b) The City has full legal right, power and authority to enter into and to carry out the transactions on its part contemplated by the City Documents.

(c) By all necessary official action, the City has duly authorized and approved the City Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement, has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations in connection with the issuance of the Bonds on its part contained in the City Documents and the consummation by it of all other transactions contemplated by the City Documents in connection with the issuance of the Bonds.

(d) To the best of its knowledge, the City is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the Installment Sale Agreement) or other instrument to which the City is a party which breach or default has or may have an adverse effect on the ability of the City to perform its obligations under the City Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the City Documents, and compliance with the provisions on the City's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City or under the terms of any such law, regulation or instrument, except as may be provided by the Installment Sale Agreement.

(e) To the best of its knowledge, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due

authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations in connection with the City Documents have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations under the City Documents have been duly obtained.

(f) The Installment Sale Agreement when adopted will conform to the descriptions thereof contained in the Official Statement under the captions “INTRODUCTION,” “THE BONDS,” “SECURITY FOR THE BONDS,” and “APPENDIX B - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

(g) At or prior to the Closing, the City shall have duly authorized, executed and delivered a continuing disclosure agreement (the “Continuing Disclosure Agreement”), which complies with the provisions of Rule 15c2-12 and which shall be substantially in the form described in the Official Statement.

(h) The City is in full compliance with all of its prior written continuing disclosure undertakings entered into pursuant to the provisions of Rule 15c2-12.

(i) As of the date hereof, there is no action, suit, proceeding, inquiry or investigation, notice of which has been served on the City, at law or in equity before or by any court, government agency, public board or body, pending or to the best knowledge of the officer of the City executing this Bond Purchase Agreement, threatened against the City, affecting the existence of the City or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge and lien on the Installment Payments pursuant to the Trust Agreement or the Net Water Revenues pursuant to the Installment Sale Agreement, or contesting or affecting as to the City the validity or enforceability of the Law, the Bonds, or the City Documents or contesting the tax-exempt status of interest on the Bonds, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or the execution and delivery or adoption by the City of the City Documents, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the City, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the authorization, execution, delivery or performance by the City of the City Documents.

(j) The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States

as the Underwriter may designate (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction, provided, that the Underwriter shall bear all costs in connection with the City's action under (i) and (ii) herein, and (iii) assure or maintain the tax-exempt status of the interest on the Bonds.

(k) As of the date thereof, the Preliminary Official Statement did not, except for the omission of certain information permitted to be omitted in accordance with Rule 15c2-12, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(l) At the time of the City's acceptance hereof, and (unless an event occurs of the nature described in paragraph (n) of this Section 6) at all times subsequent thereto up to and including the date of the Closing, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that these representations and warranties of the City shall apply only to the information contained in the Official Statement relating to the City.

(m) If the Official Statement is supplemented or amended pursuant to paragraph (n) of this Section 6, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the date of the Closing, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that these representations and warranties of the City shall apply only to the information contained in the Official Statement relating to the City.

(n) If between the date of this Bond Purchase Agreement and that date which is 25 days after the end of the underwriting period (as determined in accordance with Section 14 hereof) any event known to the City shall occur affecting the City which might adversely affect the marketability of the Bonds or the market prices thereof, or which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the City shall notify the Underwriter thereof, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will, in conjunction with and at the expense of the Authority, prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter.

(o) The City will refrain from taking any action, or permitting any action to be taken, with regard to which the City may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds.

(p) Any certificate signed by any officer of the City and delivered to the Underwriter pursuant to the City Documents or any document contemplated thereby shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein.

7. **Closing.** At 8:00 a.m., Los Angeles time, on December __, 2014, or on such earlier date or as soon thereafter as practicable, as may be mutually agreed upon by the Authority, the City and the Underwriter, the Authority will, subject to the terms and conditions hereof, cause the Trustee to deliver to The Depository Trust Company (“DTC”) in New York, New York, on behalf of the Underwriter, the Bonds, in definitive form duly executed by the Trustee, together with the other documents hereinafter mentioned; and the Underwriter will accept such delivery to DTC and will pay the purchase price of the Bonds in Los Angeles, California as set forth in Paragraph 1(a) hereof by delivering Federal or other immediately available funds in the amount of such purchase price to the Trustee. The Bonds shall be prepared in fully registered form without coupons in authorized denominations and registered in the name of or at the direction of the Underwriter.

8. **Closing Conditions.** The Underwriter has entered into this Bond Purchase Agreement in reliance upon the representations and warranties of the Authority and the City contained herein, and in reliance upon the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Authority and the City of its respective obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter’s obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Authority and the City of their obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions:

(a) The representations and warranties of the Authority and the City contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) At the time of the Closing, the Trust Agreement shall be in full force and effect in accordance with its terms and shall not have been amended, modified or supplemented and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter;

(c) At the time of the Closing, all necessary official action of the Authority, the City and of the other parties thereto relating to the Authority Documents and the City Documents, respectively, shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect;

(d) Subsequent to the date hereof, there shall not have occurred any change in or affecting particularly the Authority, the City, the Bonds, or the Water System (as defined in the Trust Agreement), as the foregoing matters are described in the Official Statement, which in the reasonable opinion of the Underwriter materially impairs the investment quality of the Bonds;

(e) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

(1) The Official Statement and each supplement or amendment, if any, thereto, executed by a designated officer of the Authority;

(2) A copy of the Trust Agreement, executed by the Authority and the Trustee;

(3) A copy of the Installment Sale Agreement, executed by the Authority and the City;

(4) A copy of the Continuing Disclosure Agreement, executed by the parties thereto, substantially in the form described in the Official Statement;

(5) A copy of the Escrow Agreement, executed by the Authority and the Escrow Agent

(6) [A copy of the Insurance Agreement, executed by the Authority and the Insurer;]

(7) Certificates of the Authority and the City, respectively, with respect to the matters described in Sections 5 and 6 and in paragraphs (a), (b), (c) and (d) of this Section 8;

(8) An opinion, (the "Final Approving Legal Opinion") dated the date of the Closing and addressed to the Authority, of Fulbright & Jaworski LLP, Bond Counsel, substantially in the form set forth in Appendix E of the Official Statement, accompanied by a reliance letter from Bond Counsel to the effect that such opinion may be relied upon by the Underwriter with the same effect as if such opinion were addressed to it;

(9) An opinion, dated the date of the Closing and addressed to the Underwriter of Fulbright & Jaworski LLP, Bond Counsel, in substantially the form attached hereto as Exhibit B;

(10) A defeasance opinion of Fulbright & Jaworski LLP, Bond Counsel as to the effective defeasance of the Prior Bonds;

(11) An opinion, dated the date of the Closing and addressed to Bond Counsel and the Underwriter of the City Attorney, as counsel for the City, in substantially the form attached hereto as Exhibit C;

(12) An opinion, dated the date of the Closing and addressed to Bond Counsel and the Underwriter of the City Attorney, as counsel for the Authority, in substantially the form attached hereto as Exhibit D;

(13) An opinion, dated the date of the Closing and addressed to the Authority and the Underwriter, of Fulbright & Jaworski LLP, Los Angeles, California, Disclosure Counsel for the Authority, in substantially the form attached hereto as Exhibit E;

(14) [The municipal bond insurance policy issued by the Insurer for the Bonds, and evidence that Standard & Poor's Ratings Group has assigned ratings of ____ respectively, to the Bonds based on the issuance of such municipal bond insurance policy];

(15) [An opinion of counsel to the Bond Insurer in form and substance satisfactory to the Underwriter and its counsel;]

(16) A certificate of the Trustee to the effect that:

(i) Due Organization and Existence - the Trustee is duly organized and existing as a national banking association in good standing under the laws of the United States having the full power and authority to enter into and perform its duties under the Trust Agreement, and to execute and deliver the Bonds to the Underwriter pursuant to the terms of the Trust Agreement;

(ii) Due Authorization; Valid and Binding Obligations - the Trustee is duly authorized to enter into the Trust Agreement, and to execute and deliver the Bonds; and

(iii) No Conflict - to the best of the knowledge of the Trustee, after due investigation, the execution and delivery by the Trustee of the Trust Agreement, and the authentication and delivery of the Bonds, and compliance with the terms thereof will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties, or (except with respect to the lien of the Trust Agreement) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee.

(17) An opinion of counsel to the Trustee to the effect that:

(i) Due Organization and Existence - the Trustee has been duly organized and is validly existing and in good standing as a national banking association under the laws of the United States of America with full corporate power to undertake the trusts of the Trust Agreement;

(ii) Corporate Action - the Trustee has duly authorized, executed and delivered the Trust Agreement, and by all proper corporate action has authorized the acceptance of the duties and obligations of the Trustee under the Trust Agreement and to authorize in such capacity the execution and delivery of the Bonds; and

(iii) Authorization, Execution and Delivery - assuming due authorization, execution and delivery by the Authority, the Trust Agreement are the valid, legal and binding agreements of the Trustee, enforceable in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights in general and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law).

(18) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Trust Agreement, and the authentication and delivery of the Bonds;

(19) Transcripts of all proceedings relating to the authorization and issuance of the Bonds certified by the Secretary or an Assistant Secretary of the Authority;

(20) A certificate of the Escrow Agent, dated the date of closing, signed by a duly authorized officer of the Escrow Agent, and in form and substance satisfactory to the Underwriter, to the effect that (A) the Escrow Agent has all necessary power and authority to enter into and perform its duties under the Escrow Agreement; (B) the Escrow Agent has duly authorized, executed and delivered the Escrow Agreement, and, assuming due authorization, execution and delivery by the other parties thereto, the Escrow Agreement constitutes the valid and binding agreement of the Escrow Agent enforceable against the Escrow Agent in accordance with its terms, except as enforceability may be subject to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights and to the application of equitable principles; (C) the execution and delivery of the Escrow Agreement and compliance with the provisions thereof have been duly authorized by all necessary corporate action on the part of the Escrow Agent and, to the best knowledge of the Escrow Agent, will not conflict with or constitute a breach of or default under any law, administrative regulation, court decree, resolution, charter, bylaws or any agreement to which the

Escrow Agent is subject or by which it is bound; (D) the Escrow Agent has complied in all respects with the covenants and agreements contained in the Escrow Agreement, as of the date hereof; (E) all approvals, consents and orders of any governmental authority or agency having jurisdiction in any matter which would constitute a condition precedent to the performance by the Escrow Agent of its duties and obligations under the Escrow Agreement have been obtained and are in full force and effect as of the date hereof; (F) the Escrow Agreement was duly executed and delivered by a duly authorized officer of the Escrow Agent; and (G) no litigation is pending or, to the best knowledge of the Escrow Agent, threatened (either in state or federal courts) against the Escrow Agent in any way contesting or affecting the validity or enforceability of the Bonds or the Escrow Agreement; and

(21) Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the Authority's and the City's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Authority and the City on or prior to the date of the Closing of all the agreements then to be performed and conditions then to be satisfied by it.

All the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Bond Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to Bond Counsel, Counsel for the Underwriter, and the Underwriter. The opinions and certificates referred to in clauses (6), (7) and (8) of this paragraph (e) shall be deemed satisfactory provided they are substantially in the forms attached as exhibits to this Bond Purchase Agreement.

If the Authority and the City shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Bond Purchase Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and neither the Underwriter nor the Authority nor the City shall be under any further obligation hereunder.

9. **Termination.** The Underwriter shall have the right to terminate the Underwriter's obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds by notifying the Authority, in writing or by telegram, of their election to do so, if, after the execution hereof and prior to the Closing: (a) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency; (b) there shall have occurred the declaration of a general banking moratorium by any authority of the United States or the States of New York or California; (c) an event shall have occurred or been discovered as described in paragraph (m) of Section 5 or paragraph (n) of Section 6 hereof which in the opinion of the Underwriter requires the preparation and publication of disclosure material or a supplement or amendment to the Official Statement; (d) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any

governmental body, department or agency in the State of California, or a decision by any court of competent jurisdiction within the State of California shall be rendered which, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Bonds; (e) legislation shall be introduced, by amendment or otherwise, or be enacted by the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the issuance, offering or sale of obligations of the general character of the Bonds or the Bonds, as contemplated hereby or by the Official Statement; (f) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange; (g) the New York Stock Exchange, or other national securities exchange or association or any governmental authority, shall impose as to the Bonds, or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by or the charge to the net capital requirements of broker-dealers; (h) trading in securities on the New York Stock Exchange or the American Stock Exchange shall have been suspended or limited or minimum prices have been established on either such exchange; or (i) any action shall have been taken by any government in respect of its monetary affairs which, in the reasonable opinion of the Underwriter, has a material adverse effect on the United States securities market.

If this Bond Purchase Agreement shall be terminated pursuant to Section 8 or this Section 9, or if the purchase provided for herein is not consummated because any condition to the Underwriter's obligation hereunder is not satisfied or because of any refusal, inability or failure on the part of the Authority or the City to comply with any of the terms or to fulfill any of the conditions of this Bond Purchase Agreement, or if for any reason the Authority or the City shall be unable to perform all of their respective obligations under this Bond Purchase Agreement, the Authority and the City shall not be liable to the Underwriter for damages on account of loss of anticipated profits arising out of the transactions covered by this Bond Purchase Agreement.

10. Payment of Costs and Expenses. (a) The Authority shall pay or reimburse all costs and expenses incident to the sale and delivery of the Bonds to the Underwriter, including, but not limited to: (i) the fees and expenses of the Authority and its Counsel; (ii) the fees and expenses of the City and its Counsel; (iii) the fees and expenses of Bond Counsel and Disclosure Counsel; (iv) all costs and expenses incurred in connection with the preparation and printing of the Bonds; (v) all expenses in connection with the preparation, printing, distribution and delivery of the Preliminary Official Statement, the Official Statement and any amendment or supplement thereto; (vi) Municipal Bond Insurance Premium, (vii) the fees and expenses of the Trustee; (viii) CUSIP Bureau fees; (ix) CDIAC, DTC, MSRB, California Municipal Statistics, California Public Securities Association and Public Securities

Association fees, and all other fees and expenses of the Underwriter except as provided in paragraph (b) below; and (x) the fees and expenses of the Verification Agent.

(b) The Underwriter shall pay all advertising expenses in connection with the public offering of the Bonds.

11. Representations, Warranties and Agreements to Survive Delivery.

The representations, warranties, indemnities, agreements and other statements of the Authority, the City and the Underwriter or their officers or partners set forth in, or made pursuant to, this Bond Purchase Agreement will remain operative and in full force and effect regardless of any investigation made by or on behalf of the Authority, the City or the Underwriter or any controlling person and will survive delivery of and payment for the Bonds.

12. Notices. Any notice or other communication to be given under this Bond

Purchase Agreement may be given by delivering the same in writing:

To the City: City of El Centro
1275 Main Street
El Centro, California 92243
Attention: Director of Finance

To the Authority: El Centro Financing Authority
1275 Main Street
El Centro, California 92243
Attention: Executive Director

To the Underwriter: [to come]

13. Parties in Interest. This Bond Purchase Agreement is made solely for the benefit of the Authority, the City and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. All of the Authority's and the City's representations, warranties and agreements contained in this Bond Purchase Agreement shall remain operative and in full force and effect, regardless of: (i) any investigations made by or on behalf of the Underwriter; (ii) delivery of and payment for the Bonds pursuant to this Bond Purchase Agreement; and (iii) any termination of this Bond Purchase Agreement.

14. Determination of End of the Underwriting Period. For purposes of this Bond Purchase Agreement, the End of the Underwriting Period for the Bonds shall mean the earlier of (a) the day of the Closing unless the Authority and the City have been notified in writing by the Underwriter, on or prior to the day of the Closing, that the "end of the underwriting period" for the Bonds for all purposes of the Rule will not occur on the day of the Closing, or (b) the date on which notice is given to the Authority and the City by the Underwriter in accordance with the following sentence. If the Underwriter has given notice to the Authority and the City pursuant to clause (a) above that the "end of the underwriting period" for the Bonds will not occur on the day of the Closing, the Underwriter agrees to notify the Authority and the City in writing as soon as practicable following the "end of the underwriting period" for the Bonds for all purposes of the Rule.

15. **Effectiveness.** This Bond Purchase Agreement shall become effective upon the execution of the acceptance by the designee of the Authority and the City and shall be valid and enforceable at the time of such acceptance.

16. **Headings.** The headings of the sections of this Bond Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

17. **Governing Law.** This Bond Purchase Agreement shall be construed in accordance with the laws of the State of California.

18. **Counterparts.** This Bond Purchase Agreement may be executed in any number of counterparts.

If the foregoing is in accordance with your understanding of the Bond Purchase Agreement please sign and return to us the enclosed duplicate copies hereof, whereupon it will become a binding agreement among the Authority, the City and the Underwriter in accordance with its terms.

Very truly yours,

[_____]

By: _____

Title: _____

Accepted:

This __day of _____ 2014

CITY OF EL CENTRO

By: _____

City Manager

EL CENTRO FINANCING AUTHORITY

By: _____

Executive Director

Attachment: Bond Purchase Agreement - El Centro 2014 Water Refunding (1140 : Approve authorizing the issuance of Water & Wastewater

Exhibit A

\$(Par Amount)
Water Revenue Refunding Bonds, 2014 Series A

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
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Attachment: Bond Purchase Agreement - El Centro 2014 Water Refunding (1140 : Approve authorizing the issuance of Water & Wastewater

Exhibit B

Opinion of Fulbright & Jaworski LLP
 Bond Counsel
 Addressed to the Underwriter

[\$Par Amount]
 El Centro Financing Authority
 Water Revenue Refunding Bonds
 2014 Series A

[Closing Date]

[underwriter]

U.S. Bank National Association
 633 W. Fifth Street 24th Floor
 Los Angeles, California 90071

Ladies and Gentlemen:

We have this day released to the City of El Centro (the “City”) our final approving opinion with respect to the above-captioned bonds (the “Bonds”). You are authorized to rely on such opinion as if the same were addressed to you. In connection with rendering such opinion, we examined the record of proceedings submitted to us relative to the issuance of the Bonds and such other documents as are in our opinion necessary to enable us to express an informed opinion with respect to the following matters. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Official Statement of the City, dated _____, 2014, relating to the Bonds.

Based upon the foregoing, in our opinion:

1. The City has the right and power to perform all of its obligations under the Bond Purchase Agreement, dated _____, 2014 (the “Bond Purchase Agreement”), among the Authority, the City and the Underwriter. The City has duly authorized the Bond Purchase Agreement, and assuming due authorization, execution and delivery by the other parties thereto, as necessary, the Bond Purchase Agreement constitutes legal, valid and binding agreement of the City enforceable against the City in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, moratorium, insolvency, equitable remedies and other laws affecting creditors’ rights or remedies.

2. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended.

3. The Trust Agreement is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended.

4. The statements contained in the Official Statement in the sections thereof entitled "THE BONDS," "SECURITY FOR THE BONDS," and "APPENDIX B - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS," excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements purport to summarize certain provisions of the Bonds, the Trust Agreement, the 2014 Installment Sale Agreement, or the form and content of our final approving legal opinion, are accurate in all material respects.

This letter is delivered to you as the Underwriter of the Bonds and is solely for the your benefit and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person.

Respectfully submitted,

Exhibit C

Opinion of Counsel for the City
Addressed to Bond Counsel and the Underwriter

[\$[Par Amount]
El Centro Financing Authority
Water Revenue Refunding Bonds
2014 Series A

[Closing Date]

Fulbright & Jaworski LLP
555 South Flower Street, 41st Floor
Los Angeles, California 70071

[underwriter]

Ladies and Gentlemen:

We are counsel to the City of El Centro (the “City”) in connection with the issuance of the above-captioned bonds (the “Bonds”) and in such capacity, we have examined the original, certified copies, or copies otherwise identified to our satisfaction as being true copies of such resolutions, documents, certificates, and records as we have deemed relevant and necessary (except as we have specifically limited the scope of our investigation herein) as the basis for the opinions set forth herein relying on such examination and pertinent law and subject to the limitations and qualifications hereinafter set forth, we are of the opinion that:

1. The City is a duly organized and validly existing public body, corporate and politic, organized under the laws of the State of California with full legal right, power and authority to perform all of its obligations under the Bond Purchase Agreement dated _____, 2014 (the “Bond Purchase Agreement”) among the El Centro Financing Authority (the “Authority”), the City and _____ (the “Underwriter”), the 2014 Water Installment Sale Agreement, dated as of December 1, 2014 (the “Installment Sale Agreement”) between the Authority and the City with respect to the water system, and the Continuing Disclosure Agreement, dated as of December 1, 2014, among the City, the Trustee and Dissemination Agent (the “Continuing Disclosure Agreement” and, together with the Bond Purchase Agreement and the Installment Sale Agreement, the “Legal Documents”).

2. The City has duly authorized the Legal Documents and assuming due authorization, execution and delivery by the other parties thereto, as necessary, the Legal Documents constitute legal, valid and binding agreements of the City enforceable against the City in accordance with their terms, except as the enforceability thereof may be limited by bankruptcy, moratorium, insolvency, equitable remedies and other laws affecting creditors’ rights or remedies.

3. There is no action, suit or proceeding before or by any court, public board or body pending or threatened wherein an unfavorable decision, ruling or finding would (a) affect the creation, organization, existence or powers of the City or the titles of its officers to their respective offices, (b) in any way question or affect the validity or enforceability of the Legal Documents, or (c) find illegal, invalid or unenforceable the Bond Purchase Agreement or the transactions contemplated thereby, or any other agreement or instrument related to the issuance of the Bonds to which the City is a party.

4. The execution and delivery of the Legal Documents and the other instruments contemplated by any of such documents to which the City is a party, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States or any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City is a party or is otherwise subject or bound in a manner which would materially adversely affect the City's performance under the Legal Documents.

5. All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the City of its obligations under the Legal Documents have been obtained and are in full force and effect.

Respectfully submitted,

Exhibit D

Opinion of Counsel for the Authority
Addressed to Bond Counsel and the Underwriter

[\$[Par Amount]
El Centro Financing Authority
Water Revenue Refunding Bonds
2014 Series A

[Closing Date]

Fulbright & Jaworski LLP
555 South Flower Street, 41st Floor
Los Angeles, California 70071

[underwriter]

Ladies and Gentlemen:

We are counsel to the El Centro Financing Authority (the “Authority”) in connection with the issuance and delivery of the above-captioned bonds (the “Bonds”) and in such capacity, we have examined the original, certified copies, or copies otherwise identified to our satisfaction as being true copies of such resolutions, documents, certificates, and records as we have deemed relevant and necessary (except as we have specifically limited the scope of our investigation herein) as the basis for the opinions set forth herein relying on such examination and pertinent law and subject to the limitations and qualifications hereinafter set forth, we are of the opinion that:

1. The Authority is a duly organized and validly existing public body, corporate and politic, organized under the laws of the State of California acting pursuant to the Law (as defined in the Official Statement respecting the Bonds) with full legal right, power and authority to perform all of its obligations under the Bond Purchase Agreement, dated _____, 2014 (the “Bond Purchase Agreement”) among the Authority, the City of El Centro (the “City”) and _____ (the “Underwriter”), the Trust Agreement, dated as of December 1, 2014 (the “Trust Agreement”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), relating to the Bonds, the Escrow Agreement, dated as of December 1, 2014 (the “Escrow Agreement”), by and between the Authority and U.S. Bank National Association, as escrow agent, [the Insurance Agreement, dated [Closing Date] (the “Insurance Agreement”), by and between the Authority and _____ (the “Insurer”)] and the 2014 Water Installment Sale Agreement, dated as of December 1, 2014 (the “Installment Sale Agreement” and, together with the Trust Agreement, the Escrow Agreement, [the Insurance Agreement,] and the Bond Purchase Agreement, the “Legal Documents”).

2. The Authority has duly authorized the Legal Documents and assuming due authorization, execution and delivery by the other parties thereto, as necessary, the Legal Documents constitute legal, valid and binding agreements of the Authority enforceable against the Authority in accordance with their terms, except as the enforceability thereof may be limited by bankruptcy, moratorium, insolvency, equitable remedies and other laws affecting creditors' rights or remedies.

3. There is no action, suit or proceeding before or by any court, public board or body pending or threatened wherein an unfavorable decision, ruling or finding would (a) affect the creation, organization, existence or powers of the Authority or the titles of its officers to their respective offices, (b) in any way question or affect the validity or enforceability of the Legal Documents, or (c) find illegal, invalid or unenforceable the Bond Purchase Agreement or the transactions contemplated thereby, or any other agreement or instrument related to the issuance of the Bonds to which the Authority is a party.

4. The execution and delivery of the Legal Documents and the other instruments contemplated by any of such documents to which the Authority is a party, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States or any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Authority is a party or is otherwise subject or bound in a manner which would materially adversely affect the Authority's performance under the Legal Documents.

5. All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Authority of its obligations under the Legal Documents have been obtained and are in full force and effect.

Respectfully submitted,

Exhibit E

Opinion of Fulbright & Jaworski LLP, Disclosure Counsel
Addressed to the Underwriter

[\$[Par Amount]
El Centro Financing Authority
Water Revenue Refunding Bonds
2014 Series A

[Closing Date]

[underwriter]

City of El Centro
1275 Main Street
El Centro, California 92243
Attention: Director of Finance

Ladies and Gentlemen:

We have acted as Disclosure Counsel to the City of El Centro (the “City”) with respect to the above-captioned bonds (the “Bonds”). This opinion is rendered to you as the Underwriter named in the Bond Purchase Agreement, dated _____, 2014 (the “Bond Purchase Agreement”), by and among you, the City and the El Centro Financing Authority, pursuant to which you have agreed to purchase the Bonds. The Bonds are being issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 (commencing with Section 6584), Division 7, Title 1 of the Government Code of the State of California (the “Law”). The Bonds shall be issued and secured pursuant to a Trust Agreement, dated as of December 1, 2014 (the “Trust Agreement”) among the City, the Authority and U.S. Bank National Association (the “Trustee”) authorizing the issuance of the Bonds. The Bonds are more fully described in the final Official Statement of the Authority, dated _____, 2014 (the “Official Statement”).

In rendering this opinion, we have reviewed such records, documents, certificates and opinions, and made such other investigations of law and fact as we have deemed necessary or appropriate.

With respect to the matters covered by the approving opinion rendered by us as Bond Counsel to the Authority (“Bond Counsel”), dated the date hereof, you have received a letter from Bond Counsel allowing you to rely on such opinion.

This letter is limited to matters governed by the federal securities law of the United States, and we assume no responsibility with respect to the applicability or effect of the laws of any other jurisdiction.

In our capacity as Disclosure Counsel, we have rendered certain legal advice and assistance to the Authority in connection with the preparation of the Official Statement. Rendering such legal advice and assistance involved, among other things, discussions and inquiries concerning various legal matters, review of certain records, documents and proceedings, and participation in conferences with, among others, your representatives and representatives of, the Authority, and counsel to the Authority and the City, the Financial Advisor, the Underwriter and counsel to the Underwriter, at which conferences the contents of the Official Statement and related matters were discussed. On the basis of the information made available to us in the course of the foregoing (but without having undertaken to determine or verify independently, or assuming any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Official Statement), no facts have come to the attention of the personnel in our firm directly involved in rendering legal advice and assistance to you in connection with the preparation of the Official Statement which cause us to believe that the Official Statement as of its date (excluding therefrom financial, engineering and statistical data; forecasts, projections, estimates, assumptions and expressions of opinions; statements relating to credit enhancement and the provider of the credit enhancement; statements relating to the treatment of the Bonds or the interest, discount or premium related thereto for tax purposes under the law of any jurisdiction; and the statements contained in the Official Statement under the caption[s “BOND INSURANCE”] and “APPENDIX G – BOOK-ENTRY SYSTEM” as to all of which we express no view) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

During the period from the date of the Official Statement to the date of this opinion, except for our review of the certificates and opinions regarding the Official Statement delivered on the date hereof, we have not undertaken any procedures or taken any actions which were intended or likely to elicit information concerning the accuracy, completeness or fairness of any of the statements contained in the Official Statement.

We are furnishing this opinion to you, as Disclosure Counsel to the City, pursuant to the Bond Purchase Agreement, solely for your benefit as Underwriter of the Bonds. The delivery of this opinion shall not create any attorney-client relationship between our firm and the addressees hereof, other than the City. This opinion is rendered in connection with the transaction described herein, and may not be relied upon by you for any other purpose. This opinion shall not extend to, and may not be used, circulated, quoted, referred to, or relied upon by, any other person, firm, corporation or other entity without our prior written consent. Our engagement with respect to this matter terminates upon the delivery of this opinion to you at the time of the closing relating to the Bonds, and we have no obligation to update this opinion.

Very truly yours,

Fulbright & Jaworski LLP – Draft 11/05/14

\$[Par Amount]
 El Centro Financing Authority
 Wastewater Revenue Refunding Bonds
 2014 Series A

BOND PURCHASE AGREEMENT

_____, 2014

City of El Centro
 1275 Main Street
 El Centro, CA 92243

El Centro Financing Authority
 1275 Main Street
 El Centro, CA 92243

Ladies and Gentlemen:

_____ (the “Underwriter”) hereby offers to enter into the following bond purchase agreement (this “Bond Purchase Agreement”) with the City of El Centro, California (the “City”) and the El Centro Financing Authority (the “Authority”). Upon the acceptance hereof by you, this offer will be binding upon the Authority, the City and the Underwriter. This offer is made subject to (i) the written acceptance hereof by you and (ii) withdrawal by the Underwriter upon written notice delivered to you at any time prior to the acceptance hereof by you.

The City and the Authority each acknowledges and agrees that: (i) the issuance of the Bonds pursuant to this Bond Purchase Agreement is an arm’s-length commercial transaction among the City, the Authority and the Underwriter; (ii) in connection with such transaction, the Underwriter is acting solely as a principal and not as an agent or a fiduciary of the City or the Authority; (iii) the Underwriter has not assumed (individually or collectively) a fiduciary responsibility in favor of the City or the Authority with respect to: (x) the offering of the Bonds or the process leading thereto (whether or not any Underwriter, or any affiliate of the Underwriter, has advised or is currently advising the City or the Authority on other matters; or (y) any other obligation to the City or the Authority except the obligations expressly set forth in this Bond Purchase Agreement; and (iv) the City and the Authority has each consulted with their own legal and financial advisors to the extent they deemed appropriate in connection with the offering of the Bonds.

1. **Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase from the Authority at the Closing Time on the Closing Date (both as defined herein), and the Authority hereby agrees to cause to sell and deliver to the Underwriter, \$[Par Amount] aggregate principal amount of Wastewater Revenue Refunding Bonds, 2014 Series A (the “Bonds”). The Bonds shall be dated the date of their delivery and shall mature on October 1 in

the years shown on Exhibit A hereto, shall bear interest at the rates shown on Exhibit A hereto and shall be subject to optional and mandatory redemption from sinking fund payments in the amounts and on the dates set forth in the Trust Agreement. Interest on the Bonds shall be payable on April 1, 2015 and semiannually thereafter on April 1 and October 1 of each year to maturity unless earlier prepaid.

The aggregate purchase price for the Bonds shall be \$_____, being the \$[Par Amount].00 aggregate principal amount thereof, [plus a net original issue premium] of \$_____, and less an Underwriter's discount of \$_____. (The date of such payment and delivery is referred to herein as the "Closing Date," the hour and date of such delivery and payment is referred to herein as the "Closing Time," and the other actions contemplated hereby to take place at the time of such payment and delivery being herein sometimes called the "Closing").

2. **The Bonds.** The Bonds shall be described in, and shall be issued and secured pursuant to, the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 (commencing with Section 6584), Division 7, Title 1 of the Government Code of the State of California (the "Law"). The Bonds shall be issued and secured pursuant to a Trust Agreement, dated as of December 1, 2014 (the "Trust Agreement"), by and among the City, the Authority and U.S. Bank National Association, as trustee (the "Trustee"), authorizing the issuance of the Bonds.

The Authority has determined to assist the City in providing funds to refund [all of] the \$_____ El Centro Financing Authority Wastewater Revenue Bonds, 2006 Series A (the "Refunded Bonds") by entering into a 2014 Wastewater Installment Sale Agreement, dated as of December 1, 2014 with the City (the "Installment Sale Agreement"), and providing for the execution and delivery of the Bonds.

The Bonds are secured by the 2014 Wastewater Installment Sale Payments (as defined in the Installment Sale Agreement) to be made by the City from Net Wastewater Revenues (as defined in the Installment Sale Agreement) of the wastewater system of the City. [Payment of principal and interest on the Bonds when due is covered by a municipal bond insurance policy issued by _____ (the "Insurer").] The Trust Agreement, the Installment Sale Agreement, and this Bond Purchase Agreement are referred to collectively herein as the "Authority Documents." The Installment Sale Agreement, this Bond Purchase Agreement and the Continuing Disclosure Agreement are referred to collectively herein as the "City Documents."

The Bonds shall be payable and shall be subject to redemption as provided in the Trust Agreement and shall be as described in the Preliminary Official Statement of the Authority dated _____, 2014 and the Official Statement of the Authority dated of even date herewith. Such Official Statement, including the cover page, the appendices thereto relating to the Bonds, as amended to conform to the terms of this Bond Purchase Agreement and with such changes and amendments thereto as have been mutually agreed to by the Authority, the City and the Underwriter, is hereinafter referred to as the "Official Statement."

3. **Offering by the Underwriter.** It shall be a condition to the Authority's obligations to sell and to deliver the Bonds to the Underwriter and to the Underwriter's obligation to purchase, to accept delivery of and to pay for the Bonds that the entire principal amount of the Bonds shall be issued, sold and delivered by the Authority and purchased, accepted and paid for by the Underwriter at the Closing. It is understood that the Underwriter proposes to offer the Bonds for sale to the public (which may include selected dealers and special purchasers) at prices or yields as set forth in Exhibit A hereto and on the cover page of the Official Statement. Concessions from the public offering price may be allowed to selected dealers and special purchasers. It is understood that the initial public offering price and concessions set forth in the Official Statement may vary after the initial public offering. It is further understood that the Bonds may be offered to the public at prices other than the par value thereof.

4. **Official Statement, Delivery of Other Documents, Use of Documents.**

(a) The Authority and the City hereby authorize the use by the Underwriter of the Preliminary Official Statement and the Official Statement (including any supplements or amendments to the Official Statement) and the Trust Agreement and the information therein contained, in connection with the public offering and sale of the Bonds.

(b) The Authority shall deliver to the Underwriter, within seven business days from the date hereof, such number of copies of the final Official Statement executed on behalf of and approved for distribution by the Authority as the Underwriter may reasonably request in order for the Underwriter to comply with the rules of the Municipal Securities Rulemaking Board and Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12").

(c) As soon as practicable following receipt thereof, the Underwriter shall deliver the Official Statement, and any supplements or amendments thereto, to the Municipal Securities Rulemaking Board.

5. **Representations, Warranties and Agreements of the Authority.** The Authority represents, warrants and agrees as follows:

(a) The Authority is an entity duly organized and validly existing under the laws of the State of California.

(b) The Authority has full legal right, power and authority (i) to enter into the Authority Documents, to sell, issue and deliver the Bonds to the Underwriter as provided herein; and (ii) to carry out and consummate the transactions on its part contemplated by the Authority Documents.

(c) By all necessary official action, the Authority has duly authorized and approved the Authority Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement, has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations in connection with the issuance of the Bonds on its part contained in the Bonds and the

Authority Documents and the consummation by it of all other transactions contemplated by the Authority Documents in connection with the issuance of the Bonds.

(d) To the best of its knowledge, the Authority is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the Trust Agreement) or other instrument to which the Authority is a party which breach or default has or may have an adverse effect on the ability of the Authority to perform its obligations under the Authority Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the authentication and delivery of the Bonds, or the execution and delivery of the Authority Documents, and compliance with the provisions on the Authority's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Authority or under the terms of any such law, regulation or instrument, except as provided by the Bonds and the Trust Agreement.

(e) To the best of its knowledge, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations in connection with the issuance of the Bonds under this Bond Purchase Agreement or the Trust Agreement have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations under the Trust Agreement have been duly obtained.

(f) The Bonds when issued will conform to the descriptions thereof contained in the Official Statement under the captions "INTRODUCTION" and "THE BONDS"; and the Trust Agreement when adopted will conform to the descriptions thereof contained in the Official Statement under the captions "INTRODUCTION," "THE BONDS," "SECURITY FOR THE BONDS," and "APPENDIX B - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

(g) The Bonds, when issued, authenticated and delivered in accordance with the Trust Agreement, and sold to the Underwriter as provided herein, will be validly issued and outstanding obligations of the Authority, entitled to the benefits of the Trust Agreement, and upon such issuance and delivery, the Trust Agreement will provide, for the benefit of the owners from time to time of the Bonds, the legally valid and binding pledge of and lien and security interest it purports to create.

(h) As of the date hereof, there is no action, suit, proceeding, inquiry or investigation, notice of which has been served on the Authority, at law or in equity before or by any court, government agency, public board or body, pending or to the best knowledge of the officer of the Authority executing this Bond Purchase Agreement, threatened against the Authority, affecting the existence of the Authority or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge and lien on the Revenues pursuant to the Trust Agreement, or contesting or affecting as to the Authority the validity or enforceability of the Bonds, or the Authority Documents or contesting the tax-exempt status of interest on the Bonds, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or contesting the powers of the Authority for the issuance of the Bonds, or the execution and delivery or adoption by the Authority of the Authority Documents, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the Authority, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity of the Law, as to the Authority, or the authorization, execution, delivery or performance by the Authority of the Bonds, or the Authority Documents.

(i) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the Authority shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction, provided, that the Underwriter shall bear all costs in connection with the Authority's action under (i) and (ii) herein, and (iii) assure or maintain the tax-exempt status of the interest on the Bonds.

(j) As of the date thereof, the Preliminary Official Statement does not, except for the omission of certain information permitted to be omitted in accordance with Rule 15c2-12, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein with respect to the Authority, in light of the circumstances under which they were made, not misleading.

(k) At the time of the Authority's acceptance hereof, and (unless an event occurs of the nature described in paragraph (m) of this Section 5) at all times subsequent thereto up to and including the date of the Closing, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that these representations and warranties of the Authority shall apply only to the information contained in the Official Statement relating to the Authority.

(l) If the Official Statement is supplemented or amended pursuant to paragraph (m) of this Section 5, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the date of the Closing, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that these representations and warranties of the Authority shall apply only to the information contained in the Official Statement relating to the Authority.

(m) If between the date of this Bond Purchase Agreement and that date which is 25 days after the end of the underwriting period (as determined in accordance with Section 14 hereof) any event known to the Authority shall occur affecting the Authority which might adversely affect the marketability of the Bonds or the market prices thereof, or which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the Authority shall notify the Underwriter thereof, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will at its expense prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter.

(n) The Authority will refrain from taking any action, or permitting any action to be taken, with regard to which the Authority may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds.

(o) Any certificate signed by any officer of the Authority and delivered to the Underwriter pursuant to the Authority Documents or any document contemplated thereby, shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.

(p) The Authority will cause the proceeds from the sale of the Bonds to be paid to the Trustee for the purposes specified in the Trust Agreement and the Official Statement. So long as any of the Bonds are outstanding and except as may be authorized by the Trust Agreement, the Authority will not issue or sell any bonds or other obligations, other than the Bonds sold thereby, the interest on and premium, if any, or

principal of which will be payable from the payments to be made under the Trust Agreement.

(q) The Authority shall honor all other covenants on its part contained in the Authority Documents which are incorporated herein and made a part of this Bond Purchase Agreement.

6. Representations, Warranties and Agreements of the City. The City represents, warrants and agrees as follows:

(a) The City is an entity duly organized and validly existing under the laws of the State of California.

(b) The City has full legal right, power and authority to enter into and to carry out the transactions on its part contemplated by the City Documents.

(c) By all necessary official action, the City has duly authorized and approved the City Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement, has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations in connection with the issuance of the Bonds on its part contained in the City Documents and the consummation by it of all other transactions contemplated by the City Documents in connection with the issuance of the Bonds.

(d) To the best of its knowledge, the City is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement (including, without limitation, the Installment Sale Agreement) or other instrument to which the City is a party which breach or default has or may have an adverse effect on the ability of the City to perform its obligations under the City Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the execution and delivery of the City Documents, and compliance with the provisions on the City's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the City is a party nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the City or under the terms of any such law, regulation or instrument, except as may be provided by the Installment Sale Agreement.

(e) To the best of its knowledge, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due

authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations in connection with the City Documents have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the City of its obligations under the City Documents have been duly obtained.

(f) The Installment Sale Agreement when adopted will conform to the descriptions thereof contained in the Official Statement under the captions “INTRODUCTION,” “THE BONDS,” “SECURITY FOR THE BONDS,” and “APPENDIX B - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

(g) At or prior to the Closing, the City shall have duly authorized, executed and delivered a continuing disclosure agreement (the “Continuing Disclosure Agreement”), which complies with the provisions of Rule 15c2-12 and which shall be substantially in the form described in the Official Statement.

(h) The City is in full compliance with all of its prior written continuing disclosure undertakings entered into pursuant to the provisions of Rule 15c2-12.

(i) As of the date hereof, there is no action, suit, proceeding, inquiry or investigation, notice of which has been served on the City, at law or in equity before or by any court, government agency, public board or body, pending or to the best knowledge of the officer of the City executing this Bond Purchase Agreement, threatened against the City, affecting the existence of the City or the titles of its officers to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the sale, issuance or delivery of the Bonds or the pledge and lien on the Installment Payments pursuant to the Trust Agreement or the Net Wastewater Revenues pursuant to the Installment Sale Agreement, or contesting or affecting as to the City the validity or enforceability of the Law, the Bonds, or the City Documents or contesting the tax-exempt status of interest on the Bonds, or contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement, or the execution and delivery or adoption by the City of the City Documents, or in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby; nor, to the best knowledge of the City, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the authorization, execution, delivery or performance by the City of the City Documents.

(j) The City will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States

as the Underwriter may designate (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect so long as required for the distribution of the Bonds; provided, however, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction, provided, that the Underwriter shall bear all costs in connection with the City's action under (i) and (ii) herein, and (iii) assure or maintain the tax-exempt status of the interest on the Bonds.

(k) As of the date thereof, the Preliminary Official Statement did not, except for the omission of certain information permitted to be omitted in accordance with Rule 15c2-12, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

(l) At the time of the City's acceptance hereof, and (unless an event occurs of the nature described in paragraph (n) of this Section 6) at all times subsequent thereto up to and including the date of the Closing, the Official Statement does not and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that these representations and warranties of the City shall apply only to the information contained in the Official Statement relating to the City.

(m) If the Official Statement is supplemented or amended pursuant to paragraph (n) of this Section 6, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the date of the Closing, the Official Statement as so supplemented or amended will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that these representations and warranties of the City shall apply only to the information contained in the Official Statement relating to the City.

(n) If between the date of this Bond Purchase Agreement and that date which is 25 days after the end of the underwriting period (as determined in accordance with Section 14 hereof) any event known to the City shall occur affecting the City which might adversely affect the marketability of the Bonds or the market prices thereof, or which might cause the Official Statement, as then supplemented or amended, to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, the City shall notify the Underwriter thereof, and if in the opinion of the Underwriter such event requires the preparation and publication of a supplement or amendment to the Official Statement, the City will, in conjunction with and at the expense of the Authority, prepare and furnish to the Underwriter a reasonable number of copies of such supplement to, or amendment of, the Official Statement in a form and in a manner approved by the Underwriter.

(o) The City will refrain from taking any action, or permitting any action to be taken, with regard to which the City may exercise control, that results in the loss of the tax-exempt status of the interest on the Bonds.

(p) Any certificate signed by any officer of the City and delivered to the Underwriter pursuant to the City Documents or any document contemplated thereby shall be deemed a representation and warranty by the City to the Underwriter as to the statements made therein.

7. **Closing.** At 8:00 a.m., Los Angeles time, on December __, 2014, or on such earlier date or as soon thereafter as practicable, as may be mutually agreed upon by the Authority, the City and the Underwriter, the Authority will, subject to the terms and conditions hereof, cause the Trustee to deliver to The Depository Trust Company (“DTC”) in New York, New York, on behalf of the Underwriter, the Bonds, in definitive form duly executed by the Trustee, together with the other documents hereinafter mentioned; and the Underwriter will accept such delivery to DTC and will pay the purchase price of the Bonds in Los Angeles, California as set forth in Paragraph 1(a) hereof by delivering Federal or other immediately available funds in the amount of such purchase price to the Trustee. The Bonds shall be prepared in fully registered form without coupons in authorized denominations and registered in the name of or at the direction of the Underwriter.

8. **Closing Conditions.** The Underwriter has entered into this Bond Purchase Agreement in reliance upon the representations and warranties of the Authority and the City contained herein, and in reliance upon the representations and warranties to be contained in the documents and instruments to be delivered at the Closing and upon the performance by the Authority and the City of its respective obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter’s obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds shall be conditioned upon the performance by the Authority and the City of their obligations to be performed hereunder and under such documents and instruments at or prior to the Closing, and shall also be subject to the following additional conditions:

(a) The representations and warranties of the Authority and the City contained herein shall be true, complete and correct on the date hereof and on and as of the date of the Closing, as if made on the date of the Closing;

(b) At the time of the Closing, the Trust Agreement shall be in full force and effect in accordance with its terms and shall not have been amended, modified or supplemented and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter;

(c) At the time of the Closing, all necessary official action of the Authority, the City and of the other parties thereto relating to the Authority Documents and the City Documents, respectively, shall have been taken and shall be in full force and effect and shall not have been amended, modified or supplemented in any material respect;

(d) Subsequent to the date hereof, there shall not have occurred any change in or affecting particularly the Authority, the City, the Bonds, or the Wastewater System (as defined in the Trust Agreement), as the foregoing matters are described in the Official Statement, which in the reasonable opinion of the Underwriter materially impairs the investment quality of the Bonds;

(e) At or prior to the Closing, the Underwriter shall have received copies of each of the following documents:

(1) The Official Statement and each supplement or amendment, if any, thereto, executed by a designated officer of the Authority;

(2) A copy of the Trust Agreement, executed by the Authority and the Trustee;

(3) A copy of the Installment Sale Agreement, executed by the Authority and the City;

(4) A copy of the Continuing Disclosure Agreement, executed by the parties thereto, substantially in the form described in the Official Statement;

(5) A copy of the Escrow Agreement, executed by the Authority and the Escrow Agent

(6) [A copy of the Insurance Agreement, executed by the Authority and the Insurer;]

(7) Certificates of the Authority and the City, respectively, with respect to the matters described in Sections 5 and 6 and in paragraphs (a), (b), (c) and (d) of this Section 8;

(8) An opinion, (the "Final Approving Legal Opinion") dated the date of the Closing and addressed to the Authority, of Fulbright & Jaworski LLP, Bond Counsel, substantially in the form set forth in Appendix E of the Official Statement, accompanied by a reliance letter from Bond Counsel to the effect that such opinion may be relied upon by the Underwriter with the same effect as if such opinion were addressed to it;

(9) An opinion, dated the date of the Closing and addressed to the Underwriter of Fulbright & Jaworski LLP, Bond Counsel, in substantially the form attached hereto as Exhibit B;

(10) A defeasance opinion of Fulbright & Jaworski LLP, Bond Counsel as to the effective defeasance of the Prior Bonds;

(11) An opinion, dated the date of the Closing and addressed to Bond Counsel and the Underwriter of the City Attorney, as counsel for the City, in substantially the form attached hereto as Exhibit C;

(12) An opinion, dated the date of the Closing and addressed to Bond Counsel and the Underwriter of the City Attorney, as counsel for the Authority, in substantially the form attached hereto as Exhibit D;

(13) An opinion, dated the date of the Closing and addressed to the Authority and the Underwriter, of Fulbright & Jaworski LLP, Los Angeles, California, Disclosure Counsel for the Authority, in substantially the form attached hereto as Exhibit E;

(14) [The municipal bond insurance policy issued by the Insurer for the Bonds, and evidence that Standard & Poor's Ratings Group has assigned ratings of ____ respectively, to the Bonds based on the issuance of such municipal bond insurance policy];

(15) [An opinion of counsel to the Bond Insurer in form and substance satisfactory to the Underwriter and its counsel;]

(16) A certificate of the Trustee to the effect that:

(i) Due Organization and Existence - the Trustee is duly organized and existing as a national banking association in good standing under the laws of the United States having the full power and authority to enter into and perform its duties under the Trust Agreement, and to execute and deliver the Bonds to the Underwriter pursuant to the terms of the Trust Agreement;

(ii) Due Authorization; Valid and Binding Obligations - the Trustee is duly authorized to enter into the Trust Agreement, and to execute and deliver the Bonds; and

(iii) No Conflict - to the best of the knowledge of the Trustee, after due investigation, the execution and delivery by the Trustee of the Trust Agreement, and the authentication and delivery of the Bonds, and compliance with the terms thereof will not, in any material respect, conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties, or (except with respect to the lien of the Trust Agreement) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee.

(17) An opinion of counsel to the Trustee to the effect that:

(i) Due Organization and Existence - the Trustee has been duly organized and is validly existing and in good standing as a national banking association under the laws of the United States of America with full corporate power to undertake the trusts of the Trust Agreement;

(ii) Corporate Action - the Trustee has duly authorized, executed and delivered the Trust Agreement, and by all proper corporate action has authorized the acceptance of the duties and obligations of the Trustee under the Trust Agreement and to authorize in such capacity the execution and delivery of the Bonds; and

(iii) Authorization, Execution and Delivery - assuming due authorization, execution and delivery by the Authority, the Trust Agreement are the valid, legal and binding agreements of the Trustee, enforceable in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights in general and by general equity principles (regardless of whether such enforcement is considered in a proceeding in equity or at law).

(18) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of the Trust Agreement, and the authentication and delivery of the Bonds;

(19) Transcripts of all proceedings relating to the authorization and issuance of the Bonds certified by the Secretary or an Assistant Secretary of the Authority;

(20) A certificate of the Escrow Agent, dated the date of closing, signed by a duly authorized officer of the Escrow Agent, and in form and substance satisfactory to the Underwriter, to the effect that (A) the Escrow Agent has all necessary power and authority to enter into and perform its duties under the Escrow Agreement; (B) the Escrow Agent has duly authorized, executed and delivered the Escrow Agreement, and, assuming due authorization, execution and delivery by the other parties thereto, the Escrow Agreement constitutes the valid and binding agreement of the Escrow Agent enforceable against the Escrow Agent in accordance with its terms, except as enforceability may be subject to bankruptcy, insolvency, reorganization, moratorium or similar laws affecting creditors' rights and to the application of equitable principles; (C) the execution and delivery of the Escrow Agreement and compliance with the provisions thereof have been duly authorized by all necessary corporate action on the part of the Escrow Agent and, to the best knowledge of the Escrow Agent, will not conflict with or constitute a breach of or default under any law, administrative regulation, court decree, resolution, charter, bylaws or any agreement to which the

Escrow Agent is subject or by which it is bound; (D) the Escrow Agent has complied in all respects with the covenants and agreements contained in the Escrow Agreement, as of the date hereof; (E) all approvals, consents and orders of any governmental authority or agency having jurisdiction in any matter which would constitute a condition precedent to the performance by the Escrow Agent of its duties and obligations under the Escrow Agreement have been obtained and are in full force and effect as of the date hereof; (F) the Escrow Agreement was duly executed and delivered by a duly authorized officer of the Escrow Agent; and (G) no litigation is pending or, to the best knowledge of the Escrow Agent, threatened (either in state or federal courts) against the Escrow Agent in any way contesting or affecting the validity or enforceability of the Bonds or the Escrow Agreement; and

(21) Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the date of the Closing, of the Authority's and the City's representations and warranties contained herein and of the statements and information contained in the Official Statement and the due performance or satisfaction by the Authority and the City on or prior to the date of the Closing of all the agreements then to be performed and conditions then to be satisfied by it.

All the opinions, letters, certificates, instruments and other documents mentioned above or elsewhere in this Bond Purchase Agreement shall be deemed to be in compliance with the provisions hereof if, but only if, they are in form and substance satisfactory to Bond Counsel, Counsel for the Underwriter, and the Underwriter. The opinions and certificates referred to in clauses (6), (7) and (8) of this paragraph (e) shall be deemed satisfactory provided they are substantially in the forms attached as exhibits to this Bond Purchase Agreement.

If the Authority and the City shall be unable to satisfy the conditions to the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds contained in this Bond Purchase Agreement, or if the obligations of the Underwriter to purchase, to accept delivery of and to pay for the Bonds shall be terminated for any reason permitted by this Bond Purchase Agreement, this Bond Purchase Agreement shall terminate and neither the Underwriter nor the Authority nor the City shall be under any further obligation hereunder.

9. **Termination.** The Underwriter shall have the right to terminate the Underwriter's obligations under this Bond Purchase Agreement to purchase, to accept delivery of and to pay for the Bonds by notifying the Authority, in writing or by telegram, of their election to do so, if, after the execution hereof and prior to the Closing: (a) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency; (b) there shall have occurred the declaration of a general banking moratorium by any authority of the United States or the States of New York or California; (c) an event shall have occurred or been discovered as described in paragraph (m) of Section 5 or paragraph (n) of Section 6 hereof which in the opinion of the Underwriter requires the preparation and publication of disclosure material or a supplement or amendment to the Official Statement; (d) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any

governmental body, department or agency in the State of California, or a decision by any court of competent jurisdiction within the State of California shall be rendered which, in the Underwriter's reasonable opinion, materially adversely affects the market price of the Bonds; (e) legislation shall be introduced, by amendment or otherwise, or be enacted by the House of Representatives or the Senate of the Congress of the United States, or a decision by a court of the United States shall be rendered, or a stop order, ruling, regulation or official statement by or on behalf of the Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the Bonds, as contemplated hereby or by the Official Statement, is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or the Trust Indenture Act of 1939, as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the issuance, offering or sale of obligations of the general character of the Bonds or the Bonds, as contemplated hereby or by the Official Statement; (f) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange; (g) the New York Stock Exchange, or other national securities exchange or association or any governmental authority, shall impose as to the Bonds, or obligations of the general character of the Bonds, any material restrictions not now in force, or increase materially those now in force, with respect to the extension of credit by or the charge to the net capital requirements of broker-dealers; (h) trading in securities on the New York Stock Exchange or the American Stock Exchange shall have been suspended or limited or minimum prices have been established on either such exchange; or (i) any action shall have been taken by any government in respect of its monetary affairs which, in the reasonable opinion of the Underwriter, has a material adverse effect on the United States securities market.

If this Bond Purchase Agreement shall be terminated pursuant to Section 8 or this Section 9, or if the purchase provided for herein is not consummated because any condition to the Underwriter's obligation hereunder is not satisfied or because of any refusal, inability or failure on the part of the Authority or the City to comply with any of the terms or to fulfill any of the conditions of this Bond Purchase Agreement, or if for any reason the Authority or the City shall be unable to perform all of their respective obligations under this Bond Purchase Agreement, the Authority and the City shall not be liable to the Underwriter for damages on account of loss of anticipated profits arising out of the transactions covered by this Bond Purchase Agreement.

10. Payment of Costs and Expenses. (a) The Authority shall pay or reimburse all costs and expenses incident to the sale and delivery of the Bonds to the Underwriter, including, but not limited to: (i) the fees and expenses of the Authority and its Counsel; (ii) the fees and expenses of the City and its Counsel; (iii) the fees and expenses of Bond Counsel and Disclosure Counsel; (iv) all costs and expenses incurred in connection with the preparation and printing of the Bonds; (v) all expenses in connection with the preparation, printing, distribution and delivery of the Preliminary Official Statement, the Official Statement and any amendment or supplement thereto; (vi) Municipal Bond Insurance Premium, (vii) the fees and expenses of the Trustee; (viii) CUSIP Bureau fees; (ix) CDIAC, DTC, MSRB, California Municipal Statistics, California Public Securities Association and Public Securities

Association fees, and all other fees and expenses of the Underwriter except as provided in paragraph (b) below; and (x) the fees and expenses of the Verification Agent.

(b) The Underwriter shall pay all advertising expenses in connection with the public offering of the Bonds.

11. Representations, Warranties and Agreements to Survive Delivery.

The representations, warranties, indemnities, agreements and other statements of the Authority, the City and the Underwriter or their officers or partners set forth in, or made pursuant to, this Bond Purchase Agreement will remain operative and in full force and effect regardless of any investigation made by or on behalf of the Authority, the City or the Underwriter or any controlling person and will survive delivery of and payment for the Bonds.

12. Notices. Any notice or other communication to be given under this Bond

Purchase Agreement may be given by delivering the same in writing:

To the City: City of El Centro
1275 Main Street
El Centro, California 92243
Attention: Director of Finance

To the Authority: El Centro Financing Authority
1275 Main Street
El Centro, California 92243
Attention: Executive Director

To the Underwriter: [to come]

13. Parties in Interest. This Bond Purchase Agreement is made solely for the benefit of the Authority, the City and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof. All of the Authority's and the City's representations, warranties and agreements contained in this Bond Purchase Agreement shall remain operative and in full force and effect, regardless of: (i) any investigations made by or on behalf of the Underwriter; (ii) delivery of and payment for the Bonds pursuant to this Bond Purchase Agreement; and (iii) any termination of this Bond Purchase Agreement.

14. Determination of End of the Underwriting Period. For purposes of this Bond Purchase Agreement, the End of the Underwriting Period for the Bonds shall mean the earlier of (a) the day of the Closing unless the Authority and the City have been notified in writing by the Underwriter, on or prior to the day of the Closing, that the "end of the underwriting period" for the Bonds for all purposes of the Rule will not occur on the day of the Closing, or (b) the date on which notice is given to the Authority and the City by the Underwriter in accordance with the following sentence. If the Underwriter has given notice to the Authority and the City pursuant to clause (a) above that the "end of the underwriting period" for the Bonds will not occur on the day of the Closing, the Underwriter agrees to notify the Authority and the City in writing as soon as practicable following the "end of the underwriting period" for the Bonds for all purposes of the Rule.

15. **Effectiveness.** This Bond Purchase Agreement shall become effective upon the execution of the acceptance by the designee of the Authority and the City and shall be valid and enforceable at the time of such acceptance.

16. **Headings.** The headings of the sections of this Bond Purchase Agreement are inserted for convenience only and shall not be deemed to be a part hereof.

17. **Governing Law.** This Bond Purchase Agreement shall be construed in accordance with the laws of the State of California.

18. **Counterparts.** This Bond Purchase Agreement may be executed in any number of counterparts.

If the foregoing is in accordance with your understanding of the Bond Purchase Agreement please sign and return to us the enclosed duplicate copies hereof, whereupon it will become a binding agreement among the Authority, the City and the Underwriter in accordance with its terms.

Very truly yours,

[_____]

By: _____

Title: _____

Accepted:

This __day of _____ 2014

CITY OF EL CENTRO

By: _____

City Manager

EL CENTRO FINANCING AUTHORITY

By: _____

Executive Director

Attachment: Bond Purchase Agreement - El Centro 2014 Wastewater Refunding (1140 : Approve authorizing the issuance of Water &

Exhibit A

[\$Par Amount]
Wastewater Revenue Refunding Bonds, 2014 Series A

<u>Maturity Date</u> <u>(October 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
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Attachment: Bond Purchase Agreement - El Centro 2014 Wastewater Refunding (1140 : Approve authorizing the issuance of Water &

Exhibit B

Opinion of Fulbright & Jaworski LLP
 Bond Counsel
 Addressed to the Underwriter

[\$Par Amount]
 El Centro Financing Authority
 Wastewater Revenue Refunding Bonds
 2014 Series A

[Closing Date]

[underwriter]

U.S. Bank National Association
 633 W. Fifth Street 24th Floor
 Los Angeles, California 90071

Ladies and Gentlemen:

We have this day released to the City of El Centro (the “City”) our final approving opinion with respect to the above-captioned bonds (the “Bonds”). You are authorized to rely on such opinion as if the same were addressed to you. In connection with rendering such opinion, we examined the record of proceedings submitted to us relative to the issuance of the Bonds and such other documents as are in our opinion necessary to enable us to express an informed opinion with respect to the following matters. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Official Statement of the City, dated _____, 2014, relating to the Bonds.

Based upon the foregoing, in our opinion:

1. The City has the right and power to perform all of its obligations under the Bond Purchase Agreement, dated _____, 2014 (the “Bond Purchase Agreement”), among the Authority, the City and the Underwriter. The City has duly authorized the Bond Purchase Agreement, and assuming due authorization, execution and delivery by the other parties thereto, as necessary, the Bond Purchase Agreement constitutes legal, valid and binding agreement of the City enforceable against the City in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, moratorium, insolvency, equitable remedies and other laws affecting creditors’ rights or remedies.

2. The Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended.

3. The Trust Agreement is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended.

4. The statements contained in the Official Statement in the sections thereof entitled “THE BONDS,” “SECURITY FOR THE BONDS,” and “APPENDIX B - SUMMARY OF PRINCIPAL LEGAL DOCUMENTS,” excluding any material that may be treated as included under such captions by cross-reference, insofar as such statements purport to summarize certain provisions of the Bonds, the Trust Agreement, the 2014 Installment Sale Agreement, or the form and content of our final approving legal opinion, are accurate in all material respects.

This letter is delivered to you as the Underwriter of the Bonds and is solely for the your benefit and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person.

Respectfully submitted,

Exhibit C

Opinion of Counsel for the City
Addressed to Bond Counsel and the Underwriter

[\$[Par Amount]
El Centro Financing Authority
Wastewater Revenue Refunding Bonds
2014 Series A

[Closing Date]

Fulbright & Jaworski LLP
555 South Flower Street, 41st Floor
Los Angeles, California 70071

[underwriter]

Ladies and Gentlemen:

We are counsel to the City of El Centro (the “City”) in connection with the issuance of the above-captioned bonds (the “Bonds”) and in such capacity, we have examined the original, certified copies, or copies otherwise identified to our satisfaction as being true copies of such resolutions, documents, certificates, and records as we have deemed relevant and necessary (except as we have specifically limited the scope of our investigation herein) as the basis for the opinions set forth herein relying on such examination and pertinent law and subject to the limitations and qualifications hereinafter set forth, we are of the opinion that:

1. The City is a duly organized and validly existing public body, corporate and politic, organized under the laws of the State of California with full legal right, power and authority to perform all of its obligations under the Bond Purchase Agreement dated _____, 2014 (the “Bond Purchase Agreement”) among the El Centro Financing Authority (the “Authority”), the City and _____ (the “Underwriter”), the 2014 Wastewater Installment Sale Agreement, dated as of December 1, 2014 (the “Installment Sale Agreement”) between the Authority and the City with respect to the wastewater system, and the Continuing Disclosure Agreement, dated as of December 1, 2014, among the City, the Trustee and Dissemination Agent (the “Continuing Disclosure Agreement” and, together with the Bond Purchase Agreement and the Installment Sale Agreement, the “Legal Documents”).

2. The City has duly authorized the Legal Documents and assuming due authorization, execution and delivery by the other parties thereto, as necessary, the Legal Documents constitute legal, valid and binding agreements of the City enforceable against the City in accordance with their terms, except as the enforceability thereof may be limited by bankruptcy, moratorium, insolvency, equitable remedies and other laws affecting creditors’ rights or remedies.

3. There is no action, suit or proceeding before or by any court, public board or body pending or threatened wherein an unfavorable decision, ruling or finding would (a) affect the creation, organization, existence or powers of the City or the titles of its officers to their respective offices, (b) in any way question or affect the validity or enforceability of the Legal Documents, or (c) find illegal, invalid or unenforceable the Bond Purchase Agreement or the transactions contemplated thereby, or any other agreement or instrument related to the issuance of the Bonds to which the City is a party.

4. The execution and delivery of the Legal Documents and the other instruments contemplated by any of such documents to which the City is a party, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States or any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City is a party or is otherwise subject or bound in a manner which would materially adversely affect the City's performance under the Legal Documents.

5. All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the City of its obligations under the Legal Documents have been obtained and are in full force and effect.

Respectfully submitted,

Exhibit D

Opinion of Counsel for the Authority
Addressed to Bond Counsel and the Underwriter

[\$[Par Amount]
El Centro Financing Authority
Wastewater Revenue Refunding Bonds
2014 Series A

[Closing Date]

Fulbright & Jaworski LLP
555 South Flower Street, 41st Floor
Los Angeles, California 70071

[underwriter]

Ladies and Gentlemen:

We are counsel to the El Centro Financing Authority (the “Authority”) in connection with the issuance and delivery of the above-captioned bonds (the “Bonds”) and in such capacity, we have examined the original, certified copies, or copies otherwise identified to our satisfaction as being true copies of such resolutions, documents, certificates, and records as we have deemed relevant and necessary (except as we have specifically limited the scope of our investigation herein) as the basis for the opinions set forth herein relying on such examination and pertinent law and subject to the limitations and qualifications hereinafter set forth, we are of the opinion that:

1. The Authority is a duly organized and validly existing public body, corporate and politic, organized under the laws of the State of California acting pursuant to the Law (as defined in the Official Statement respecting the Bonds) with full legal right, power and authority to perform all of its obligations under the Bond Purchase Agreement, dated _____, 2014 (the “Bond Purchase Agreement”) among the Authority, the City of El Centro (the “City”) and _____ (the “Underwriter”), the Trust Agreement, dated as of December 1, 2014 (the “Trust Agreement”), by and between the Authority and U.S. Bank National Association, as trustee (the “Trustee”), relating to the Bonds, the Escrow Agreement, dated as of December 1, 2014 (the “Escrow Agreement”), by and between the Authority and U.S. Bank National Association, as escrow agent, [the Insurance Agreement, dated [Closing Date] (the “Insurance Agreement”), by and between the Authority and _____ (the “Insurer”)] and the 2014 Wastewater Installment Sale Agreement, dated as of December 1, 2014 (the “Installment Sale Agreement” and, together with the Trust Agreement, the Escrow Agreement, [the Insurance Agreement,] and the Bond Purchase Agreement, the “Legal Documents”).

2. The Authority has duly authorized the Legal Documents and assuming due authorization, execution and delivery by the other parties thereto, as necessary, the Legal Documents constitute legal, valid and binding agreements of the Authority enforceable against the Authority in accordance with their terms, except as the enforceability thereof may be limited by bankruptcy, moratorium, insolvency, equitable remedies and other laws affecting creditors' rights or remedies.

3. There is no action, suit or proceeding before or by any court, public board or body pending or threatened wherein an unfavorable decision, ruling or finding would (a) affect the creation, organization, existence or powers of the Authority or the titles of its officers to their respective offices, (b) in any way question or affect the validity or enforceability of the Legal Documents, or (c) find illegal, invalid or unenforceable the Bond Purchase Agreement or the transactions contemplated thereby, or any other agreement or instrument related to the issuance of the Bonds to which the Authority is a party.

4. The execution and delivery of the Legal Documents and the other instruments contemplated by any of such documents to which the Authority is a party, and compliance with the provisions of each thereof, will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States or any department, division, agency or instrumentality of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Authority is a party or is otherwise subject or bound in a manner which would materially adversely affect the Authority's performance under the Legal Documents.

5. All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the performance by the Authority of its obligations under the Legal Documents have been obtained and are in full force and effect.

Respectfully submitted,

Exhibit E

Opinion of Fulbright & Jaworski LLP, Disclosure Counsel
Addressed to the Underwriter

[\$[Par Amount]
El Centro Financing Authority
Wastewater Revenue Refunding Bonds
2014 Series A

[Closing Date]

[underwriter]

City of El Centro
1275 Main Street
El Centro, California 92243
Attention: Director of Finance

Ladies and Gentlemen:

We have acted as Disclosure Counsel to the City of El Centro (the “City”) with respect to the above-captioned bonds (the “Bonds”). This opinion is rendered to you as the Underwriter named in the Bond Purchase Agreement, dated _____, 2014 (the “Bond Purchase Agreement”), by and among you, the City and the El Centro Financing Authority, pursuant to which you have agreed to purchase the Bonds. The Bonds are being issued pursuant to the provisions of the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of Chapter 5 (commencing with Section 6584), Division 7, Title 1 of the Government Code of the State of California (the “Law”). The Bonds shall be issued and secured pursuant to a Trust Agreement, dated as of December 1, 2014 (the “Trust Agreement”) among the City, the Authority and U.S. Bank National Association (the “Trustee”) authorizing the issuance of the Bonds. The Bonds are more fully described in the final Official Statement of the Authority, dated _____, 2014 (the “Official Statement”).

In rendering this opinion, we have reviewed such records, documents, certificates and opinions, and made such other investigations of law and fact as we have deemed necessary or appropriate.

With respect to the matters covered by the approving opinion rendered by us as Bond Counsel to the Authority (“Bond Counsel”), dated the date hereof, you have received a letter from Bond Counsel allowing you to rely on such opinion.

This letter is limited to matters governed by the federal securities law of the United States, and we assume no responsibility with respect to the applicability or effect of the laws of any other jurisdiction.

In our capacity as Disclosure Counsel, we have rendered certain legal advice and assistance to the Authority in connection with the preparation of the Official Statement. Rendering such legal advice and assistance involved, among other things, discussions and inquiries concerning various legal matters, review of certain records, documents and proceedings, and participation in conferences with, among others, your representatives and representatives of, the Authority, and counsel to the Authority and the City, the Financial Advisor, the Underwriter and counsel to the Underwriter, at which conferences the contents of the Official Statement and related matters were discussed. On the basis of the information made available to us in the course of the foregoing (but without having undertaken to determine or verify independently, or assuming any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Official Statement), no facts have come to the attention of the personnel in our firm directly involved in rendering legal advice and assistance to you in connection with the preparation of the Official Statement which cause us to believe that the Official Statement as of its date (excluding therefrom financial, engineering and statistical data; forecasts, projections, estimates, assumptions and expressions of opinions; statements relating to credit enhancement and the provider of the credit enhancement; statements relating to the treatment of the Bonds or the interest, discount or premium related thereto for tax purposes under the law of any jurisdiction; and the statements contained in the Official Statement under the caption[s] “BOND INSURANCE”] and “APPENDIX G – BOOK-ENTRY SYSTEM” as to all of which we express no view) contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

During the period from the date of the Official Statement to the date of this opinion, except for our review of the certificates and opinions regarding the Official Statement delivered on the date hereof, we have not undertaken any procedures or taken any actions which were intended or likely to elicit information concerning the accuracy, completeness or fairness of any of the statements contained in the Official Statement.

We are furnishing this opinion to you, as Disclosure Counsel to the City, pursuant to the Bond Purchase Agreement, solely for your benefit as Underwriter of the Bonds. The delivery of this opinion shall not create any attorney-client relationship between our firm and the addressees hereof, other than the City. This opinion is rendered in connection with the transaction described herein, and may not be relied upon by you for any other purpose. This opinion shall not extend to, and may not be used, circulated, quoted, referred to, or relied upon by, any other person, firm, corporation or other entity without our prior written consent. Our engagement with respect to this matter terminates upon the delivery of this opinion to you at the time of the closing relating to the Bonds, and we have no obligation to update this opinion.

Very truly yours,



City of El Centro, California

August 6, 2014

Refunding Analysis, M.S.R.B. Considerations & Firm Information



IRONWOOD ADVISORS LLC



Section 1

Refunding Analysis

- Water Revenue Bonds, Series 2006A
- Wastewater Revenue Bonds, Series 2006A



Eligible Water Bonds to be Refunded

- ✓ As shown in the adjacent table, current rates offer significant savings on a maturity-by-maturity basis versus the existing interest rates of the eligible Series 2006A Water Revenue Bonds (“Water Bonds”).
- ✓ All Water Bonds included have positive savings on a maturity-by-maturity basis for the refunding shown herein.
- ✓ Rates in the table below reflect market conditions as of 8/1/2014.

Eligible Water Bonds to be Refunded										
Series	Maturity Date	Existing Coupon		Par Amount	Call Date	Call Price	Current Rates	Rate Difference	Savings by Maturity (\$)	Savings by Maturity (%)
Water Revenue Bonds, Series 2006A										
	10/1/17	4.25%	SERIAL	\$815,000	10/1/16	100%	0.63%	3.62%	\$11,138	1.37%
	10/1/18	4.38%	SERIAL	855,000			0.98%	3.40%	31,721	3.71%
	10/1/19	4.50%	SERIAL	895,000			1.34%	3.16%	48,276	5.39%
	10/1/20	4.63%	TERM01	935,000			1.62%	3.01%	64,056	6.85%
	10/1/21	4.63%	TERM01	980,000			1.90%	2.73%	74,575	7.61%
	10/1/22	5.00%	TERM02	1,160,000			2.15%	2.85%	117,716	10.15%
	10/1/23	5.00%	TERM02	1,220,000			2.37%	2.63%	128,731	10.55%
	10/1/24	5.00%	TERM02	1,285,000			2.52%	2.48%	144,050	11.21%
	10/1/25	5.00%	TERM02	1,350,000			2.68%	2.32%	132,105	9.79%
	10/1/26	5.00%	TERM02	1,420,000			2.84%	2.16%	115,750	8.15%
	10/1/27	4.75%	TERM03	1,490,000			2.97%	1.78%	69,086	4.64%
	10/1/28	4.75%	TERM03	1,560,000			3.11%	1.64%	49,223	3.16%
	10/1/29	4.75%	TERM03	1,635,000			3.19%	1.56%	37,268	2.28%
	10/1/30	4.75%	TERM03	1,715,000			3.26%	1.49%	25,245	1.47%
	10/1/31	4.75%	TERM03	1,800,000			3.33%	1.42%	12,561	0.70%
	10/1/32	5.25%	TERM04	1,890,000			3.40%	1.85%	114,111	6.04%
	10/1/33	5.25%	TERM04	1,995,000			3.45%	1.80%	114,691	5.75%
	10/1/34	5.25%	TERM04	2,100,000			3.55%	1.70%	105,001	5.00%
	10/1/35	5.25%	TERM04	2,215,000			3.55%	1.70%	114,047	5.15%
				\$27,315,000	Total Bonds to be Refunded					
							\$1,509,352 NPV Savings			

WJA



Eligible Wastewater Bonds to be Refunded

- ✓ As shown in the adjacent table, current rates offer significant savings on a maturity-by-maturity basis versus the existing interest rates of the eligible Series 2006A Wastewater Revenue Bonds (“Wastewater Bonds”).
- ✓ All Wastewater Bonds included have positive savings on a maturity-by-maturity basis for the refunding shown herein.
- ✓ Rates in the table below reflect market conditions as of 8/1/2014.

Eligible Water Bonds to be Refunded										
Series	Maturity Date	Existing Coupon		Par Amount	Call Date	Call Price	Current Rates	Rate Difference	Savings by Maturity (\$)	Savings by Maturity (%)
<i>Wastewater Revenue Bonds, Series 2006A</i>										
	10/1/17	4.25%	SERIAL	\$730,000	10/1/16	100%	0.63%	3.62%	\$14,374	1.97%
	10/1/18	4.38%	SERIAL	760,000			0.98%	3.40%	31,418	4.13%
	10/1/19	4.50%	SERIAL	795,000			1.34%	3.16%	45,726	5.75%
	10/1/20	4.63%	TERM01	835,000			1.62%	3.01%	60,950	7.30%
	10/1/21	4.63%	TERM01	875,000			1.90%	2.73%	69,822	7.98%
	10/1/22	5.00%	TERM02	920,000			2.15%	2.85%	97,390	10.59%
	10/1/23	5.00%	TERM02	1,255,000			2.37%	2.63%	139,044	11.08%
	10/1/24	5.00%	TERM02	1,310,000			2.52%	2.48%	153,566	11.72%
	10/1/25	5.00%	TERM02	1,380,000			2.68%	2.32%	141,268	10.24%
	10/1/26	5.00%	TERM02	1,440,000			2.84%	2.16%	125,913	8.74%
	10/1/27	4.75%	TERM03	1,515,000			2.97%	1.78%	78,966	5.21%
	10/1/28	4.75%	TERM03	1,585,000			3.11%	1.64%	59,097	3.73%
	10/1/29	4.75%	TERM03	1,665,000			3.19%	1.56%	47,956	2.88%
	10/1/30	4.75%	TERM03	1,745,000			3.26%	1.49%	36,829	2.11%
	10/1/31	4.75%	TERM03	1,830,000			3.33%	1.42%	24,160	1.32%
	10/1/32	5.25%	TERM04	1,925,000			3.40%	1.85%	128,857	6.69%
	10/1/33	5.25%	TERM04	2,030,000			3.45%	1.80%	130,392	6.42%
	10/1/34	5.25%	TERM04	2,135,000			3.55%	1.70%	120,858	5.66%
	10/1/35	5.25%	TERM04	2,250,000			3.55%	1.70%	130,556	5.80%
									\$26,980,000	Total Bonds to be Refunded
									\$1,637,142	NPV Savings

Handwritten notes:
 A blue circle highlights the NPV Savings value of \$1,637,142.
 Next to it, there is a handwritten note: "we got it".



Attachment: Refunding Analysis (1140) : Approve authorizing the issuance of Water & Wastewater

Savings Summary (Water Bonds)

- ✓ As shown in the adjacent table, a uniform savings structure would provide approximately \$1.52 million in NPV savings or 5.57% savings of the refunded Bonds.
- ✓ The refunding contained herein assumes the City would maintain the existing debt service reserve fund.

FYE (6/30)	Prior Net Cash Flow	Refunding Net Cash Flow	Savings	Present Value Savings
2015	\$723,532	\$678,353	\$45,179	\$44,522
2016	1,342,638	1,258,800	83,838	80,718
2017	1,342,638	1,258,800	83,838	78,376
2018	2,140,319	2,042,800	97,519	88,630
2019	2,144,297	2,045,100	99,197	87,574
2020	2,145,456	2,046,000	99,456	85,291
2021	2,143,697	2,045,500	98,197	81,806
2022	2,144,413	2,048,500	95,913	77,620
2023	2,272,750	2,177,300	95,450	75,080
2024	2,273,250	2,175,875	97,375	74,392
2025	2,275,625	2,176,125	99,500	73,831
2026	2,274,750	2,178,250	96,500	69,538
2027	2,275,500	2,177,125	98,375	68,852
2028	2,274,613	2,177,625	96,988	65,907
2029	2,272,175	2,174,625	97,550	64,364
2030	2,271,294	2,173,000	98,294	62,970
2031	2,271,731	2,172,500	99,231	61,723
2032	2,273,250	2,177,750	95,500	57,666
2033	2,270,888	2,173,625	97,263	57,063
2034	2,273,906	2,175,000	98,906	56,382
2035	2,271,413	2,171,625	99,788	55,274
2036	2,273,144	2,178,125	95,019	51,143
	<u>\$45,951,276</u>	<u>\$43,882,403</u>	<u>\$2,068,873</u>	<u>\$1,518,720</u>

Savings Summary

PV Savings from Cash Flow:	\$1,518,720
Plus: Refunding funds on hand:	1,521
Net FV Savings from cash flow:	2,070,394
* Net PV Savings from cash flow:	1,520,241 *
Avg. Annual Savings (2015-36):	94,040

WA



Attachment: Refunding Analysis (1140) : Approve authorizing the issuance of Water & Wastewater

Savings Summary (Wastewater Bonds)

- ✓ As shown in the adjacent table, a uniform savings structure would provide approximately \$1.63 million in NPV savings or 6.03% savings of the refunded Bonds.
- ✓ The refunding contained herein assumes the City would maintain the existing debt service reserve fund.

FYE (6/30)	Prior Net Cash Flow	Refunding Net Cash Flow	Savings	Present Value Savings
2015	\$715,853	\$670,459	\$45,395	\$44,733
2016	1,328,388	1,244,150	84,238	81,103
2017	1,328,388	1,244,150	84,238	78,750
2018	2,042,875	1,939,950	102,925	93,570
2019	2,040,738	1,936,050	104,688	92,445
2020	2,041,225	1,936,050	105,175	90,216
2021	2,044,028	1,939,750	104,278	86,888
2022	2,044,484	1,937,150	107,334	86,895
2023	2,046,250	1,943,150	103,100	81,096
2024	2,326,875	2,220,875	106,000	80,982
2025	2,317,750	2,209,875	107,875	80,046
2026	2,320,500	2,215,875	104,625	75,392
2027	2,310,000	2,203,750	106,250	74,363
2028	2,313,019	2,208,375	104,644	71,109
2029	2,309,394	2,204,375	105,019	69,292
2030	2,312,206	2,206,625	105,581	67,640
2031	2,311,219	2,204,875	106,344	66,149
2032	2,311,313	2,204,000	107,313	64,811
2033	2,312,319	2,208,625	103,694	60,839
2034	2,313,500	2,208,500	105,000	59,857
2035	2,309,169	2,203,625	105,544	58,462
2036	2,309,063	2,203,750	105,313	56,683
	\$45,708,553	\$43,493,984	\$2,214,570	\$1,621,323

Savings Summary	
PV Savings from Cash Flow:	\$1,621,323
Plus: Refunding funds on hand:	4,930
Net FV Savings from cash flow:	2,219,500
Net PV Savings from cash flow:	1,626,253
Avg. Annual Savings (2015-36):	100,662

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Attachment: Refunding Analysis (1140 : Approve authorizing the issuance of Water & Wastewater

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Refunding Summary

■ The table below shows a statistical summary of the refundings shown herein.

El Centro Financing Authority		
	Water Revenue Bonds Series 2006A	Wastewater Revenue Bonds Series 2006A
Rates as of:	8/1/2014	8/1/2014
Delivered:	9/17/2014	9/17/2014
Par Amount of Refunding Bonds:	\$26,270,000	\$25,825,000
Par Amount of Refunded Bonds:	\$27,315,000	\$26,980,000
Net FV Savings:	\$2,070,394	\$2,219,500
Net PV Savings:	\$1,520,241	\$1,626,253
% Savings of Refunded Bonds:	5.566% ✓	6.028% ✓
Negative Arbitrage:	\$1,539,404	\$1,391,887 →
Avg. Coupon of Refunded Bonds:	4.995%	4.999%
True Interest Cost (TIC):	3.524%	3.550%

Attachment: Refunding Analysis (1140) : Approve authorizing the issuance of Water & Wastewater

