

Folsom City Council Staff Report

MEETING DATE:	6/22/2021
AGENDA SECTION:	Joint Meeting New Business
SUBJECT:	<p>Folsom Public Financing Authority Water Revenue Refunding Bonds, Series 2021</p> <p>Resolution No. 10656 - A Resolution of the City Council of the City of Folsom Relating to the Folsom Public Financing Authority Water Revenue Refunding Bonds, Series 2021 and Approving the Form of and Authorizing the Execution and Delivery of a 2021 Installment Purchase Contract in Connection therewith, and Authorizing Certain other Actions Related thereto</p> <p>Resolution No. 21-074-PFA - A Resolution of the Governing Board of the Folsom Public Financing Authority Authorizing the Issuance of Folsom Public Financing Authority Water Revenue Refunding Bonds, Series 2021, in a Principal Amount Not to Exceed \$9,200,000 and Approving the Forms of and Authorizing the Execution and Delivery of a 2021 Installment Purchase Contract, a 2021 Indenture, and an Escrow Agreement and Authorizing Certain Other Actions Related thereto</p>
FROM:	Finance Department

RECOMMENDATION / CITY COUNCIL ACTION

It is recommended that the City Council and the Public Financing Authority adopt the following resolutions:

Resolution No. 10656 - A Resolution of the City Council of the City of Folsom Relating to the Folsom Public Financing Authority Water Revenue Refunding Bonds, Series 2021 and Approving the Form of and Authorizing the Execution and Delivery of a 2021 Installment Purchase Contract in Connection therewith, and Authorizing Certain other Actions Related thereto;

Resolution No. 21-074-PFA - A Resolution of the Governing Board of the Folsom Public Financing Authority Authorizing the Issuance of Folsom Public Financing Authority Water Revenue Refunding Bonds, Series 2021, in a Principal Amount Not to Exceed \$9,200,000 and Approving the Forms of and Authorizing the Execution and Delivery of a 2021 Installment Purchase Contract, a 2021 Indenture, and an Escrow Agreement and Authorizing Certain Other Actions Related thereto.

BACKGROUND / ISSUE

In February 2005, the Folsom Public Financing Authority issued \$14,285,000 in Water Revenue Bonds, Series 2005A (the “Series 2005A Bonds”). The Series 2005A Bonds were issued to finance a portion of the improvements within the Drinking Water Improvement Program (DWIP). Those improvements consisted of a Disinfection Facilities Upgrade and Treatment Facilities Improvements (collectively, the “2005A Water Project”), both of which were improvements to the existing Water Treatment Plant, and were done to ensure that the City had treatment capacity to serve the population of the City through build-out. Another series was anticipated to be issued subsequent to the Series 2005A Bonds for additional expansion or rehabilitation projects, but those projects were ultimately funded with the use of cash reserves.

In July 2013, the Series 2005A Bonds were refunded with the \$12,779,582 Folsom Public Financing Authority Water Revenue Refunding Bonds, Series 2013 (the “Series 2013 Bonds”). As of June 22, 2021, \$8,852,059 of the Series 2013 Bonds remain outstanding. The interest rate of the outstanding bonds is 3.15% for all maturities, and the final maturity date is December 1, 2033. Based upon analysis from Fieldman, Rolapp & Associates, Inc., the City’s Municipal Advisor, the Finance Director has determined the Series 2013 Bonds meet the criteria for refunding and proposes to issue the Folsom Public Financing Authority Water Revenue Refunding Bonds, Series 2021 through a private placement.

The following resolutions are proposed to the City Council and the Governing Board of the Public Financing Authority:

Resolution No. 10656

By adopting the proposed City Council resolution, the City Council is taking the following actions in connection with the Bonds:

1. Approving the form of and authorizing the execution and delivery of an Installment Purchase Contract, in which the City will acquire all or a portion of the 2005A Water Project from the Public Financing Authority in exchange for installment payments from the City.
2. Authorizing the Mayor, Officers, and staff to execute other documents and perform other acts necessary to complete the issuance and sale of the Bonds.

Resolution No. 21-074-PFA

By adopting the proposed Public Financing Authority resolution, the Public Financing Authority is taking the following actions in connection with the Bonds:

1. Authorizing the issuance of bonds in an amount not to exceed \$9,200,000.
2. Approving the form of the Installment Purchase Contract and authorizing the Treasurer of the Authority to execute and deliver the document, subject to limitations.
3. Approving the form of the Indenture and authorizing the Treasurer to execute and deliver the Indenture.
4. Approving the form of the Escrow Agreement, and authorizing the Treasurer to execute and deliver the Escrow Agreement.
5. Authorizing the Mayor, Officers, and staff to execute other documents and perform other acts necessary to complete the issuance and sale of the Bonds.

POLICY / RULE

Resolution No. 7332 – A Resolution of the City Council of the City of Folsom Adopting the Debt Management Policies.

ANALYSIS

The Debt Management Policies list among the criteria for refunding bonds that the refunding generate at least three percent of the refunded bond principal amount net of all costs related to the refunding. In practice, the City has chosen to refund bonds when the net present value savings are at least five percent.

The City's Municipal Advisor, working in conjunction with Brandis Tallman as Placement Agent, sought bids from multiple banks, and received responsive bids from nine banks. The Finance Director, with input from the financing team, chose Key Bank with an interest rate of 1.757% as the most favorable bidder. The average annual savings with the proposed refunding are \$46,435.06 annually, and the net present value savings are \$537,697 or 6.07% of the refunded bonds.

The Policies also state that no refunding shall result in the extension of debt service payments beyond the term of the originally issued debt, and there will be no extension with this refunding.

Good Faith Estimates for the cost of issuing the Bonds, as provided by Fieldman, Rolapp & Associates, Inc. as municipal advisor to the Authority, and as required by Section 5852.1 of the California Government Code are included in Attachment 6.

The City has engaged the following consultants to assist in the issuance of these bonds:

Bond Counsel:	Orrick, Herrington & Sutcliffe LLP
Municipal Advisor:	Fieldman, Rolapp & Associates, Inc.
Placement Agent:	Brandis Tallman, a division of Oppenheimer & Co., Inc.
Trustee:	U.S. Bank National Association
Verification Agent:	Robert Thomas CPA, LLC

Other documents included as exhibits to this staff report include:

- Installment Purchase Contract
- Indenture
- Escrow Agreement
- Good Faith Estimates

FINANCIAL IMPACT

The proposed refunding bonds are secured solely by a pledge of certain water system revenues available after the payment of operations and maintenance expenses. Debt Service requirements for the refunded bonds are included in the FY 2020-21 and 2021-22 budgets, and subsequent years' debt service for the refunding bonds will be included in future budgets. The average savings from the proposed refunding are \$46,435.06 annually for the water fund.

ENVIRONMENTAL REVIEW

This action is exempt from environmental review pursuant to CEQA Guidelines §15061(b)(3).

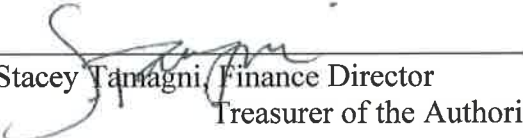
ATTACHMENTS

1. Resolution No. 10656 - A Resolution of the City Council of the City of Folsom Relating to the Folsom Public Financing Authority Water Revenue Refunding Bonds, Series 2021 and Approving the Form of and Authorizing the Execution and Delivery of a 2021 Installment Purchase Contract in Connection therewith, and Authorizing Certain other Actions Related thereto
2. Resolution No. 21-074-PFA - A Resolution of the Governing Board of the Folsom Public Financing Authority Authorizing the Issuance of Folsom Public Financing Authority Water Revenue Refunding Bonds, Series 2021, in a Principal Amount Not to Exceed \$9,200,000 and Approving the Forms of and Authorizing the Execution and Delivery of a 2021 Installment Purchase Contract, a 2021 Indenture, and an Escrow Agreement and Authorizing Certain Other Actions Related thereto
3. Installment Purchase Contract - This document sets forth the obligation of the City's water fund to make debt service payments on this bond issue. This document also obligates the City to maintain water rates sufficient to generate net water revenues after operating expenses equal to at least 120% of annual debt service. This covenant is the

same as the existing rate covenants for both the City's 2013 and 2019 water revenue bond issues.

4. Indenture - This document is a contract between the City and the trustee for the City's water revenue bonds, U.S. Bank National Association, setting forth instructions for US Bank to manage cash and related items for the debt obligations.
5. Escrow Agreement – This document is an agreement between the Folsom Public Financing Authority and U.S. Bank National Association to establish and maintain an escrow fund for the redemption of the refunded bonds.
6. Folsom Public Financing Authority, Series 2021 Good Faith Estimates

Submitted,



Stacey Tamagni, Finance Director
Treasurer of the Authority

ATTACHMENT 1

RESOLUTION NO. 10656

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF FOLSOM RELATING TO THE FOLSOM PUBLIC FINANCING AUTHORITY WATER REVENUE REFUNDING BONDS, SERIES 2021 AND APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A 2021 INSTALLMENT PURCHASE CONTRACT IN CONNECTION THEREWITH, AND AUTHORIZING CERTAIN OTHER ACTIONS RELATED THERETO

WHEREAS, the Folsom Public Financing Authority, a joint exercise of powers entity, duly organized and existing under and by virtue of the laws of the State of California (the "Authority") has previously issued the Folsom Public Financing Authority Water Revenue Refunding Bonds, Series 2013 (the "2013 Bonds") to refinance certain additions, betterments, extensions and improvements (the "2005A Water Project") to the municipal water system (the "Water System") of the City of Folsom, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), pursuant to that certain 2013 Indenture, dated as of July 1, 2013, by and between the Authority and U.S. Bank National Association, as successor to MUFG Union Bank, N.A. (formerly Union Bank, N.A.), as trustee; and

WHEREAS, the City has determined to refinance the 2005A Water Project through the refunding of the 2013 Bonds, as more particularly described in the 2021 Installment Purchase Contract (defined herein); and

WHEREAS, in order to finance the cost of the refinancing the 2005A Water Project, the City and the Authority propose to execute and enter into a 2021 Installment Purchase Contract (the "2021 Installment Purchase Contract"), pursuant to which the City will acquire the 2005A Water Project from the Authority and the Authority will sell the 2005A Water Project to the City, and pursuant to which the City will be obligated to make installment payments to the Authority for the payment of the cost of the acquisition of the 2005A Water Project from the Authority, and in order to implement the foregoing the Authority proposes to issue its Water Revenue Refunding Bonds, Series 2021 (the "Bonds") under and pursuant to a 2021 Indenture (the "2021 Indenture") to be executed and entered into with U.S. Bank National Association, as trustee; and

WHEREAS, the Authority has previously issued the Folsom Public Financing Authority Water Revenue Refunding Bonds, Series 2019 (the "2019 Bonds") to refinance certain additions, betterments, extensions and improvements to the Water System, pursuant to that certain 2019 Indenture, dated as of October 1, 2019, by and between the Authority and U.S. Bank National Association, as successor to MUFG Union Bank, N.A., as trustee; and

WHEREAS, the Bonds shall be payable on parity with the payment of the 2019 Bonds and any other Parity Obligations (as defined in the 2021 Installment Purchase Contract); and

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the implementation of the foregoing financing do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the City is now duly authorized

and empowered, pursuant to each and every requirement of law, to implement such financing for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Folsom, as follows:

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

Section 2. The 2021 Installment Purchase Contract proposed to be executed and entered into by and between the City and the Authority in the form presented to this meeting and on file with the City Clerk of the City, is hereby approved, and the Finance Director of the City or her designee is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver to the Authority the 2021 Installment Purchase Contract in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, that the schedule of the installment payments to be contained in the 2021 Installment Purchase Contract (to constitute Exhibit A thereto) shall be determined by the Finance Director of the City or her designee upon the sale of the Bonds, but the aggregate sum of the principal components of such installment payments shall not exceed nine million two hundred thousand dollars (\$9,200,000), the net present value of the savings on installment payments shall not be less than five percent (5.0%) and the latest due date of any such installment payment shall not be later than December 1, 2033.

Section 3. The officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or desirable in order to implement the financing authorized hereby and to implement the sale, execution and delivery of the Bonds by the Authority and otherwise to carry out, give effect to and comply with the terms and intent of this resolution, the 2021 Installment Purchase Contract and the Bonds; and all such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 4. This resolution shall take effect from and after its adoption.

PASSED AND ADOPTED this 22nd day of June 2021 by the following roll-call vote:

AYES: Councilmember(s):

NOES: Councilmember(s):

ABSENT: Councilmember(s):

ABSTAIN: Councilmember(s):

Michael D. Kozlowski, MAYOR

ATTEST:

Christa Freemantle, CITY CLERK

ATTACHMENT 2

RESOLUTION NO. 21-074-PFA

A RESOLUTION OF THE GOVERNING BOARD OF THE FOLSOM PUBLIC FINANCING AUTHORITY AUTHORIZING THE ISSUANCE OF FOLSOM PUBLIC FINANCING AUTHORITY WATER REVENUE REFUNDING BONDS, SERIES 2021, IN A PRINCIPAL AMOUNT NOT TO EXCEED \$9,200,000 AND APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A 2021 INSTALLMENT PURCHASE CONTRACT, A 2021 INDENTURE AND AN ESCROW AGREEMENT AND AUTHORIZING CERTAIN OTHER ACTIONS RELATED THERETO

WHEREAS, pursuant to Article 4 of Chapter 5 of Division 7 of Part 1 of the Government Code of the State of California (the “Act”) and the Joint Exercise of Powers Agreement, dated as of September 19, 1988, by and between the City of Folsom (the “City”) and the Folsom Redevelopment Agency, creating the Folsom Public Financing Authority (the “Authority”), the Authority is authorized to issue revenue bonds for the purposes of, among other things, current refunding outstanding bonds and financing capital public capital improvements which provide significant public benefits (as defined in the Act); and

WHEREAS, the Authority has previously issued the Folsom Public Financing Authority Water Revenue Refunding Bonds, Series 2013 (the “2013 Bonds”) to refinance certain additions, betterments, extensions and improvements (the “2005A Water Project”) to the municipal water system (the “Water System”) of the City of Folsom, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the “City”), pursuant to that certain 2013 Indenture, dated as of July 1, 2013, by and between the Authority and U.S. Bank National Association, as successor to MUFJ Union Bank, N.A. (formerly Union Bank, N.A.), as trustee; and

WHEREAS, the City has determined to refinance the 2005A Water Project through the refunding of the 2013 Bonds, as more particularly described in the 2021 Installment Purchase Contract (defined herein); and

WHEREAS, in order to finance the cost of the refinancing the 2005A Water Project, the City and the Authority propose to execute and enter into a 2021 Installment Purchase Contract (the “2021 Installment Purchase Contract”), pursuant to which the City will acquire the 2005A Water Project from the Authority and the Authority will sell the 2005A Water Project to the City, and pursuant to which the City will be obligated to make installment payments to the Authority for the payment of the cost of the acquisition of the 2005A Water Project from the Authority, and in order to implement the foregoing the Authority proposes to issue its Water Revenue Refunding Bonds, Series 2021 (the “Bonds”) under and pursuant to a 2021 Indenture to be executed and entered into with U.S. Bank National Association, as trustee (the “Trustee”) (the “2021 Indenture”); and

WHEREAS, the Authority will sell the Bonds at a private sale to Key Government Finance, Inc., pursuant to California Government Code Section 53583 and as more particularly set forth in the 2021 Indenture; and

WHEREAS, the Authority has previously issued the Folsom Public Financing Authority Water Revenue Refunding Bonds, Series 2019 (the “2019 Bonds”) to refinance certain additions, betterments, extensions and improvements to the Water System, pursuant to that certain 2019 Indenture, dated as of October 1, 2019, by and between the Authority and U.S. Bank National Association, as successor to MUFG Union Bank, N.A., as trustee; and

WHEREAS, the Bonds shall be payable on parity with the payment of the 2019 Bonds and any other Parity Obligations (as defined in the 2021 Installment Purchase Contract); and

WHEREAS, Government Code Section 5852.1 requires that the Governing Board of the Authority obtain from an underwriter, financial advisor or private lender and disclose, prior to authorization of the issuance of bonds with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest cost of the bonds, (b) the sum of all fees and charges paid to third parties with respect to the bonds, (c) the amount of proceeds of the bonds expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the bonds, and (d) the sum total of all debt service payments on the bonds calculated to the final maturity of the bonds plus the fees and charges paid to third parties not paid with the proceeds of the bonds; and

WHEREAS, in compliance with Government Code Section 5852.1, the Governing Board of the Authority has obtained from the Fieldman, Rolapp & Associates, Inc., as municipal advisor (the “Municipal Advisor”), the required good faith estimates and such estimates have been disclosed at this meeting; and

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the implementation of the foregoing financing do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Authority is now duly authorized and empowered, pursuant to each and every requirement of law, to implement such refinancing for the purpose, in the manner and upon the terms herein provided;

NOW, THEREFORE, BE IT RESOLVED by the Folsom Public Financing Authority, as follows:

Section 1. The issuance of not to exceed nine million two hundred thousand dollars (\$9,200,000) of the Authority’s Water Revenue Refunding Bonds, Series 2021, is hereby approved. The Chairperson of the Authority (the “Chairperson”) is hereby authorized and directed to execute and deliver, and the Secretary is hereby authorized and directed to countersign, the Bonds, in either case by manual or facsimile signature.

Section 2. The Authority hereby specifically finds and declares that the actions authorized hereby constitute, and are with respect to, public affairs of the Authority, and that the statements, findings and determinations of the Authority set forth above and in the preambles of the documents approved herein are true and correct.

Section 3. The 2021 Installment Purchase Contract proposed to be executed and entered into by and between the City and the Authority, in the form presented to this meeting and on file with the Secretary of the Authority, is hereby approved, and the Treasurer of the Authority

or her designee is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver to the City the 2021 Installment Purchase Contract in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, that the schedule of the installment payments to be contained in the 2021 Installment Purchase Contract (to constitute Exhibit A thereto) shall be determined by the Treasurer of the Authority or her designee upon the sale of the Bonds.

Section 4. The 2021 Indenture proposed to be executed and entered into by and between the Authority and the Trustee, in the form presented to this meeting and on file with the Secretary of the Authority, is hereby approved, and the Treasurer of the Authority or her designee is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver to the Trustee the 2021 Indenture in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. The Escrow Agreement (the "Escrow Agreement") relating to the refunding of the 2013 Bonds, in the form presented to this meeting and on file with the Secretary of the Authority, is hereby approved, and the Treasurer of the Authority or her designee is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Escrow Agreement in substantially said form, with such changes therein as such officer may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. The officers of the Authority are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or desirable in order to implement the financing authorized hereby and to implement the sale, execution and delivery of the Bonds by the Authority and otherwise to carry out, give effect to and comply with the terms and intent of this resolution, the 2021 Installment Purchase Contract, the 2021 Indenture, the Escrow Agreement and the Bonds; and all such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 7. This resolution shall take effect from and after its adoption.

PASSED AND ADOPTED this 22nd day of June 2021 by the following roll-call vote:

AYES: Boardmember(s):

NOES: Boardmember(s):

ABSENT: Boardmember(s):

ABSTAIN: Boardmember(s):

Michael D. Kozlowski, CHAIRPERSON

ATTEST:

Christa Freemantle, SECRETARY

ATTACHMENT 3

2021 INSTALLMENT PURCHASE CONTRACT

by and between the

CITY OF FOLSOM

and the

FOLSOM PUBLIC FINANCING AUTHORITY

RELATING TO THE
CITY OF FOLSOM
2005A WATER PROJECT

Dated as of June 1, 2021

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2021 INSTALLMENT PURCHASE CONTRACT

This 2021 Installment Purchase Contract (the “2021 Contract”), dated as of June 1, 2021, by and between the CITY OF FOLSOM, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the “City”), and the FOLSOM PUBLIC FINANCING AUTHORITY, a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the “Authority”);

WITNESSETH:

WHEREAS, the City is authorized by law to purchase improvements for the municipal water system of the City; and

WHEREAS, the City and the Authority previously entered into that certain 2013 Installment Purchase Contract, dated as of July 1, 2013 (the “2013 Contract”), whereby the Authority agreed to sell certain improvements to the City’s water system (the “2005A Water Project”) to the City and the City agreed to purchase such improvements from the Authority for the purpose of refinancing the 2005A Water Project; and

WHEREAS, in connection with the 2013 Contract, the Authority issued its Water Revenue Refunding Bonds, Series 2013 (the “2013 Bonds”) pursuant to a 2013 Indenture, dated as of July 1, 2013 (the “2013 Indenture”) between the Authority and U.S. Bank National Association, as successor to MUFG Union Bank, N.A. (formerly Union Bank, N.A.) (the “2013 Trustee”), for the purpose, among others, of refinancing the 2005A Water Project; and

WHEREAS, the City and the Authority previously entered into that certain 2019 Installment Purchase Contract, dated as of October 1, 2019 (the “2019 Contract”), whereby the Authority agreed to sell a portion of certain improvements to the City’s water system (the “1998 Water Project”) to the City and the City agreed to purchase such improvements from the Authority for the purpose of refinancing the 1998 Water Project; and

WHEREAS, in connection with the 2019 Contract, the Authority issued its Water Revenue Refunding Bonds, Series 2019 (the “2019 Bonds”) pursuant to a 2019 Indenture, dated as of October 1, 2019 (the “2019 Indenture”) between the Authority and U.S. Bank National Association, as successor to MUFG Union Bank, N.A. (the “2019 Trustee”), for the purpose, among others, of refinancing the 1998 Water Project; and

WHEREAS, the City has determined that the refinancing of the 2005A Water Project by refunding the obligations of the City under the 2013 Contract, as provided in this 2021 Contract, is necessary and proper for the City and is in the public interest, and the Authority has determined to assist the City in the foregoing by refunding the City’s remaining obligations under the 2013 Contract and thereby refunding the outstanding 2013 Bonds; and

WHEREAS, to refinance the 2005A Water Project, the City has agreed to make scheduled installment payments to the Authority, together with interest thereon, which installment payments are to be secured by a pledge of and lien on certain net revenues of the

City's municipal water system (the "Water System") (as further described herein, the "Net Revenues"), as provided herein, and

WHEREAS, the pledge of and lien on Net Revenues securing the installment payments provided hereunder is to be on parity with the security interest securing the outstanding 2019 Bonds; and

WHEREAS, the City and the Authority hereby certify that 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 entering into of the 2021 Contract do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the 2021 Contract;

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 and of any report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. Unless a contrary intent is expressed in this 2021 Contract, capitalized terms used but not defined in this 2021 Contract shall have the meanings given in the 2021 Indenture.

1998 Water Project

"1998 Water Project" means those certain additions, betterments, extensions and improvements to the Water System consisting of the expansion of the City's Water Treatment Plant from a capacity of 25 million gallons per day ("mgd") to a capacity of 40 mgd, and the replacement and rehabilitation of a portion of the existing Natoma Pipeline, together with the refinancing of the City's outstanding 1976 Water Revenue Bonds, Series A and Series B, necessary for the City to purchase the foregoing improvements.

2005A Water Project

"2005A Water Project" means those certain additions, betterments, extensions and improvements to the Water System refinanced with proceeds of the 2021 Bonds, consisting of a portion of the work required to expand the peak capacity of the City's water treatment plant from 40 million gallons per day ("mgd") to 50 mgd, including the construction and installation of two 20 mgd Actiflo flocculation sedimentation units for pretreatment, six dual media filters, a polymer building, modifications to chemical storage and feed facilities, modifications to the backwash recovery system and other related improvements to the water treatment plant, together

with such additions thereto or less such deletions therefrom as shall be specified by the City (in accordance with the 2013 Contract) stating that such additions constitute part of the 2005A Water Project or that such deletions do not constitute part of the 2005A Water Project, as the case may be.

2013 Bonds

“2013 Bonds” means all water revenue bonds of the Authority authorized, issued and delivered under the 2013 Indenture that are at any time outstanding pursuant thereto.

2013 Contract

“2013 Contract” means that certain 2013 Installment Purchase Contract, dated as of July 1, 2013, by and between the City and the Authority, as originally executed and as it may from time to time be amended in accordance therewith.

2013 Indenture

“2013 Indenture” means that certain 2013 Indenture, dated as of July 1, 2013, by and between the Authority and the 2013 Trustee, as originally executed and as it may from time to time be amended in accordance therewith.

2013 Installment Payments

“2013 Installment Payments” means the Parity Installment Payments scheduled to be paid by the City under the 2013 Contract.

2013 Trustee

“2013 Trustee” means U.S. Bank National Association, as successor to MUFG Union Bank, N.A. (formerly Union Bank, N.A.), a national banking association duly organized and existing under and by virtue of the laws of the United States of America, at its Designated Corporate Trust Office, as trustee under the 2013 Indenture, and any successors thereto.

2019 Bonds

“2019 Bonds” means all water revenue bonds of the Authority authorized, issued and delivered under the 2019 Indenture that are at any time outstanding pursuant thereto.

2019 Contract

“2019 Contract” means the 2019 Installment Purchase Contract, dated as of October 1, 2019, by and between the City and the Authority, as originally executed and as it may from time to time be amended in accordance herewith.

2019 Indenture

“2019 Indenture” means that certain 2019 Indenture, dated as of October 1, 2019, by and between the Authority and the 2019 Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

2019 Installment Payments

“2019 Installment Payments” means the Parity Installment Payments scheduled to be paid by the City hereunder.

2019 Trustee

“2019 Trustee” means U.S. Bank National Association, as successor to MUFG Union Bank, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, at its Designated Corporate Trust Office, as trustee under the 2019 Indenture, and any successors thereto.

2021 Bonds

“2021 Bonds” means all water revenue bonds of the Authority authorized, issued and delivered under the 2021 Indenture that are at any time outstanding pursuant thereto.

2021 Contract

“2021 Contract” means this 2021 Installment Purchase Contract, dated as of June 1, 2021, by and between the City and the Authority, as originally executed and as it may from time to time be amended in accordance herewith.

2021 Indenture

“2021 Indenture” means that certain 2021 Indenture dated as of June 1, 2021, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

2021 Installment Payments

“2021 Installment Payments” means the Parity Installment Payments scheduled to be paid by the City hereunder.

Accountant’s Report

“Accountant’s Report” means an audited financial report prepared and signed by an Independent Certified Public Accountant.

Act

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

Assumed Rate

“Assumed Rate” means an assumed interest rate on a Variable Interest Rate Obligation for any period with respect to which the actual Variable Interest Rates on such Variable Interest Rate Obligation cannot be determined (including prospective periods and prior periods during which there were no actual Variable Interest Rates), and is equal to the SIFMA Index, or if such index ceases to be published, any other index reasonably estimated to approximate the rates reflected in the SIFMA Index, as selected by the Authority.

Authority

“Authority” means the Folsom Public Financing Authority, a joint exercise of powers entity duly organized and existing under and by virtue of the Act.

City

“City” means the City of Folsom, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State.

City Revenue Fund

“City Revenue Fund” means the City of Folsom Water Revenue Fund continued pursuant to the 2019 Contract and further continued hereunder.

Code

“Code” means the Internal Revenue Code of 1986 and the regulations of the United States Department of the Treasury issued thereunder, and in this regard reference to any particular section of the Code shall include reference to all successor sections of the Code.

Coverage Requirement

“Coverage Requirement” means, for any Fiscal Year or any other period, an amount of Net Revenues equal to at least one hundred twenty percent (120%) of the sum of all Parity Debt Service for such Fiscal Year or such other period, as applicable.

Date of Operation

“Date of Operation” means, with respect to any uncompleted Water Project, the estimated date by which such Water Project will have been completed and, in the opinion of the City, will be ready for use and operation by the City.

Designated Corporate Trust Office

“Designated Corporate Trust Office” means the corporate trust office of the Trustee in San Francisco, California; provided, that for purposes of the registration, transfer, exchange, payment or surrender of the 2021 Bonds, the term “Designated Corporate Trust Office” means the corporate trust office of the Trustee in St. Paul, Minnesota, or such other office designated by the Trustee from time to time.

Event of Default

“Event of Default” means an event defined as such in Section 6.01(a), (b) or (c).

Federal Securities

“Federal Securities” means United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are pledged for the payment of interest and principal, or securities evidencing direct ownership interests in such obligations or in specified portions of the interest on or principal of such obligations that are held by a custodian in safekeeping on behalf of the owners of such securities.

Fiscal Year

“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 City as its Fiscal Year in accordance with applicable law.

Fitch

“Fitch” means Fitch Ratings, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, but only to the extent that such entity is then rating any Parity Bonds at the request of the Authority.

Generally Accepted Accounting Principles

“Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants 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 duly licensed and entitled to practice and practicing as such under the laws of the State, appointed and paid by the City, and who:

- (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 which firm may be regularly retained by the City to audit the accounting records of the City and make reports thereon to the City.

Independent Financial Consultant

“Independent Financial Consultant” means any financial consultant specializing in municipal finance, appointed and paid by the City, and who:

(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 by the City to provide consulting services.

Initial Purchaser

“Initial Purchaser” means Key Government Finance, Inc., as initial purchaser of the 2021 Bonds.

Issuing Document

“Issuing Document” means any indenture, trust agreement or other document that provides for the issuance of Parity Bonds or Parity Obligations.

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 costs of water purchased or otherwise acquired for the Water System and all costs of treating water for the Water System and all expenses necessary to maintain and preserve the Water System in good repair and working order and including all administrative and management 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 Parity City Bonds or of such Parity City Bonds or of any resolution authorizing the execution of any Parity Contract or of such Parity Contract, such as compensation, reimbursement and indemnification of the trustee for any such Parity City Bonds or Parity Contract and fees and expenses of Independent Certified Public Accountants and independent engineers, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles.

Moody's

“Moody’s” means Moody’s Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then “Moody’s” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the Authority.

Net Revenues

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

Parity Bonds

“Parity Bonds” means the 2019 Bonds, the 2021 Bonds and all other water revenue bonds of the Authority secured by Parity Installment Payments.

Parity City Bonds

“Parity City Bonds” means all water revenue bonds of the City authorized, executed, issued and delivered by the City under and pursuant to applicable law which are secured by a pledge of and lien on the Net Revenues on parity with the security for the Parity Installment Payments.

Parity Contracts

“Parity Contracts” means the 2019 Contract, the 2021 Contract and all other installment purchase contracts executed by the City under and pursuant to applicable law, the installment payments under which are secured by a pledge of and lien on the Net Revenues on parity with the security for the 2019 Installment Payments, the 2021 Installment Payments and the Parity City Bonds.

Parity Debt Service

“Parity Debt Service” means, with respect to any Parity Obligation for any period of calculation, those portions of the payments of interest on and principal and redemption premiums, if any, required to be made during such period under such Parity Obligation, less any such interest that is to be paid from proceeds of such Parity Obligation, less the earnings to be derived from the investment of moneys on deposit in debt service reserve funds and capitalized interest funds established for such Parity Obligation; provided, that for purposes of the calculation of Parity Debt Service, the following shall apply:

(A) Interest on Variable Interest Rate Obligations. Interest on any Variable Interest Rate Obligation shall be deemed to be at the following interest rate or rates:

(1) for periods with respect to which the actual Variable Interest Rates on such Variable Interest Rate Obligation can be determined, the interest rates on such

contract shall be such actual Variable Interest Rates for such periods; provided that if the Variable Interest Rate Obligations have been outstanding for at least 12 months, the interest rate shall be the average rate over the 12 months immediately preceding the date of calculations; and

(2) for periods with respect to which the actual Variable Interest Rates on such Variable Interest Rate Obligation cannot be determined (including prospective periods and prior periods during which there was no actual Variable Interest Rate), the Variable Interest Rate on such obligation shall be the Assumed Rate.

(B) Interest on Parity Obligations with respect to which a Payment Agreement is in force. For purposes of the definition of Parity Debt Service, interest deemed to be payable on any Parity Obligation with respect to which a Payment Agreement is in force shall be based on the net economic effect on the City expected to be produced by the terms of such Parity Obligation and such Payment Agreement, including but not limited to the effects that (i) such Parity Obligation would, but for such Payment Agreement, be treated as an obligation bearing interest at a Variable Interest Rate instead shall be treated as an obligation bearing interest at a fixed interest rate, and (ii) such Parity Obligation would, but for such Payment Agreement, be treated as an obligation bearing interest at a fixed interest rate instead shall be treated as an obligation bearing interest at a Variable Interest Rate; and accordingly, the amount of interest deemed to be payable on any Parity Obligation with respect to which a Payment Agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in such Parity Obligation plus the applicable Payment Agreement Payments minus the applicable Payment Agreement Receipts, and for the purpose of calculating as nearly as practicable the Payment Agreement Receipts and the Payment Agreement Payments under such Parity Obligation, the following assumptions shall be made:

(1) City Obligated to Pay Net Variable Payments. If a Payment Agreement has been entered into by the City with respect to a Parity Obligation resulting in the payment of a net variable interest rate with respect to such Parity Obligation and Payment Agreement by the City, the interest rate on such Parity Obligation for future periods when the actual interest rate cannot yet be determined shall be assumed, during the period the Payment Agreement is in effect, to be equal to the sum of (i) the fixed rate or rates stated in such Parity Obligation, minus (ii) the fixed rate paid by the Qualified Counterparty to the City, plus (iii) the lesser of (A) the interest rate cap, if any, provided by a Qualified Counterparty with respect to such Payment Agreement (but only during the period that such interest rate cap is in effect) and (B) the Assumed Rate; and

(2) City Obligated to Pay Net Fixed Payments. If a Payment Agreement has been entered into by the City with respect to a Parity Obligation resulting in the payment of a net fixed interest rate with respect to such Parity Obligation and Payment Agreement by the City, the interest on such Parity Obligation shall be included in the calculation of the Parity Debt Service during the period the Payment Agreement is in effect by including for each calculation period an amount equal to the amount of interest payable at the fixed interest rate pursuant to such Payment Agreement;

(C) For purposes of any Parity Obligation or portions thereof the debt service requirements under which contain no current interest component but which are sold at a discount and which discount accretes with respect to such Parity Obligation or portions thereof, such accreted discount shall be treated as interest in the calculation of Parity Debt Service;

(D) For purposes of any Parity Obligations that constitute paired obligations, the interest rate on such Parity Obligations shall be the resulting linked rate or the effective fixed interest rate to be paid by the City with respect to such paired obligations; and

(E) The amount on deposit in a debt service reserve fund with respect to a Parity Obligation on any date of calculation of Parity Debt Service shall be deducted from the amount of principal due at the final maturity of such Parity Obligation to the extent the amount in such debt service reserve fund is in excess of such amount of principal, such excess shall be applied to the full amount of principal due, in each preceding year, in inverse order of due date, until such amount is exhausted.

Parity Installment Payment Fund

“Parity Installment Payment Fund” means the Folsom Public Financing Authority Parity Installment Payment Fund established pursuant to Section 3.02 of the 2021 Indenture.

Parity Installment Payments

“Parity Installment Payments” means the installment payments payable under this 2021 Contract and all other Parity Contracts.

Parity Obligations

“Parity Obligations” means all Parity Contracts, all Parity City Bonds and the scheduled payments under any Payment Agreement which have been designated by the City as a “Parity Obligation” in the Payment Agreement or in the Parity Contract or Issuing Document for the related Parity Obligations.

Payment Agreement

“Payment Agreement” means a written agreement for the purpose of managing or reducing the City’s exposure to fluctuations in interest rates or for any other interest rate, investment, asset or liability managing purposes, entered into either on a current or forward basis by the City and a Qualified Counterparty as authorized under any applicable laws of the State in connection with, or incidental to, the entering into of any Parity Obligation, that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, options on such payments or any combination thereof, or any similar device.

Payment Agreement Payments

“Payment Agreement Payments” means the amounts periodically required to be paid by the City to all Qualified Counterparties under all Payment Agreements.

Payment Agreement Receipts

“Payment Agreement Receipts” means the amounts periodically required to be paid by all Qualified Counterparties to the City under all Payment Agreements.

Qualified Counterparty

“Qualified Counterparty” means a counterparty to a Payment Agreement (1) (a) which is rated at least equal to the ratings assigned by each of the Rating Agencies to the Parity Bonds (without regard to any gradations within a rating category and without regard to any credit enhancement thereof), (b) the senior debt obligations of which are rated at least equal to the ratings assigned by each of the Rating Agencies to the Parity Bonds (without regard to any gradations within a rating category and without regard to any credit enhancement thereof), or guaranteed by an entity so rated, (c) whose obligations under the Payment Agreement are guaranteed for the entire term of the Payment Agreement by a bond insurer or other institution which has been assigned a credit rating at least equal to the ratings assigned by each of the Rating Agencies to the Parity Bonds (without regard to any gradations within a rating category and without regard to any credit enhancement thereof), or (d) the obligations of which under the Payment Agreement are collateralized in such a manner as to obtain a rating at least equal to the ratings assigned by each of the Rating Agencies to the Parity Bonds (without regard to any gradations within a rating category and without regard to any credit enhancement thereof), and (2) which is otherwise qualified to act as the counterparty under a Payment Agreement with the City under the Charter and all applicable policies of the City, and under all applicable laws of the State.

Rating Agencies

“Rating Agencies” means collectively Fitch, Moody’s and S&P, together with any other nationally recognized municipal securities rating agency or agencies selected by the Authority that is then rating any Parity City Bonds or bonds secured by Parity Installment Payments at the request of the Authority.

Refunding Price

“Refunding Price” means the principal amount owed by the City to the Authority for the refunding of the 2005A Water Project under the terms hereof as provided in Section 3.01.

Revenues

“Revenues” means all gross income and revenue received by the City from the ownership or operation of the Water System, determined in accordance with Generally Accepted Accounting Principles, including all charges, fees and rates and all connection fees received by the City for water and the other services of the Water System and all proceeds of insurance covering business interruption loss relating to the Water System and all other income and revenue howsoever derived by the City from the ownership or operation of the Water System, but excluding all proceeds of taxes and all refundable deposits made to establish credit and advances or contributions or grants in aid of construction.

S&P

“S&P” means S&P Global Ratings, a business of Standard & Poor’s Financial Services LLC, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then “S&P” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the Authority.

SIFMA Index

“SIFMA Index” means on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by The Bond Market Association (“SIFMA”) or any person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the City and effective from such date.

State

“State” means the State of California.

Termination Payments

“Termination Payments” means any payments due and payable to a Qualified Counterparty in connection with the termination of a Payment Agreement.

Trustee

“Trustee” means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, at its Designated Corporate Trust Office, as trustee under the 2021 Indenture, and any successors thereto.

Variable Interest Rate

“Variable Interest Rate” means any variable interest rate or rates to be paid under any Parity Obligation, the method of computing which variable interest rate shall be as specified in such obligation, which obligation shall also specify either (i) the payment period or periods or time or manner of determining such period or periods or time for which each value of such variable interest rate shall remain in effect, and (ii) the time or times based upon which any change in such variable interest rate shall become effective, and which variable interest rate may, without limitation, be based on the interest rate on certain bonds or may be based on interest rate, currency, commodity or other indices.

Variable Interest Rate Obligations

“Variable Interest Rate Obligations” means, for any period of time, any Parity Obligations that bear a Variable Interest Rate during such period, except that no such obligation shall be treated as a Variable Interest Rate Obligation if the net economic effect of interest rates

on any particular payments and interest rates on any other payments of the same obligation, as set forth in such obligation, or the net economic effect of a Payment Agreement with respect to any particular Parity Obligation, in either case is to produce a substantially fixed interest rate obligation, and any Parity Obligation with respect to which a Payment Agreement is in force shall be treated as a Variable Interest Rate Obligation if the net economic effect of the Payment Agreement is to produce a substantially Variable Interest Rate Obligation.

Water Project

“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 for the City, the cost of the purchase of which is to be paid for by the proceeds of any Parity City Bonds or any Parity Contracts.

Water Service

“Water Service” means the commodity and the collection, conservation, production, storage, treatment, transmission, supply and distribution services furnished, made available or provided by the Water System.

Water System

“Water System” means all facilities for obtaining, storing, treating and delivering municipal water now owned or operated 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 or constructed.

ARTICLE II

THE 2005A WATER PROJECT

SECTION 2.01. Refunding of the Installment Payments for the 2005A Water Project. The Authority agrees to refund the installment payments due by the City for the purchase of the 2005A Water Project. In order to implement this provision, the Authority agrees to cause to be delivered to the 2013 Trustee, as escrow agent, the sum of \$8,980,856.46 from the proceeds of the 2021 Bonds, and the City agrees to use such amounts to prepay the installment payments payable by the City for the 2005A Water Project.

In the event the Authority fails to observe or perform any agreement, condition, covenant or term contained herein required to be observed or performed by it, the City may institute such action or proceeding against the Authority as the City may deem necessary or convenient to compel the observance or performance of such agreement, condition, covenant or term, or to recover damages for the nonobservance or nonperformance thereof. The City may, at its own cost and expense and in its own name or in the name of the Authority, prosecute or defend any action or proceeding or take any other action involving third persons which the City deems reasonably necessary in order to protect or secure its rights hereunder, and in such event

the Authority agrees to cooperate fully with the City and to take all action necessary to effect the substitution of the City for the Authority in any action or proceeding if the City shall so request.

SECTION 2.02. Additions to or Deletions from the 2005A Water Project. The City may at any time make additions to or make deletions from the 2005A Water Project, but only if the City first files with the Trustee a certificate of the City identifying the work to be added to the 2005A Water Project or the work to be deleted from the 2005A Water Project, or both.

SECTION 2.03. Title to the 2005A Water Project. Upon the acquisition or construction of each portion of the 2005A Water Project by the City as agent for the Authority, all right, title and interest therein shall automatically vest in the City, which automatic vesting shall occur without further action by the Authority; provided, that the Authority shall, if requested by the City or if necessary to assure such automatic vesting of such right, title or interest, execute and deliver any and all documents required to assure such vesting.

SECTION 2.04. Location of the 2005A Water Project; Ingress and Egress by Authority. The 2005A Water Project consists of components which are not contiguous to one another and which are located at various locations within and without the City, and the Authority shall have the right of ingress and egress to and from all such locations for the purpose of fulfilling its obligations hereunder without the necessity of either party hereto executing any further documentation relevant or appertaining hereto.

ARTICLE III

2021 INSTALLMENT PAYMENTS

SECTION 3.01. Refunding Price.

(a) The Refunding Price to be paid by the City hereunder to the Authority for the refunding of the aggregate installment payments payable by the City under the 2013 Contract is nine million one hundred sixteen thousand dollars (\$9,116,000), payable in installments of principal together with interest on the unpaid principal balance thereof, all as provided in the next paragraph (subject in each case to any right of prepayment provided in Article VI).

(b) The interest on the unpaid balance of the principal amount of the City's obligations hereunder constituting the 2021 Installment Payments shall accrue from June 30, 2021, at the following annual rates of interest per annum, and shall be paid by the City as and constitute interest paid on the principal amount of the City's obligations hereunder constituting the 2021 Installment Payments, namely:

Installment Payment Date (November 1)	Principal Installment	Interest Rate
2021	\$643,000.00	1.757%
2022	643,000.00	1.757
2023	654,000.00	1.757
2024	664,000.00	1.757
2025	674,000.00	1.757
2026	688,000.00	1.757
2027	701,000.00	1.757
2028	709,000.00	1.757
2029	725,000.00	1.757
2030	734,000.00	1.757
2031	748,000.00	1.757
2032	759,000.00	1.757
2033	774,000.00	1.757

SECTION 3.02. Payment of the 2021 Installment Payments. The City shall, subject to any right of prepayment as provided in Article VI, pay the Authority the 2021 Installment Payments as herein provided, without offset or deduction of any kind, by paying the principal components of the 2021 Installment Payments annually in the amounts and on November 1 in each of the years in accordance with Exhibit A attached hereto and incorporated herein and made a part hereof, together with the interest components of the 2021 Installment Payments, which interest components shall be paid semiannually on May 1 and November 1, commencing November 1, 2021, in the amounts set forth in Exhibit A attached hereto and incorporated herein and made a part hereof; provided, that in the event the City fails to make any 2021 Installment Payment when due, the defaulted 2021 Installment Payment shall continue as an obligation of the City, and the City shall pay the same with interest thereon from the due date thereof at the Default Rate (as defined in the 2021 Indenture) and Exhibit A attached hereto shall be deemed to be amended to reflect such additional interest; provided further, that if an Event of Default occurs and is not cured within 90 days, the 2021 Installment Payments shall bear interest at the Default Rate until such Event of Default is cured and Exhibit A attached hereto shall be deemed to be amended to reflect such additional interest.

The obligation of the City to pay the 2021 Installment Payments from the Net Revenues as herein provided is absolute and unconditional, and until such time as the 2021 Installment Payments shall have been fully paid (or provision for the payment thereof shall have been made pursuant to Section 7.01), the City will not discontinue or suspend any 2021 Installment Payments required to be made by it under this section, whether or not the 2005A Water Project or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to abatement because of any damage to, destruction or condemnation of the 2005A Water Project, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditioned upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

SECTION 3.03. Prepayment of the 2021 Installment Payments. The City may prepay the principal components of 2021 Installment Payments at the same times, in the same amounts and upon the same terms and conditions as the 2021 Bonds may be redeemed pursuant to the 2021 Indenture.

Notwithstanding any such prepayment, the City shall not be relieved of its obligations hereunder until all 2021 Installment Payments shall have been fully paid (or provision for the payment thereof shall have been made pursuant to Section 7.01).

ARTICLE IV

REVENUES

SECTION 4.01. Pledge of Net Revenues; City Revenue Fund.

(a) All Net Revenues shall be irrevocably pledged to the payment of the Parity Obligations, and the Net Revenues shall not be used for any purpose while any 2021 Installment Payments remain unpaid; provided, that out of Revenues there may be apportioned such sums for such purposes as are expressly permitted by this article. Upon the effectiveness of such pledge, such pledge shall constitute a first and exclusive lien on Revenues for the payment of the 2021 Installment Payments and Parity Obligations in accordance with the terms hereof.

(b) All Revenues shall be deposited as and when received in the City Revenue Fund which fund is hereby continued in the treasury of the City and which fund shall be maintained by the City, and all money in the City Revenue Fund shall be set aside by the City and applied to the payment of Maintenance and Operation Costs, as and when required to be paid.

(c) All remaining Revenues after the payment of all Maintenance and Operation Costs then required to be paid shall be Net Revenues.

(d) The City hereby covenants to cause all Net Revenues to be allocated and applied as provided in Section 4.02; provided, that pending the use by the City of the Net Revenues for such purposes, such money may be invested by the City in Permitted Investments.

SECTION 4.02. Allocation of Net Revenues. All Net Revenues shall be set aside by the City at the following times and deposited in the following account or fund in the following order of priority:

(a) Parity Installment Payment Fund Deposits. On or before each May 1 and November 1, the City shall, from Net Revenues, transfer to the Trustee (on parity with the transfers of Net Revenues for the payment of all other Parity Debt Service becoming due on such May 1 or November 1, as the case may be) for deposit in the Parity Installment Payment Fund a sum equal to the amount of the interest component becoming due hereunder on such May 1 or November 1, as the case may be, and on or before November 1 of each year, the City shall, from Net Revenues, transfer to the Trustee (on parity with the transfers of Net Revenues for the payment of all other Parity Debt Service) for deposit in the Parity Installment Payment Fund a

sum equal to the amount of the principal component becoming due hereunder on such November 1;

(b) Surplus Net Revenues. Provided that the payments and deposits required under paragraph (a) above have been made, any remaining Net Revenues may be used for any lawful purpose, including, but not limited to the payment of any obligations secured by Net Revenues on a priority subordinate to the Parity Obligations or the payment of any Termination Payment;

provided, that no such transfers to and deposits in the Parity Installment Payment Fund need be made if the amount available and contained therein is at least equal to the interest component becoming due hereunder on the next succeeding May 1 or November 1, as the case may be, plus the principal component becoming due hereunder on the next succeeding November 1; and provided further, that nothing in this section shall be construed to limit the City's ability to make other transfers and deposits at any time from Net Revenues for the payment of debt service, credit enhancement reimbursement costs and Payment Agreement Payments to the extent required with respect to additional Parity Obligations incurred in accordance with Section 4.03.

SECTION 4.03. Additional Obligations. The City will not incur any obligations payable from Net Revenues superior to the payment of the 2021 Installment Payments; provided, that the City may at any time issue any Parity City Bonds or execute and deliver any Parity Contract, as the case may be, to finance or refinance any Water Project, if

(a) The Net Revenues for the most recent audited Fiscal Year preceding the execution and delivery of such Parity Obligation, as evidenced by a special report prepared by the City or an Independent Financial Consultant, shall have satisfied the Coverage Requirement for such Fiscal Year;

(b) The Net Revenues for the most recent audited Fiscal Year preceding the execution and delivery of such Parity Obligation, as evidenced by a special report prepared by the City or an Independent Financial Consultant, shall have satisfied the Coverage Requirement for such Fiscal Year; provided, that for purposes of this clause (b), such report shall assume that (i) any increases or decreases in rates and charges for the Water Service that have become effective at any time since the first day of such Fiscal Year had been in effect since the first day of such Fiscal Year, (ii) any Parity Obligations that have been incurred since the first day of such Fiscal Year had been incurred on the first day of such Fiscal Year, and (iii) any Parity Obligation proposed to be issued had been incurred on the first day of such Fiscal Year; and

(c) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest Date of Operation of any uncompleted Water Project, including (after giving effect to the completion of all such uncompleted Water Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed, prescribed or received for the Water Service and which in the opinion of the City are economically feasible and reasonably considered necessary based on projected operations for such period, shall satisfy the Coverage Requirement with respect to the estimated Parity Debt Service for each of such Fiscal Years, after giving effect to the execution of all Parity

Obligations estimated to be required to be executed or issued to pay the costs of completing all uncompleted Water Projects within such Fiscal Years, assuming that all such Parity Obligations have maturities, interest rates (or Assumed Rates, in the case of Variable Interest Rate Obligations) and proportionate principal repayment provisions similar to the Parity Obligation last executed or then being executed for the purpose of acquiring and constructing any of such uncompleted Water Projects;

provided, that any Parity City Bonds may be issued or any Parity Contract may be executed and delivered without regard to the foregoing conditions if the Parity Debt Service in each Fiscal Year after the issuance of such Parity City Bonds or the execution and delivery of such Parity Contract, as the case may be, is not increased by reason of the issuance of such Parity City Bonds or the execution and delivery of such Parity Contract; and provided further, that any Parity City Bonds may be issued or any Parity Contract may be executed and delivered without regard to the foregoing conditions in order to refund Parity City Bonds or Parity Contracts then outstanding if, as a result of such refunding, an Event of Default will be cured; and provided further, that nothing contained herein shall limit the ability of the City to execute and deliver obligations secured by Net Revenues on a basis subordinate to all Parity Obligations so long as Net Revenues for the most recent Fiscal Year preceding the execution and delivery of such subordinate obligations evidenced in the same manner as provided above is at least equal to 100% of all Outstanding Parity Bonds and subordinate obligations including the proposed subordinate obligations.

Notwithstanding the satisfaction of the other conditions set forth in this Section 4.03, no Parity Obligations may be issued if any Event of Default (or any event which, with the passage of time or the giving of notice, or both, shall become an Event of Default) shall have occurred and be continuing, unless such default shall be cured upon such issuance.

ARTICLE V

COVENANTS OF THE CITY AND THE AUTHORITY

SECTION 5.01. Compliance with, Amendment of and Assignment of 2021 Contract.

(a) The City will punctually pay the 2021 Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate the 2021 Contract for any cause whatsoever, including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the 2005A Water Project, 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. The City will, so long as any 2021 Installment Payments remain unpaid, apply Net Revenues as provided herein.

(b) The City and the Authority shall not supplement, amend, modify or terminate any of the terms of the 2021 Contract, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Trustee, which such consent shall be given only if (a) such supplement, amendment, modification or termination will not materially adversely affect the interests of the 2021 Bonds or result in any material impairment of the security hereby given for the payment of the 2021 Installment Payments, or (b) the Trustee first obtains the written consent of a majority in aggregate principal amount of the Holders of the 2021 Bonds then Outstanding to such supplement, amendment, modification or termination; provided, that any supplement that complies with Sections 4.03 of this 2021 Contract shall not be deemed to materially adversely affect the interests of the Holders of 2021 Bonds or result in any material impairment of the security hereby given for the payment of the 2021 Installment Payments; and provided further, that no such supplement, amendment, modification or termination shall reduce the amount of 2021 Installment Payments to be made to the Authority or the Trustee by the City pursuant to the 2021 Contract, or extend the time for making such 2021 Installment Payments, or permit the creation of any lien prior to the lien created by the 2021 Contract on Net Revenues without the written consent of all of the Holders of all 2021 Bonds then Outstanding, except as provided in Section 4.03.

(c) For so long as the Initial Purchaser is the Holder of all of the 2021 Bonds, City and the Authority shall not supplement, amend or modify any of the terms of the 2021 Contract relating to the Coverage Requirement or the requirements relating to the issuance of Parity Obligations, or consent to any such supplement, amendment or modification thereof, without the prior written consent of the Initial Purchaser.

SECTION 5.02. Against Encumbrances. The City will not make any use of or encumber the Net Revenues except as provided herein; provided, that so long as the City is not in default hereunder, the City may issue any obligations subordinate to the Parity City Bonds and the Parity Contracts that are payable from surplus Net Revenues as provided in Section 4.03.

SECTION 5.03. 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 Net Revenues. The City will not enter into any agreement which impairs the operation of the Water System or any part thereof necessary to secure adequate Net Revenues for the payment of the Parity City Bonds or the Parity Installment Payments or which would otherwise impair the rights of the City with respect to Net Revenues or the operation of the Water System.

SECTION 5.04. Against Competitive Facilities. The City will not, to the extent permitted by law, acquire, purchase, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, purchase, maintain or operate within the City any water system competitive with the Water System.

SECTION 5.05. Tax Covenants. The City will at all times do and perform all acts and things permitted by law which are necessary or desirable in order to assure that the interest components of the 2021 Installment Payments will not be included in the gross income of the owners of the 2021 Bonds for federal income tax purposes under the Code and will be

exempt from State of California personal income taxes, and will take no action that would result in such interest being so included or not being so exempt. Without limiting the foregoing, the City and the Authority will at all times comply with the requirements of the Tax Certificate executed in connection with the delivery of the 2021 Bonds by the Trustee. This covenant shall survive any defeasance or discharge of the 2021 Installment Payments pursuant to Article VIII or any prepayment of principal components of the 2021 Installment Payments pursuant to Article VI.

SECTION 5.06. Maintenance and Operation of the 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.

SECTION 5.07. 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 Net Revenues or any part thereof or on any funds in the hands of the City or which might impair the security of the 2021 Installment Payments.

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 kept, observed and 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. 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 the State in connection with municipal water systems comparable 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 in the State comparable to the Water System and is, in the opinion of an accredited actuary, actuarially 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.

SECTION 5.10. Accounting Records; Financial Statements and Other Reports.

(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 and the Net Revenues, the Maintenance and Operation Costs and the Net Revenues relating thereto, 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 annually within two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2021) 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, which records shall be available for inspection by the Authority and the Trustee at reasonable hours and under reasonable conditions. The City shall either (i) provide a copy of such financial statements to the Holder or Holders, (ii) post such financial statements to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access (EMMA) system available on the Internet or (iii) post such financial statements publicly on the City's website.

(c) For so long as the 2021 Bonds are held by a single Holder, the City shall provide to such Holder other financial reports as such Holder may reasonably request.

SECTION 5.11. Protection of Security and Rights of Authority. The City will preserve and protect the security hereof and the rights of the Authority to the 2021 Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

SECTION 5.12. Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System or any part thereof or upon Net Revenues when the same shall become due. The City will duly observe and comply 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 5.13. Amount of Charges, Fees and Rates. The City will fix, prescribe and collect rates, fees and charges for the Water Service during each Fiscal Year which are reasonably fair and nondiscriminatory and which are estimated to yield Net Revenues for such Fiscal Year equal to at least the Coverage Requirement for such Fiscal Year; provided, that for purposes of this section, the assumptions set forth herein in paragraphs (C) and (D) of the definition of "Parity Debt Service" shall be disregarded. The City may make adjustments from time to time in such 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 Revenues from such reduced rates, fees and charges are estimated to be sufficient to meet the requirements of this section.

SECTION 5.14. Collection of Charges, Fees and Rates. The City will have in effect at all times rules and regulations requiring each user of the Water System to pay the applicable rates, fees and charges applicable to the Water Service 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 and any city, county, district, political subdivision, public corporation or agency of any thereof); provided, that the City may without charge use the Water System.

SECTION 5.15. 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 (a) the prepayment of Parity Obligations, or (b) to acquire and construct additions, betterments or improvements to the Water System to replace the condemned or destroyed portion of the Water System.

SECTION 5.16. Additional Covenants. The City may provide additional covenants pursuant to any supplement hereto, including covenants relating to any credit support or liquidity support obtained for the 2021 Bonds.

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. Compensation and Indemnification of Trustee. The City shall punctually pay amounts required to be paid to the Trustee pursuant to Section 5.03 of the 2021 Indenture. The provisions of this Section shall survive the termination of this 2021 Contract.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

SECTION 6.01. Events of Default. If one or more of the following Events of Default shall happen, that is to say:

(a) if default shall be made in the due and punctual payment of any Parity Installment Payment or of any installment of principal of or interest on any Parity City Bond when and as the same shall become due and payable;

(b) if default shall be made by the City in the performance of any of the other agreements or covenants contained herein or contained in any Issuing Document authorizing the issuance of any Parity City Bonds required to be performed by it or contained in any Parity Contracts required to be performed by it, and such default shall have continued for a period of thirty (30) days after the City shall have been given notice in writing of such default by the Authority or the Trustee; or

(c) 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 the Authority may, by notice in writing to the City, declare the entire principal amount of the unpaid 2021 Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding; provided, that if at any time after the entire principal amount of the unpaid 2021 Installment Payments and the

accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the money thereby due shall have been obtained or entered the City shall deposit with the Authority a sum sufficient to pay the unpaid principal amount of the 2021 Installment Payments due prior to such declaration and the accrued interest thereon, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid 2021 Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate shall have been made therefor then and in every case the Authority, by written notice to the City, may rescind and annul such declaration and its consequences, except that 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. Distribution of Assets. Upon the date of the declaration of an Event of Default by the Authority as provided in Section 6.01, all Net Revenues shall be applied in the following order:

(1) First, to the payment of the costs and expenses of the Trustee (as assignee of the Authority), if any, in carrying out the provisions of this article, including reasonable compensation to its agents, accountants and counsel and including any expenses of the Authority in indemnifying the Trustee;

(2) Second, to the payment of the interest then due and payable on the principal amount of the Parity Obligations (except any Termination Payments), and, if the amount available shall not be sufficient to pay in full all such interest then due and payable, then to the payment thereof ratably, according to the amounts due thereon without any discrimination or preference;

(3) Third, to the payment of the unpaid principal amount of the Parity Obligations (except any Termination Payments) then due and payable with interest on the overdue principal and interest amounts of the unpaid Parity Obligations at the rate or rates of interest then applicable to such Parity Obligations if paid in accordance with their terms, and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to the Parity Obligations 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;

(4) Fourth, to the required replenishment of any debt service reserves with respect to the Parity Obligations;

(5) Fifth, to the payment of any other amounts becoming due and payable with respect to Parity Obligations (including any letter of credit and remarketing fees); and

(6) Sixth, to the payment of the costs and expenses of the Authority, if any, in carrying out the provisions of this article, including reasonable compensation to its agents, accountants and counsel, that were not paid pursuant to clause (1) above;

(7) Seventh, to the payment of all other amounts due and payable by the City from Net Revenues, including, but not limited to the payment of obligations secured by Net Revenues on a priority subordinate to the Parity Obligations, and to the payment of any Termination Payments on any Payment Agreements.

SECTION 6.03. Other Remedies of the Authority. The Authority 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 duties under agreements and covenants required to be performed by it or him or her contained herein;

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

(c) by suit in equity upon the happening of an Event of Default to require the City and its 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 2021 Installment Payments to the Authority at their respective due dates or upon prepayment as provided herein from the Net Revenues, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Authority 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, and no delay or omission by the Authority 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 Authority by applicable law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

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

SECTION 6.05. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy 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 applicable 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 2021 Installment Payments at the times and in the manner provided herein, and other amounts required hereunder, 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, except as provided in Section 5.05 and Section 5.18.

(b) Any unpaid principal component of the 2021 Installment Payments shall on its scheduled 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 2021 Installment Payments and the interest and prepayment premium, if applicable, thereon in the manner provided herein, and money for the purpose of such payment or prepayment is then held by the Trustee.

(c) All or any portion of unpaid principal components of the 2021 Installment Payments shall, prior to their scheduled 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 (except that the City shall remain liable for the payment of such 2021 Installment Payments, but only out of the money or securities deposited with the Trustee or an escrow agent as hereinafter described) if (i) notice is provided by the City to the Trustee, (ii) there shall have been deposited with the Trustee or such escrow agent either money in an amount which shall be sufficient, or Federal Securities which are not subject to redemption prior to maturity except by the holder thereof (including any such Federal Securities issued or held in book entry form) the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee or such escrow agent at the same time, shall be sufficient, as stated in a report of an Independent Certified Public Accountant addressed to the City and the Trustee or such escrow agent, to pay when due the principal components of such 2021 Installment Payments or such portions thereof and the interest and prepayment premiums, if any, thereon on and prior to their payment dates or their dates of prepayment, as the case may be, and (iii) an opinion of nationally recognized bond counsel addressed to the City and the Trustee or such escrow agent is filed with the Trustee to the effect that the action taken pursuant to this subsection will not cause the interest components of the 2021 Installment Payments to be includable in gross income under the Code for federal income tax purposes.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Liability of City Limited to Net Revenues. Notwithstanding anything contained herein, the City shall not be required to advance any money derived from any source of income other than the Net Revenues and the other funds provided herein for the payment of the 2021 Installment Payments or for the performance of any agreements or

covenants required to be performed by it contained herein; provided, that the City may advance money for any such purpose so long as such money is 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 2021 Installment Payments is a special obligation of the City and is payable solely from the Net Revenues and the other funds as provided herein, and does not constitute a debt of the City or the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction, and does not constitute an obligation for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

SECTION 8.02. Benefits of Contract Limited to Parties. Except as provided in Sections 8.03 and 8.04, nothing contained herein, expressed or implied, is intended to give any person other than the City, the Authority, and their assigns 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 City or the Authority shall be for the sole and exclusive benefit of the City, the Authority, and their assigns.

SECTION 8.03. Assignment. The 2021 Contract and any rights hereunder may be assigned by the Authority, as a whole or in part, without the necessity of obtaining the prior consent of the City. The assignment of the 2021 Contract or rights hereunder to the Trustee is solely in its capacity as Trustee and the duties, powers and liabilities of the Trustee in acting hereunder shall be subject to the provisions of the 2021 Indenture.

SECTION 8.04. Successor is Deemed Included in all References to Predecessor. Whenever either the City or the Authority 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 City or the Authority, and all agreements and covenants required hereby to be performed by or on behalf of the City or the Authority with respect to the Water System 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 2021 Installment 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, convenience or effect hereof, and words of any gender shall be deemed and construed to include all genders. 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," "hereto," "herewith," "hereunder" and other words of similar import refer to the 2021 Contract as a whole and not to any particular article, section, 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 City 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, and the City and the Authority hereby declare that they would have executed the 2021 Contract 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. Net Contract. The 2021 Contract shall be deemed and construed to be a net contract, and the City shall pay absolutely net during the term hereof the 2021 Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

SECTION 8.09. California Law. The 2021 Contract shall be construed and governed in accordance with the laws of the State of California.

SECTION 8.10. 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 Folsom
Folsom City Hall
50 Natoma Street
Folsom, California 95630
Attention: Finance Director

If to the Authority:

Folsom Public Financing Authority
Folsom City Hall
50 Natoma Street
Folsom, California 95630
Attention: Treasurer

SECTION 8.11. Effective Date. The 2021 Contract shall become effective upon its execution and delivery.

SECTION 8.12. Execution in Counterparts. The 2021 Contract may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

[REMAINDER INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the parties hereto have executed the 2021 Contract by their officers thereunto duly authorized as of the day and year first written above.

CITY OF FOLSOM

By _____
Finance Director

(SEAL)

Attest:

City Clerk

FOLSOM PUBLIC FINANCING
AUTHORITY

By _____
Treasurer

Attest:

Secretary

EXHIBIT A

2021 INSTALLMENT PAYMENT SCHEDULE

2021 Installment Payment Date	Interest Component	Principal Component	Total 2021 Installment Payments
November 1, 2021	\$67,181.63	\$643,000.00	\$710,181.63
May 1, 2022	74,435.31	--	74,435.31
November 1, 2022	74,435.31	643,000.00	717,435.31
May 1, 2023	68,786.55	--	68,786.55
November 1, 2023	68,786.55	654,000.00	722,786.55
May 1, 2024	63,041.16	--	63,041.16
November 1, 2024	63,041.16	664,000.00	727,041.16
May 1, 2025	57,207.92	--	57,207.92
November 1, 2025	57,207.92	674,000.00	731,207.92
May 1, 2026	51,286.83	--	51,286.83
November 1, 2026	51,286.83	688,000.00	739,286.83
May 1, 2027	45,242.75	--	45,242.75
November 1, 2027	45,242.75	701,000.00	746,242.75
May 1, 2028	39,084.47	--	39,084.47
November 1, 2028	39,084.47	709,000.00	748,084.47
May 1, 2029	32,855.90	--	32,855.90
November 1, 2029	32,855.90	725,000.00	757,855.90
May 1, 2030	26,486.78	--	26,486.78
November 1, 2030	26,486.78	734,000.00	760,486.78
May 1, 2031	20,038.59	--	20,038.59
November 1, 2031	20,038.59	748,000.00	768,038.59
May 1, 2032	13,467.41	--	13,467.41
November 1, 2032	13,467.41	759,000.00	772,467.41
May 1, 2033	6,799.59	--	6,799.59
November 1, 2033	6,799.59	774,000.00	780,799.59
TOTAL:	\$1,064,648.15	\$9,116,000.00	\$10,180,648.15

ATTACHMENT 4

2021 INDENTURE

by and between the

FOLSOM PUBLIC FINANCING AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION,

as Trustee

Relating to the

\$9,116,000

FOLSOM PUBLIC FINANCING AUTHORITY
WATER REVENUE REFUNDING BONDS, SERIES 2021

Dated as of June 1, 2021

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2021 INDENTURE

This 2021 Indenture (the “2021 Indenture”), dated as of June 1, 2021, by and between the FOLSOM PUBLIC FINANCING AUTHORITY, a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the “Authority”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as trustee (the “Trustee”);

W I T N E S S E T H:

WHEREAS, the Authority is a joint exercise of powers entity duly organized and existing under and pursuant to Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, as amended (the “Act”);

WHEREAS, the Authority is authorized by law to issue revenue bonds to assist the City of Folsom (the “City”) in financing public capital improvements and to issue refunding revenue bonds to refinance any obligations theretofore incurred by it or the City;

WHEREAS, the City and the Authority previously entered into that certain 2013 Installment Purchase Contract, dated as of July 1, 2013 (the “2013 Contract”), whereby the Authority agreed to sell certain improvements to the City’s water system (the “2005A Water Project”) to the City and the City agreed to purchase such improvements from the Authority for the purpose of refinancing the 2005A Water Project; and

WHEREAS, in connection with the 2013 Contract, the Authority issued its Water Revenue Refunding Bonds, Series 2013 (the “2013 Bonds”) pursuant to a 2013 Indenture, dated as of July 1, 2013 (the “2013 Indenture”) between the Authority and the Trustee, as successor to MUFG Union Bank, N.A. (formerly Union Bank, N.A.), for the purpose, among others, of refinancing the 2005A Water Project; and

WHEREAS, the City and the Authority previously entered into that certain 2019 Installment Purchase Contract, dated as of October 1, 2019 (the “2019 Contract”), whereby the Authority agreed to sell a portion of certain improvements to the City’s water system (the “1998 Water Project”) to the City and the City agreed to purchase such improvements from the Authority for the purpose of refinancing a portion of the 1998 Water Project; and

WHEREAS, in connection with the 2019 Contract, the Authority issued its Water Revenue Refunding Bonds, Series 2019 (the “2019 Bonds”) pursuant to a 2019 Indenture, dated as of October 1, 2019 (the “2019 Indenture”) between the Authority and the Trustee, as successor to MUFG Union Bank, N.A., for the purpose, among others, of refinancing the 1998 Water Project; and

WHEREAS, the City has determined that the refinancing of the 2005A Water Project by refunding the obligations of the City under the 2013 Contract, as provided in the 2021 Contract, is necessary and proper for the City and is in the public interest, and the Authority has determined to assist the City in the foregoing by refunding the City’s remaining obligations under the 2013 Contract and thereby refunding the outstanding 2013 Bonds; and

WHEREAS, the City will be obligated to make installment payments to the Authority for the refinancing of the 2005A Water Project pursuant to that certain 2021 Installment Purchase Contract, dated as of June 1, 2021 (the “2021 Contract”), between the Authority and the City; and

WHEREAS, the City’s obligation to make the installment payments under the 2021 Contract are secured by a pledge of certain net revenues of the water system of the City, which pledge is on parity with the security interest securing the outstanding 2019 Bonds;

WHEREAS, in order to achieve the foregoing, the Authority has authorized the issuance of its Water Revenue Refunding Bonds, Series 2021 (the “2021 Bonds”) in an aggregate principal amount of nine million one hundred sixteen thousand dollars (\$9,116,000);

WHEREAS, in order to provide for the authentication and delivery of the 2021 Bonds and to establish and declare the conditions and terms upon which the 2021 Bonds are to be issued and secured and to secure the payment of the interest on and principal of and redemption premiums, if any, on the 2021 Bonds, the Authority has authorized the execution and delivery of the 2021 Indenture;

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed necessary to make the 2021 Bonds, when executed by the Authority and authenticated and delivered by the Trustee, valid and binding obligations of the Authority payable in accordance with their terms, and to constitute the 2021 Indenture a valid and binding agreement of the parties hereto for the uses and purposes herein set forth in accordance with its conditions and terms, do exist, have happened and have been performed in the time, form and manner required by law, and the execution and delivery of the 2021 Indenture by the parties hereto has been in all respects duly authorized;

NOW, THEREFORE, THIS 2021 INDENTURE WITNESSETH, that in order to secure the payment of the interest on and principal of and redemption premiums, if any, on the 2021 Bonds at any time issued and outstanding hereunder according to their tenor, and to secure the performance and observance of all the agreements, conditions, covenants and terms therein and herein set forth, and to declare the conditions and terms upon and subject to which the 2021 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 2021 Bonds by the registered owners 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 2021 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 Indenture and of any certificate, opinion, request or other document herein or therein mentioned have the meanings herein specified:

2013 Bonds

“2013 Bonds” means the Folsom Public Financing Authority Water Revenue Refunding Bonds, Series 2013, which were issued pursuant to the 2013 Indenture.

2013 Indenture

“2013 Indenture” means the 2013 Indenture, dated as of July 1, 2013, by and between the Authority and the Trustee, as successor to MUFG Union Bank, N.A. (formerly Union Bank, N.A.).

2019 Bonds

“2019 Bonds” means the Folsom Public Financing Authority Water Revenue Refunding Bonds, Series 2019, which were issued pursuant to the 2019 Indenture.

2019 Indenture

“2019 Indenture” means the 2019 Indenture, dated as of October 1, 2019, by and between the Authority and the Trustee, as successor to MUFG Union Bank, N.A.

2021 Bonds

“2021 Bonds” means all bonds of the Authority authorized, issued and delivered hereunder in accordance with Article II that are at any time Outstanding pursuant hereto.

2021 Contract

“2021 Contract” means that certain 2021 Installment Purchase Contract dated as of June 1, 2021, by and between the City and the Authority, as originally executed and as it may from time to time be amended in accordance therewith.

2021 Indenture

“2021 Indenture” means this 2021 Indenture dated as of June 1, 2021, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Indentures executed pursuant to the provisions hereof.

2021 Installment Payment Fund

“2021 Installment Payment Fund” means the Folsom Public Financing Authority 2021 Installment Payment Fund established pursuant to Section 3.02.

2021 Installment Payments

“2021 Installment Payments” shall have the meaning given in the 2021 Contract.

Act

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

Authority

“Authority” means the Folsom Public Financing Authority, a joint exercise of powers entity duly organized and existing under and by virtue of the Act.

Business Day

“Business Day” means any day (other than a Saturday, a Sunday or a legal holiday) on which the Trustee is open for business at its Designated Corporate Trust Office.

Certificate of the Authority

“Certificate of the Authority” means an instrument in writing signed by the Treasurer, or by any other officer of the Authority duly authorized by the Authority for that purpose.

City

“City” means the City of Folsom, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State.

Code

“Code” means the Internal Revenue Code of 1986 and the regulations of the United States Department of the Treasury issued thereunder, and in this regard reference to any particular section of the Code shall include reference to all successor sections of the Code.

Costs of Issuance

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Authority or the City related to the authorization, execution and delivery of the 2021 Contract, the 2021 Indenture and the sale of the 2021 Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial charges and fees of the Trustee, legal charges and fees, fees and disbursements of consultants and professionals, fees and expenses of the placement agent of the 2021 Bonds, and charges and fees for preparation, execution and safekeeping of the 2021 Bonds, and any other charge, cost or fee in connection with the original execution and delivery of the 2021 Bonds.

Costs of Issuance Fund

“Costs of Issuance Fund” means the Folsom Public Financing Authority Water Revenue Refunding Bonds, Series 2021 Costs of Issuance Fund established pursuant to Section 2.12(a)(ii).

Default Rate

“Default Rate” means 4.757% per annum.

Defeasance Obligations

“Defeasance Obligations” means each of the following or any combination thereof: (1) non-callable direct obligations of the United States of America (“Treasuries”), (2) 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, (3) pre-refunded municipal obligations rated “AAA” and “Aaa” by S&P and Moody’s, respectively, or (4) securities eligible for “AAA” defeasance under then existing criteria of S&P.

Designated Corporate Trust Office

“Designated Corporate Trust Office” means the corporate trust office of the Trustee in San Francisco, California; provided, that for purposes of the registration, transfer, exchange, payment or surrender of the 2021 Bonds, the term “Designated Corporate Trust Office” means the corporate trust office of the Trustee in St. Paul, Minnesota, or such other office designated by the Trustee from time to time.

Escrow Agent

“Escrow Agent” means an escrow agent appointed and acting in accordance with Section 8.01 hereof and which shall be a bank or trust company doing business and having a corporate trust office in Los Angeles or San Francisco, California, having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000), subject to supervision or examination by a federal or state banking authority, and having the corporate power and authority to accept the trusts created by a deposit made pursuant to Section 8.01(c). 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 referred to above, then for the purpose of this definition 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.

Escheat Period

“Escheat Period” means, with respect to any money held by the Trustee in trust for the payment of the interest on or principal of or redemption premiums, if any, on 2021 Bonds, a

period beginning on the date such payment was due and ending on the date sixty (60) days prior to the date on which such money would escheat to the State by operation of applicable law.

Event of Default

“Event of Default” means an event defined as such in Section 7.01.

Fiscal Year

“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

“Holder” means any person who shall be the registered owner of any Outstanding 2021 Bond.

Independent Certified Public Accountant

“Independent Certified Public Accountant” means any firm of certified public accountants duly licensed and entitled to practice and practicing as such under the laws of the State, appointed and paid by the Authority, and each of whom:

- (1) is in fact independent and not under the domination of the Authority;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the Authority; and
- (3) is not connected with the Authority as a member, officer or employee of the Authority, but which firm may be regularly retained by the Authority to audit the accounting records of the Authority and make reports thereon to the Authority.

Initial Purchaser

“Initial Purchaser” means Key Government Finance, Inc., as initial purchaser of the 2021 Bonds.

Interest Account

“Interest Account” means the account within the 2021 Installment Payment Fund by that name established pursuant to Section 3.03.

Interest Payment Date

“Interest Payment Date” means a date on which interest is due on the 2021 Bonds, being June 1 and December 1 of each year to which reference is made, commencing on December 1, 2021.

Moody's

“Moody’s” means Moody’s Investors Service Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then “Moody’s” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the Authority.

Opinion of Counsel

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, retained by the Authority.

Outstanding

“Outstanding” means, when used with reference to 2021 Bonds and subject to the provisions of Section 6.02, all 2021 Bonds except:

- (1) 2021 Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) 2021 Bonds paid or deemed to have been paid within the meaning of Section 8.01; and
- (3) 2021 Bonds in lieu of or in substitution for which other 2021 Bonds shall have been executed, issued and delivered by the Authority pursuant hereto.

Permitted Investments

“Permitted Investments” means any of the following obligations to the extent then authorized by law for the investment of money of the Authority:

- (1) Direct obligations (including obligations issued or held in book-entry form on the books of) the Department of the Treasury of the United States of America;
- (2) Direct obligations of any of the following federal agencies, which obligations represent the full faith and credit of the United States of America:
 - Export-Import Bank
 - Farm Credit System Financial Assistance Corporation
 - Rural Economic Community Development Administration (formerly the Farmers Home Administration)
 - General Services Administration
 - U.S. Maritime Administration

- Small Business Administration
- Government National Mortgage Association (GNMA)
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration
- Federal Financing Bank;

(3) Direct obligations of any of the following federal agencies, which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations rated "Aaa" by Moody's and "AAA" by S&P issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System
- Senior debt obligations of other Government Sponsored Agencies;

(4) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than three hundred sixty (360) days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank):

(5) Commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's and which matures not more than two hundred seventy (270) days after the date of purchase;

(6) Investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including funds for which the Trustee or an affiliate provides investment management or other services but excluding funds with a floating net asset value;

(7) Pre-refunded municipal obligations defined as follows: Any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (1) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in such irrevocable instructions, as appropriate;

(8) General obligations of states with a rating of at least “A2/A” or higher by both Moody’s and S&P;

(9) Investment agreements (supported by appropriate opinions of counsel) with notice to S&P;

(10) Shares in the California Asset Management Program (established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State) that invests exclusively in investments permitted by Section 53635 of the Government Code of the State, as now existing and as it may be amended from time to time;

(11) The Local Agency Investment Fund (established under Sections 53600-53609 of the California Government Code, as amended or supplemented from time to time); and

(12) Other forms of investment agreements (including repurchase agreements) with notice to S&P.

The value of the above investments shall be determined at fair market value.

Principal Subaccount

“Principal Subaccount” means the subaccount within the Redemption Account by that name established pursuant to Section 3.03.

Record Date

“Record Date” means, with respect to any Interest Payment Date, the day of the month that is the fifteenth (15th) day of the month prior to such Interest Payment Date.

Redemption Account

“Redemption Account” means the account within the 2021 Installment Payment Fund by that name established pursuant to Section 3.03

Revenues

“Revenues” means all 2021 Installment Payments paid by the City and received by the Authority, its successors and assigns under the 2021 Contract, together with all income from any investment pursuant to Section 9.06 of any money in any account or fund established pursuant hereto.

S&P

“S&P” means S&P Global Ratings, a business of Standard & Poor’s Financial Services LLC, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then “S&P” shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the Authority.

State

“State” means the State of California.

Supplemental Indenture

“Supplemental Indenture” means any indenture, duly executed and delivered by the Authority and the Trustee and in full force and effect, which is amendatory hereof or supplemental hereto; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

Tax Certificate

“Tax Certificate” means the Tax Certificate delivered by the Authority at the time of the issuance and delivery of the 2021 Bonds, as the same may be amended or supplemented in accordance with its terms.

Treasurer

“Treasurer” means the Treasurer of the Authority.

Trustee

“Trustee” means U.S. Bank National Association, a national banking association duly organized and existing under and by virtue of the laws of the United States of America, at its Designated Corporate Trust Office, or any successor Trustee which may at any time be substituted in place of the original or any successor Trustee hereunder as provided in Section 5.01.

Water System

“Water System” means all facilities for obtaining, storing, treating and delivering municipal water now owned or operated 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 or constructed.

Written Request of the Authority

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

SECTION 1.02. Equal Security. In consideration of the acceptance of the 2021 Bonds by the Holders thereof, the 2021 Indenture shall be deemed to be and shall constitute a contract by and among the Authority, the Trustee and the Holders from time to time of all 2021 Bonds authorized, executed, authenticated 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 2021 Bonds which may from time to time be authorized, executed, authenticated and delivered hereunder, subject to the agreements, conditions, covenants and terms 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 2021 Bonds without distinction, preference or priority as to security or otherwise of any 2021 Bonds over any other 2021 Bonds by reason of the number or date thereof or the time of authorization, sale, execution, authentication or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

ISSUANCE OF 2021 BONDS

SECTION 2.01. Authorization and Purpose of 2021 Bonds. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the 2021 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 2021 Bonds do exist, have happened and have been performed in due time, form and manner as required by law, that the Authority is now duly authorized, pursuant to each and every requirement of the Act, to issue the 2021 Bonds in the form and manner provided herein for the purpose of providing funds to (1) provide the moneys to refinance the 2013 Bonds, and (2) pay certain costs of issuance of the 2021 Bonds, and that the 2021 Bonds shall be entitled to the benefit, protection and security of the provisions hereof.

SECTION 2.02. Terms of 2021 Bonds. The 2021 Bonds shall be designated the “Folsom Public Financing Authority Water Revenue Refunding Bonds, Series 2021” and shall be in the aggregate principal amount of nine million one hundred sixteen thousand dollars (\$9,116,000). The 2021 Bonds shall be dated the date of their original delivery, shall initially be issued in fully registered form in the name of the Initial Purchaser in denominations of one hundred thousand dollars (\$100,000) and one dollar (\$1) multiples in excess thereof (not exceeding the principal amount of 2021 Bonds maturing at any one time), and shall mature on the dates and in the principal amounts and shall bear interest at the annual interest rates as set forth in the following schedule:

Maturity Date (December 1)	Principal Amount	Interest Rate
2033*	\$9,116,000	1.757%

* term bond

The 2021 Bonds shall bear interest payable in lawful money of the United States of America at the annual interest rates (based on a 360-day year of twelve, 30-day calendar months) set forth above, payable semiannually on June 1 and December 1 in each year, commencing on December 1, 2021; provided that in the event the Authority fails to make any payment of interest on, principal of or redemption price when due (a “Defaulted Payment”), the Defaulted Payment shall continue as an obligation of the Authority until such payment is made, and the Authority shall pay the same with interest thereon from the due date thereof at the Default Rate and the schedule above shall be deemed to be amended to reflect such additional interest; provided further that if an Event of Default occurs and is not cured within 90 days, the 2021 Bonds shall bear interest at the Default Rate until such Event of Default is cured and the schedule above shall be deemed to be amended to reflect such additional interest. Each 2021 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 or is during the period from the day after the Record Date preceding an Interest Payment Date to such Interest Payment Date, both dates inclusive, in which event it shall bear interest from such Interest Payment Date, or unless such date of authentication is prior to the first Record Date, in which event it shall bear interest from its date; provided, that if at the time of authentication of any 2021 Bond interest is then in default on the Outstanding 2021 Bonds, such 2021 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding 2021 Bonds. Payment of interest on the 2021 Bonds due on any Interest Payment Date on or before the maturity or prior redemption thereof shall be made only to the person whose name appears in the bond registration books kept by the Trustee pursuant to Section 2.08 as the registered owner thereof as of the close of business on the Record Date for such Interest Payment Date, whether or not such Record Date is a Business Day, and shall be paid by check mailed on such Interest Payment Date by first class mail to such registered owner at the address as it appears in such books; provided, that upon the written request of any Holder of one million dollars (\$1,000,000) or more in aggregate principal amount of 2021 Bonds received by the Trustee prior to the applicable Record Date (which request shall remain in effect until rescinded in writing by such Holder), interest shall be paid on each Interest Payment Date by wire transfer of immediately available funds to an account maintained in any bank or trust company in the United States of America that is a member of the Federal Reserve System designated in writing by such Holder.

The principal of the 2021 Bonds shall be payable in lawful money of the United States of America upon the surrender thereof at maturity or on redemption prior to maturity at the Designated Corporate Trust Office of the Trustee; provided that for so long as there is only one Holder of the 2021 Bonds and the 2021 Bonds are not in book-entry form, in lieu of surrendering the same for a new 2021 Bond, the Holder shall endorse on such 2021 Bond a record of partial payment of the principal of such 2021 Bond in the form set forth below (which shall be typed or printed on such 2021 Bond):

PAYMENTS ON ACCOUNT OF PRINCIPAL

<u>Payment Date</u>	<u>Principal Amount Paid</u>	<u>Balance of Principal Amount Unpaid</u>	<u>Signature of Registered Holder</u>

The Trustee shall maintain a record of each such partial payment made in accordance with the foregoing agreement and such record of the Trustee shall be conclusive absent manifest error. Such partial payment shall be valid upon payment of the amount thereof to the Holder of such 2021 Bond, and the Authority and the Trustee shall be fully released and discharged from all liability to the extent of such payment regardless of whether such endorsement shall or shall not have been made upon such 2021 Bond by the Holder thereof and regardless of any error or omission in such endorsement.

SECTION 2.03. Redemption of 2021 Bonds.

(a) The 2021 Bonds are subject to optional redemption by the Authority prior to their respective stated maturity dates, upon notice as hereinafter provided, from any source of available funds, on any date and as a whole but not in part, at a redemption price equal to the sum of 100% of the principal amount thereof plus accrued interest thereon to the redemption date.

(b) The 2021 Bonds are also subject to mandatory redemption in part by lot on December 1 in each year commencing December 1, 2021, at the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium, from mandatory sinking account payments in accordance with the following schedule:

Year (December 1)	Redemption Amount
2021	\$643,000.00
2022	643,000.00
2023	654,000.00
2024	664,000.00
2025	674,000.00
2026	688,000.00
2027	701,000.00
2028	709,000.00
2029	725,000.00
2030	734,000.00
2031	748,000.00
2032	759,000.00
2033*	774,000.00

* Maturity

The 2021 Bonds redeemed under mandatory provisions of this paragraph (b) shall not be subject to rescission.

(c) Notice of redemption shall be mailed by first class mail by the Trustee, not less than thirty (30) nor more than sixty (60) days prior to the redemption date, to the respective Holders of the 2021 Bonds designated for redemption at their addresses appearing on the registration books kept by the Trustee pursuant to Section 2.08 as the registered owners thereof. Each notice of redemption shall state the date of such notice, the 2021 Bonds to be redeemed, the date of the 2021 Bonds, the redemption date, the redemption price, the place of redemption (including the name and address of the Designated Corporate Trust Office of the Trustee), and the CUSIP number (if any) of the maturity or maturities. Each such notice shall also state that, subject to the rescission of such redemption as provided below, on such redemption date there will become due and payable on each of the 2021 Bonds to be redeemed the redemption price thereof, and that from and after such redemption date interest on such 2021 Bonds shall cease to accrue, and each such notice shall require that such 2021 Bonds be then surrendered at the Designated Corporate Trust Office of the Trustee specified in the redemption notice for payment of the redemption price thereof; provided, that neither failure to receive any such notice nor any defect contained therein shall invalidate any of the proceedings taken in connection with any such redemption.

Any notice of optional redemption may be rescinded by the Authority if the Authority shall provide written notice to the Trustee no later than five (5) Business Days prior to the date specified for redemption. The Trustee shall immediately thereafter give notice of such rescission in the same manner, and to the same persons, as notice of such redemption was given.

(d) In the event of redemption of 2021 Bonds (other than pursuant to the paragraph (b) of this section), the Trustee shall mail a notice of redemption upon receipt of a Written Request of the Authority, but only after the Authority shall have deposited with or otherwise made available to the Trustee for deposit in the Redemption Account the money required for payment of the redemption price of all 2021 Bonds (or the Authority shall have notified the Trustee that money will be deposited with or otherwise made available to it in sufficient time for such purpose and instructed the Trustee to expressly condition such redemption notice on the receipt thereof, in which event the notice of redemption shall state that the proposed redemption is conditioned on the deposit in the Redemption Account on the redemption date of sufficient money to pay the full redemption price of the 2021 Bonds), together with the estimated expense of giving such notice.

(e) If notice of redemption has been duly given as aforesaid and money for the payment of the redemption price of the 2021 Bonds is held by the Trustee, then, subject to the rescission of such election to redeem as provided herein, on the redemption date designated in such notice the 2021 Bonds shall become due and payable, and from and after the date so designated interest on such 2021 Bonds shall cease to accrue, and the Holders of such 2021 Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

(f) Notwithstanding anything to the contrary, if the notice of redemption expressly provides that the redemption is conditioned upon the receipt by the Trustee of sufficient money to pay the full redemption price of the 2021 Bonds and such money is not received by the date fixed for redemption, the Trustee shall cause to be mailed a notice declaring the rescission of

such redemption election to the parties and in the manner as was mailed the original notice of redemption.

SECTION 2.04. Form of 2021 Bonds. The 2021 Bonds (and the certificate of authentication and assignment to appear thereon) shall be substantially in the form set forth in Exhibit A hereto attached and by this reference incorporated herein.

SECTION 2.05. Execution of 2021 Bonds. The Chairman of the Authority is hereby authorized and directed to execute each of the 2021 Bonds on behalf of the Authority and the Secretary of the Authority is hereby authorized and directed to countersign each of the 2021 Bonds on behalf of the Authority, which signatures of such Chairman and Secretary may be manually subscribed or may be copied, printed, lithographed or engraved by facsimile reproduction; provided, that in case any officer whose signature appears on the 2021 Bonds shall cease to be such officer before the delivery of the 2021 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 2021 Bonds.

Only those 2021 Bonds bearing thereon a certificate of authentication in the form hereinbefore referred to, 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 authentication of the Trustee shall be conclusive evidence that the 2021 Bonds so authenticated 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 2021 Bonds. Any 2021 Bond may, in accordance with its terms and subject to Section 2.11, be transferred in the books required to be kept by the Trustee 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 2021 Bond for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. Whenever any 2021 Bond shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new 2021 Bond or 2021 Bonds of the same aggregate principal amount of the same maturity date and of the same or other authorized denominations. All costs of printing 2021 Bonds and any services rendered or expenses incurred by the Trustee in connection with any such exchange shall be paid by the Authority; provided, that 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 2021 Bond as the absolute owner of such 2021 Bond for the purpose of receiving payment thereof and for all other purposes, whether such 2021 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 2021 Bond shall be made only to such registered owner thereof, which payments shall be valid and effectual to satisfy and discharge liability on such 2021 Bond to the extent of the sum or sums so paid.

The Trustee shall not be required to register the transfer of any 2021 Bond during the period established by the Trustee for the selection of 2021 Bonds for redemption or to register the transfer of any 2021 Bond which has been selected for redemption in whole or in part from and after the day of mailing a notice of redemption of such 2021 Bond selected for redemption in whole or in part as provided in Section 2.03.

SECTION 2.07. Exchange of 2021 Bonds. Any 2021 Bond may be exchanged at the Designated Corporate Trust Office of the Trustee for a new 2021 Bond or 2021 Bonds of the same aggregate principal amount of the same maturity date and of the same or other authorized denominations. All costs of printing 2021 Bonds and any services rendered or expenses incurred by the Trustee in connection with any such exchange shall be paid by the Authority; provided, that 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 exchange any 2021 Bond during the period established by the Trustee for the selection of 2021 Bonds for redemption or to exchange any 2021 Bond which has been selected for redemption from and after the day of mailing of a notice of redemption of such 2021 Bond selected for redemption as provided in Section 2.03.

SECTION 2.08. Bond Registration Books. The Trustee will keep at its Designated Corporate Trust Office sufficient books for the registration and transfer of the 2021 Bonds which shall during normal business hours be open to inspection by the Authority, and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the 2021 Bonds in such books as hereinabove provided.

SECTION 2.09. Mutilated, Destroyed, Stolen or Lost 2021 Bonds. If any 2021 Bond shall become mutilated the Trustee at the expense of the Holder shall thereupon authenticate and deliver a new 2021 Bond of like tenor and principal amount of authorized denominations in exchange and substitution for the 2021 Bond so mutilated, but only upon surrender to the Trustee at its Designated Corporate Trust Office of the 2021 Bond so mutilated, and every mutilated 2021 Bond so surrendered to the Trustee shall be cancelled by the Trustee.

If any 2021 Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee at its Designated Corporate Trust Office 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 2021 Bond of like tenor and principal amount of authorized denominations in lieu of and in substitution for the 2021 Bond so lost, destroyed or stolen.

The Trustee may require payment of the expenses which shall be incurred by the Authority and the Trustee in connection with the issuance of each new 2021 Bond under this section. Any 2021 Bond issued under the provisions of this section in lieu of any 2021 Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits hereof with all other 2021 Bonds secured hereby, and neither the Authority nor the Trustee shall be required to treat both the original 2021 Bond and any replacement 2021 Bond as being Outstanding for the purpose of determining the principal amount of 2021 Bonds which may be issued hereunder or for the purpose of determining any percentage of 2021 Bonds Outstanding hereunder, but both the original and replacement 2021 Bond shall be treated as one and the same.

SECTION 2.10. Temporary 2021 Bonds. The 2021 Bonds issued hereunder may be initially issued in temporary form exchangeable for definitive 2021 Bonds when ready for delivery, which temporary 2021 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 hereof as may be appropriate, and every temporary 2021 Bond shall be executed and authenticated as authorized by the Authority in accordance with the terms hereof. If the Authority issues temporary 2021 Bonds it will execute and furnish definitive 2021 Bonds without delay and thereupon the temporary 2021 Bonds may be surrendered, for cancellation, in exchange therefor at the Designated Corporate Trust Office of the Trustee, and the Trustee shall deliver in exchange for such temporary 2021 Bonds at its Designated Corporate Trust Office an equal aggregate principal amount of definitive 2021 Bonds of authorized denominations, and until so exchanged, the temporary 2021 Bonds shall be entitled to the same benefits under the 2021 Indenture as definitive 2021 Bonds delivered hereunder.

SECTION 2.11. Restrictions on Registration and Transfer of 2021 Bonds. Notwithstanding any other provision hereof, the 2021 Bonds may be registered only in the name of, or transferred to, either a “qualified institutional buyer” as defined in Rule 144A(a)(1) promulgated under the Securities Act of 1933, as amended, or an “accredited investor” by virtue of being a “bank,” as defined in Section 3(a) (2) of the Securities Act of 1933, as amended (the “Securities Act”), and only in denominations of \$100,000 and \$1 multiples in excess thereof. Written consent shall not be required by the Authority; however, the Form of Assignment attached to the 2021 Bond shall be completed and filed with the Trustee prior to such transfer and a Purchaser Representations in form attached to the 2021 Bond shall be executed and filed with the Trustee prior to such transfer.

SECTION 2.12. Procedure for the Issuance of 2021 Bonds. At any time after the sale of the 2021 Bonds in accordance with the Act, the Authority shall execute the 2021 Bonds for issuance hereunder and shall deliver them to the Trustee, and thereupon the 2021 Bonds shall be authenticated and delivered by the Trustee to the Initial Purchaser thereof upon receipt of a Written Request of the Authority, upon receipt of a letter of the Initial Purchaser containing the representations set forth in Exhibit B, and upon receipt of payment therefor from the Initial Purchaser. Upon receipt of payment of the purchase price of the 2021 Bonds from the Initial Purchaser and deposit of the same into the 2021 Bond Proceeds Fund described below, the Trustee shall set aside and deposit in or transfer such purchase price of the 2021 Bonds received from such sale to the following respective accounts or funds, in the following order of priority:

(a) There is hereby created a “2021 Bond Proceeds Fund” to be held by the Trustee. Upon receipt of payment to the 2021 Bond Proceeds Fund, the Trustee shall disburse the funds as follows:

(i) The Trustee shall transfer \$8,980,856.46 to U.S. Bank National Association, as escrow agent for the 2013 Bonds (the “Escrow Agent”), for deposit in accordance with that certain escrow agreement, dated as of June 1, 2021, between the Escrow Agent and the Authority, for the redemption of the 2013 Bonds.

(ii) The Trustee shall deposit in the “Folsom Public Financing Authority Water Revenue Refunding Bonds, Series 2021 Costs of Issuance Fund” (which fund is hereby

created and which fund the Trustee hereby agrees to maintain until six months after the date of delivery of the 2021 Bonds), the balance of the net purchase price of the 2021 Bonds, being \$135,143.54. All money in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance of the 2021 Bonds upon receipt of a Written Request of the Authority filed with the Trustee, each of which shall be sequentially numbered and shall state the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On the date that is six months after the date of delivery of the 2021 Bonds, any remaining balance in the Costs of Issuance Fund shall be transferred to the 2021 Installment Payment Fund.

(b) Upon the Trustee's disbursement and deposit of such amounts, the Trustee shall close the 2021 Bond Proceeds Fund.

SECTION 2.13. Validity of 2021 Bonds. The validity of the issuance of the 2021 Bonds shall not be dependent on or affected in any way by the proceedings taken by the Authority for the refinancing of the 2005A Water Project or by any contracts made by the Authority or its agents in connection therewith, and shall not be dependent upon the performance by any person, firm or corporation of his or its obligation with respect thereto. The recital contained in the 2021 Bonds that the same are issued pursuant hereto shall be conclusive evidence of their validity and of the regularity of their issuance, and all 2021 Bonds shall be incontestable from and after their issuance. The 2021 Bonds shall be deemed to be issued, within the meaning hereof, whenever the definitive 2021 Bonds (or any temporary 2021 Bonds exchangeable therefor) shall have been delivered to the purchaser thereof and the proceeds of sale thereof received.

ARTICLE III

REVENUES

SECTION 3.01. Pledge of Revenues. The Trustee hereby accepts the assignment set forth in Section 3.04. All Revenues received by the Authority are hereby assigned by the Authority to the Trustee for the benefit of the Holders of the 2021 Bonds, and are hereby irrevocably pledged to the payment of the interest on and principal of and redemption premiums, if any, on the 2021 Bonds as provided herein, and the Revenues shall not be used for any other purpose while any of the 2021 Bonds remain Outstanding; provided, that out of the Revenues 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 money on deposit in the accounts and funds established hereunder for the payment of the interest on and principal of and redemption premiums, if any, on the 2021 Bonds in accordance with the terms hereof and thereof. The Authority (to the extent of its rights, if any, in the 2021 Installment Payment Fund and all money on deposit in the accounts and funds established hereunder, although it is the intent of the parties hereto that the Authority not have any right, title or interest in or to the 2021 Installment Payment Fund or such money) hereby pledges and grants a lien on and a security interest in the 2021 Installment Payment Fund and such money to the Trustee for the benefit of the Holders. The Authority and the Trustee agree to take such action (including, if required under applicable law, the filing of UCC financing statements and continuation statements) as may be necessary from time to time to perfect or otherwise preserve the priority of the pledge set forth above.

SECTION 3.02. Receipt and Deposit of Revenues in the 2021 Installment Payment Fund. In order to carry out and effectuate the pledge, charge and lien contained herein, the Authority agrees and covenants that all Revenues when and as received by the Authority will be forthwith transferred by the Authority to the Trustee for deposit in the “Folsom Public Financing Authority 2021 Installment Payment Fund,” which fund is hereby created and which fund the Authority hereby agrees and covenants to maintain with the Trustee so long as any 2021 Bonds are Outstanding hereunder. All money in the 2021 Installment Payment Fund shall be accounted for through and held in trust in the 2021 Installment Payment Fund by the Trustee, and the Authority shall have no beneficial right or interest in any money in the 2021 Installment Payment Fund except only as herein provided. All Revenues, whether received by the Authority 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 2021 Installment Payment Fund. All money in the 2021 Installment Payment Fund shall be set aside by the Trustee in the following respective special accounts within the 2021 Installment Payment Fund (each of which is hereby created and each of which the Trustee hereby covenants and agrees to cause to be maintained) in the following order of priority:

- Interest Account, and
- Redemption 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 June 1 and December 1 of each year, beginning on December 1, 2021, the Trustee shall set aside from the 2021 Installment Payment Fund and deposit in the Interest Account an amount of money which is equal to the amount of interest becoming due and payable on all Outstanding 2021 Bonds on such June 1 or December 1, as the case may be; provided, that no such 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 2021 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 2021 Bonds as it shall become due and payable (including accrued interest on any 2021 Bonds purchased or redeemed prior to maturity).

(b) Redemption Account. On December 1 of each year, beginning on December 1, 2021, the Trustee shall set aside from the 2021 Installment Payment Fund and deposit in the Principal Subaccount of the Redemption Account an amount of money equal to the principal amount of all Outstanding 2021 Bonds maturing on such December 1; provided, that no such deposit need be made in the Principal Subaccount on December 1 of any year if the amount contained in the Principal Subaccount therein is at least equal to the aggregate amount of the principal of all Outstanding 2021 Bonds maturing by their terms on such December 1. All money in the Principal Subaccount in the Redemption Account shall be used and withdrawn by the Trustee

solely for the purpose of paying the principal of the 2021 Bonds as they shall become due and payable, whether at maturity or on prior redemption.

SECTION 3.04. Assignment of 2021 Contract. (a) The Authority hereby transfers, assigns and sets over to the Trustee all of the 2021 Installment Payments and other Revenues and any and all rights and privileges it has under the 2021 Contract including, without limitation, the right to collect and receive directly all of the 2021 Installment Payments and the right to hold and enforce any security interest, and any 2021 Installment Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall take all steps, actions and proceedings required to be taken as provided in any Opinion of Counsel delivered to it, reasonably necessary to maintain in force for the benefit of the Holders the Trustee's rights in and priority to the following security granted to it for the payment of the 2021 Bonds: the Trustee's rights as assignee of the 2021 Installment Payments and other Revenues and all other rights and privileges under the 2021 Contract and as beneficiary of any other rights to security for the 2021 Bonds which the Trustee may receive in the future.

(b) The Trustee may, in performing the obligations set out in Section 3.04(a) above, rely and shall be protected in acting or refraining from acting upon an Opinion of Counsel. The Trustee's performance of any obligations set out in Section 3.04(a) above shall in all events be subject to the terms and conditions of Article V hereof.

ARTICLE IV

COVENANTS OF THE AUTHORITY

SECTION 4.01. Punctual Payment and Performance. The Authority will punctually pay the interest on and principal of and redemption premium, if any, to become due on every 2021 Bond issued hereunder from the Revenues in strict conformity with the terms hereof and of the 2021 Bonds, and will faithfully observe and perform all the agreements, conditions, covenants and terms to be observed or performed by it contained herein and in the 2021 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 2021 Bonds.

SECTION 4.03. Tax Covenants. The Authority will not use or permit the use of any proceeds of 2021 Bonds or any funds of the Authority, directly or indirectly, to acquire any securities or obligations and will not take or permit to be taken any other action or actions which would cause any 2021 Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code, "private activity bonds" within the meaning of Section 141(a) of the Code or "federally guaranteed" within the meaning of Section 149(b) of the Code and any applicable requirements thereunder and under Section 103(c) of the Code. The Authority will observe and will not violate the requirements of Section 148 of the Code and any applicable regulations thereunder, and the Authority will comply with all requirements of Sections 148 and 149(b) of the Code and any

applicable regulations thereunder to the extent applicable to the 2021 Bonds. In the event that at any time the Authority is of the opinion that for purposes of this section it is necessary to restrict or to limit the yield on the investment of any money held by the Trustee hereunder, the Authority shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

The Authority will comply with the provisions and procedures of the Tax Certificate, and the Trustee shall only be obligated to follow the directions of the Authority agreed to be followed by it hereunder.

The Authority will not use or permit the use of any proceeds of the 2021 Bonds or any funds of the Authority, directly or indirectly, in any manner, and will not take or omit to take any action that would cause any of the 2021 Bonds to be treated as an obligation not described in Section 93(a) of the Code and any applicable regulations thereunder or which would affect the exemption of interest on the 2021 Bonds from State personal income taxes.

Notwithstanding any provisions of this section, if the Authority provides the Trustee with an Opinion of Counsel that any specified action required under this section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest with respect to the 2021 Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of this section, and, notwithstanding Article VI, the tax covenants hereunder shall be deemed to be modified to that extent.

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 at reasonable hours and under reasonable conditions. The Authority will also keep or cause to be kept such other information as required under the Tax Certificate, and the Trustee shall have no duty to review or examine such 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 any 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 negligence or willful misconduct of the Trustee.

SECTION 4.06. Amendments to 2021 Contract. The Authority will not supplement, amend, modify or terminate any of the terms of the 2021 Contract, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Trustee, which consent shall be given 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 2021 Bonds, or (b) the Trustee first obtains the written consent of the Holders of a majority in aggregate principal amount of the 2021 Bonds then Outstanding to such supplement, amendment, modification or termination; provided, that no such supplement, amendment, modification or termination shall reduce the amount of 2021 Installment Payments to be made to the Authority by the City pursuant to the 2021 Contract, or extend the time for making such 2021 Installment Payments, or permit the creation of any lien prior to the lien created by the 2021 Contract on the revenues of the Water System without the written consent of the Holders of all the 2021 Bonds then Outstanding. The Authority shall provide each rating agency then rating the 2021 Bonds notice of any amendment to the 2021 Contract, together with a copy of the proposed amendment, at least fifteen (15) days in advance of the effective date thereof.

SECTION 4.07. 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.

ARTICLE V

THE TRUSTEE

SECTION 5.01. The Trustee. U.S. Bank National Association at its Designated Corporate Trust Office, is hereby appointed Trustee for the purpose of receiving all money which the Authority is required to transfer to it hereunder and for applying and using such money as provided herein for the purpose of paying the interest on and principal of and redemption premiums, if any, on the 2021 Bonds. The Authority agrees that it will at all times maintain a Trustee having a corporate trust office in Los Angeles or San Francisco, California.

The Authority may 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 Los Angeles or San Francisco, California, having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000) and subject to supervision or examination by a federal or state banking 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 referred to above, then for the purpose of this section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the Authority and to the Holders, and upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing having the qualifications required hereby. Any resignation or removal of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If within thirty (30) days after notice of the removal or

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

The Trustee is hereby authorized to pay interest on the 2021 Bonds due on or before the maturity or prior redemption thereof to the Holders as their names appear at the close of business as of the Record Date next preceding each Interest Payment Date on the registration books required to be kept by it pursuant to Section 2.08 as the registered owners thereof, such interest to be paid by check mailed by first class mail to the Holders at their addresses appearing on such books (except that upon the written request of any Holder of one million dollars (\$1,000,000) or more in aggregate principal amount of 2021 Bonds received by the Trustee prior to the applicable Record Date (which such request shall remain in effect until rescinded in writing by such Holder), interest shall be paid on each Interest Payment Date by wire transfer of immediately available funds to an account maintained in any bank or trust company in the United States of America that is a member of the Federal Reserve System designated in writing by such Holder) and to pay to the Holders the principal of and redemption premiums, if any, on the 2021 Bonds upon presentation and surrender of the 2021 Bonds to the Trustee at maturity or on redemption prior to maturity; provided that for so long as there is only one Holder of the 2021 Bonds and the 2021 Bonds are not in book-entry form, in lieu of surrendering the same for a new 2021 Bond, the Holder shall endorse on such 2021 Bond a record of partial payment of the principal of such 2021 Bond as provided in Section 2.02, hereof. The Trustee shall cancel and destroy all 2021 Bonds paid by it at maturity or on redemption prior to maturity and all 2021 Bonds surrendered to it by the Authority, and shall deliver to the Authority a certificate of such destruction, and the Trustee shall keep accurate records of all 2021 Bonds cancelled and destroyed by it hereunder. All money held by or on behalf of the Trustee for the payment of the interest on or principal of or redemption premiums, if any, on the 2021 Bonds, whether at maturity or upon prior redemption, shall be held in trust for the account of the Holders thereof, and the Trustee shall not be required to pay Holders or the Authority any interest on, or be liable to the Authority, the Holders or any other person for any interest earned on, any money so held.

Any company into which the Trustee shall be merged or converted or with which it may be consolidated or any company resulting from any merger, conversation or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, so long as such company shall meet the requirements set forth in this section, shall be the successor to the Trustee and shall be vested with all of the trusts, powers, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

SECTION 5.02. Liability of Trustee. The recitals of facts, agreements and covenants contained herein and in the 2021 Bonds shall be taken as statements, agreements and covenants of the Authority, and the Trustee shall not assume any responsibility for the correctness of the same and does not make any representation as to the sufficiency or validity hereof or of the 2021 Bonds or of the 2021 Contract, or as to the financial or technical feasibility of the refinancing of the 2005A Water Project, and shall not incur any responsibility in respect thereof other than in connection with the rights and obligations expressly assigned to or imposed upon it herein or in

the 2021 Bonds, and shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct. 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, and no provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any liability for the performance of its duties hereunder, or in the exercise of any of its rights or powers hereunder, if repayment of such funds, or adequate indemnity satisfactory to it against such risks or liability, is not assured to it.

The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts, and the Trustee shall be entitled to advice of counsel of its selection concerning all matters of trust and its duties hereunder; provided, that the Trustee shall not be answerable for the negligence or misconduct of any attorney or certified public accountant selected by it with due care.

The Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default that may have occurred, perform such duties and only such duties as are specifically set forth herein, and no implied duties or obligations shall be read herein against the Trustee. The Trustee shall, during the existence of any Event of Default (that has not been cured or waived), exercise such of the rights and powers vested in it hereby, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Trustee shall not be bound to recognize any person as the Holder of a 2021 Bond unless and until such 2021 Bond is submitted for inspection, if required, and such Holder's title thereto satisfactorily established, if disputed.

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 2021 Bonds at the time Outstanding relating to the time, method and place of conducting any proceedings for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee hereunder.

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it hereby at the request, order or direction of any of the Holders pursuant to the provisions hereof unless such Holders shall have offered to the Trustee reasonable security or indemnity against the costs, expenses, claims and liabilities that may be incurred therein or thereby. The Trustee has no obligation or liability to the Holders for the payment of the interest on, principal of or redemption premiums, if any, with respect to the 2021 Bonds from its own funds, but rather the Trustee's obligations shall be limited to the performance of its duties and obligations hereunder.

The Trustee shall not be deemed to have knowledge of any Event of Default hereunder unless and until a responsible officer at the Trustee's Designated Corporate Trust Office responsible for the administration of the Trustee's duties and obligations hereunder shall have actual knowledge thereof or the Trustee shall have received written notice thereof at its Designated Corporate Trust Office. The Trustee shall not be bound to ascertain or to inquire as to the performance or observance of any of the agreements, conditions, covenants or terms herein or of

any of the documents executed in connection with the 2021 Bonds, or as to the existence of an Event of Default hereunder.

The Trustee makes no representation or warranty, express or implied, as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Authority of the refinancing of the 2005A Water Project, and in no event shall the Trustee be liable for incidental, indirect, special, punitive or consequential damages in connection with or arising from the 2021 Contract or herefrom for the refinancing of the 2005A Water Project.

No provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

The Trustee shall have no responsibility, opinion or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the 2021 Bonds.

All immunities, indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, employees, officers and agents thereof.

SECTION 5.03. Compensation and Indemnification of Trustee. The Authority agrees to pay to the Trustee from time to time, and the Trustee shall be entitled to, such compensation as shall be agreed to in writing between the Authority and the Trustee for all services rendered by it in the exercise and performance of any of the duties and obligations of the Trustee hereunder, and the Authority will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee and its affiliates, directors, employees or agents in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or willful misconduct. The Authority, to the extent permitted by law, agrees to indemnify, defend and hold harmless the Trustee against any cost, loss, damages, liability, claim or expense incurred without negligence or willful misconduct on the part of the Trustee arising out of or in connection with (i) the exercise or performance of any of its duties or obligations hereunder, or (ii) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of any of the 2021 Bonds, including costs and expenses (including attorneys' fees and expenses) of defending itself against any claim or liability in connection with the exercise or performance of any of its duties and obligations hereunder. The rights of the Trustee and the obligations of the Authority under this section shall survive the discharge of the 2021 Bonds and of this 2021 Indenture and the resignation or removal of the Trustee.

SECTION 5.04. Notice to the Trustee. The Trustee shall be protected in acting upon any 2021 Bond, certificate, consent, notice, opinion, report, request, resolution or other document or paper 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 of its selection, including, without

limitation, counsel to the Authority, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection with respect to any action taken or suffered hereunder in good faith and in accordance therewith.

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 negligence or willful misconduct on the part of the Trustee, be deemed to be conclusively established or proved by a Certificate of the Authority, which shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, and on which the Trustee may conclusively rely, but the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

ARTICLE VI

AMENDMENT OF THE 2021 INDENTURE

SECTION 6.01. Amendment of the 2021 Indenture.

(a) The 2021 Indenture and the rights and obligations of the Authority and of the Holders may be amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Holders of a majority in aggregate principal amount of the 2021 Bonds then Outstanding, exclusive of 2021 Bonds disqualified as provided in Section 6.02, are filed with the Trustee; provided, that before executing any such Supplemental Indenture the Trustee shall first be provided at the Authority's expense with an Opinion of Counsel that such Supplemental Indenture is permitted by the 2021 Indenture, on which opinion the Trustee may conclusively rely. 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 2021 Bond without the express written consent of the Holder of such 2021 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 2021 Bonds, or (3) reduce the percentage of 2021 Bonds required for the written consent to any such amendment, or (4) modify any duties or obligations of the Authority or the Trustee without their prior written assent thereto, respectively.

(b) The 2021 Indenture and the rights and obligations of the Authority and of the Holders may also be amended at any time by a Supplemental Indenture which shall become binding upon adoption without the consent of any Holders, but only to the extent permitted by law, 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:

(i) 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;

(ii) 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;

(iii) to add to the agreements and covenants required herein, such agreements and covenants as may be necessary to qualify the 2021 Indenture under the Trust Indenture Act of 1939;

(iv) to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion of interest on the 2021 Bonds from gross income for federal income tax purposes under the Code or the exemption of such interest from State personal income taxes;

(v) to make such amendments or supplements as may be necessary or appropriate to maintain any then current rating on the 2021 Bonds;

(vi) to add to the rights of the Trustee;

(vii) provided, that before executing any such Supplemental Indenture the Trustee shall first be provided at the Authority's expense with an Opinion of Counsel that such Supplemental Indenture is permitted by the 2021 Indenture, on which opinion the Trustee may conclusively rely.

(c) In connection with the proceedings for the execution of any Supplemental Indenture, the Authority shall provide each rating agency then rating the 2021 Bonds notice of such amendment together with a copy of the proposed Supplemental Indenture at least fifteen (15) days in advance of the effective date thereof.

SECTION 6.02. Disqualified 2021 Bonds. 2021 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 2021 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 2021 Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the Authority may determine that the 2021 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 2021 Bonds and presentation of his 2021 Bond for such purpose at the Designated Corporate Trust Office of the Trustee, a suitable notation as to such action shall be made on such 2021 Bond. If the Authority shall so determine, new 2021 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 2021 Bond a new 2021 Bond or 2021 Bonds shall be exchanged at the Designated Corporate Trust Office of the Trustee without cost to each Holder for its 2021 Bond or 2021 Bonds then Outstanding upon surrender of such Outstanding 2021 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 2021 Bonds held by him; provided, that due notation thereof is made on such 2021 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 defined to constitute “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 2021 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 2021 Bond when and as the same shall become due and payable, whether at maturity or by proceedings for redemption;

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

(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; or

(e) If an Event of Default (as that term is defined in the 2021 Contract) has occurred under the 2021 Contract;

then and in each and every such case during the continuance of such Event of Default, the Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the 2021 Bonds then Outstanding, shall, by notice in writing to the Authority, declare the principal of all 2021 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 2021 Bonds to the contrary notwithstanding; provided, that this provision is subject to the condition that if at any time after the principal of the 2021 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 2021 Bonds and all principal of the 2021 Bonds matured prior to such declaration, with interest at the rate borne by such 2021 Bonds on such overdue interest and principal, 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 interest on and principal of the 2021 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 a majority in aggregate principal amount of 2021 Bonds then Outstanding, by written notice to the Authority and to the Trustee, may, on behalf of the Holders of all the 2021 Bonds then Outstanding, rescind and annul such declaration and its consequences; and provided further, that 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 money in the accounts and funds provided in Sections 2.12, 3.02 and 3.03 upon the date of the declaration of acceleration by the Trustee as provided in Section 7.01 and all Revenues 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, if any, in carrying out the provisions of this article, including any outstanding fees and expenses of the Trustee and including reasonable compensation to its accountants and counsel, and thereafter to the payment of the costs and expenses of the Holders in providing for the declaration of such Event of Default, including reasonable compensation to their accountants and counsel; and

Second, upon presentation of the several 2021 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 2021 Bonds for interest and principal and redemption premium, if any, with (to the extent permitted by law) interest on the overdue interest and principal at the rate borne by such 2021 Bonds, and in case such money shall be insufficient to pay in full the whole amount so owing and unpaid upon the 2021 Bonds, then to the payment of such interest, principal, redemption premium, if any, and (to the extent permitted by law) interest on overdue interest, principal and redemption premium, if any, without preference or priority among such interest, principal, redemption premium, if any, and interest on overdue interest, principal and redemption premium, if any, ratably to the aggregate of such interest, principal, redemption premium, if any, and interest on overdue interest and principal.

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 2021 Bonds then Outstanding (so long as the Trustee is indemnified to its satisfaction therefor) shall, proceed to protect or enforce its rights or the rights of the Holders of 2021 Bonds hereunder by a suit in equity or action at law, either for the specific performance of any agreement or covenant 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 2021 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

2021 Bonds to the respective Holders of the 2021 Bonds at the respective dates of maturity or upon prior redemption as provided herein from the Revenues and the funds held in the accounts and funds as provided herein pledged for such payment, or (except as provided in Section 7.07) 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 2021 Bonds.

A waiver of any default or breach of duty or contract by the Trustee or 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 the Trustee or 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 Trustee or the Holders. For the avoidance of doubt, no consent or waiver, express or implied, to or of any breach or default in the performance of any obligation under the 2021 Indenture shall constitute a consent or waiver to or of any breach or default in the performance of the same or any other obligation.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned, the Authority, the Trustee 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 2021 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 2021 Bondholders' Right to Sue. No Holder of any 2021 Bond issued hereunder shall have the right to institute any suit, action or proceeding, at law or equity, for any remedy hereunder unless (a) such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Holders of at least a majority in aggregate principal amount of all the 2021 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) such Holders shall have tendered to the Trustee reasonable security or indemnity against the costs, expenses, claims 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 such tender of indemnity shall have been made to, the Trustee.

Each 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 Holder of 2021 Bonds of any remedy hereunder; it being understood and intended that no one or more Holders shall have any right in any manner whatever by his or their action to enforce any right hereunder except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision hereof shall be instituted and maintained in the manner herein provided and for the equal benefit of all Holders of Outstanding 2021 Bonds.

ARTICLE VIII

DEFEASANCE

SECTION 8.01. Discharge of 2021 Bonds.

(a) If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding 2021 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 2021 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 2021 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, and 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 2021 Bonds and for the payment of any fees and expenses of the Trustee.

(b) Any Outstanding 2021 Bonds shall prior to the maturity dates or redemption dates thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if there shall be on deposit with the Trustee money which is sufficient to pay the interest on and principal of and redemption premiums, if any, on such 2021 Bonds on and prior to the maturity dates or redemption dates thereof.

(c) Any Outstanding 2021 Bonds shall prior to the maturity dates or redemption dates thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section (except that the Authority shall remain liable for the payment of such 2021 Bonds, but only out of the money or securities deposited with the Trustee or an Escrow Agent) if (1) in case any of such 2021 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 of such redemption in accordance with Section 2.03, (2) there shall have been deposited with the Trustee or with an Escrow Agent in trust for the benefit of the Holders thereof 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 or such Escrow Agent at the same time, will be sufficient, in the opinion of an Independent Certified Public Accountant addressed to the Trustee, to pay when due the interest to become due on such 2021 Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of and redemption premiums, if any, to become due on such 2021 Bonds on such maturity dates or redemption dates, (3) in the event such 2021 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 2021 Bonds that the deposit required by clause (2) above has been made with the Trustee or such Escrow Agent and that such 2021 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 2021 Bonds, and (4) the Authority and the Trustee shall have entered into an escrow trust agreement providing for the deposit described in clause (2) above.

(d) After the payment of the interest on and principal of and redemption premiums, if any, on the 2021 Bonds as provided in this section, the Trustee shall, after the payment of all amounts due the Trustee hereunder, execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence the discharge and satisfaction of the 2021 Indenture, and the Trustee shall pay over or deliver to the Authority all money or deposits or investments held by it pursuant hereto which are not required for the payment of the interest and principal and redemption premiums, if any, on the 2021 Bonds.

SECTION 8.02. Unclaimed Money. Anything contained herein to the contrary notwithstanding, if any money is held by the Trustee in trust for the payment and discharge of the interest on or principal of or redemption premiums, if any, on any of the 2021 Bonds after the date when the interest on or principal of or redemption premiums, if any, on such 2021 Bonds has become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, and remains unclaimed for the Escheat Period, such money 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 the interest on or principal of or redemption premiums, if any, on such 2021 Bonds; provided, that before being required to make any such payment to the Authority, the Trustee shall, at the expense of the Authority, cause to be mailed to all Holders 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 mailing of each such notice, the balance of such money then unclaimed will be returned to the Authority.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. Liability of Authority Limited to Revenues and Certain Other Funds. Notwithstanding anything contained herein, the Authority shall not be required to advance any money derived from any source other than the Revenues and the funds held in the accounts and funds as provided herein for the payment of the interest on or principal of or redemption

premiums, if any, on the 2021 Bonds or for the performance of any agreements or covenants herein contained; provided, that 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 an indebtedness.

The 2021 Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any redemption premiums thereon, solely from the Revenues and the funds held in the accounts and funds provided herein, and the Authority is not obligated to pay such interest, principal or redemption premiums, if any, on the 2021 Bonds except from the Revenues and such funds. All the 2021 Bonds are equally and ratably secured by a pledge of and charge and lien upon the Revenues and such funds, and the Revenues and such funds constitute a trust fund for the security and payment of the interest on and principal of and redemption premiums, if any, on the 2021 Bonds as provided herein. The full faith and credit of the Authority is not pledged for the payment of the interest on or principal of or redemption premiums, if any, on the 2021 Bonds, and no tax shall ever be levied or collected to pay the interest on or principal of or redemption premiums, if any, on the 2021 Bonds. The 2021 Bonds 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 and such funds, and neither the payment of the interest on or principal of or redemption premiums, if any, on the 2021 Bonds is a debt, liability or general obligation of the Authority.

SECTION 9.02. Benefits of the 2021 Indenture Limited to Parties and Beneficiaries. Nothing contained herein, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any person or entity other than the Authority, the Trustee, and the Holders any right, remedy or claim under or by reason hereof or any covenant, condition or stipulation hereof; and all covenants, stipulations, promises and agreements herein contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, Trustee, and the Holders.

SECTION 9.03. Successor Is Deemed Included In All References To Predecessor. Whenever herein either the Authority or any officer thereof is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority or such officer, and all agreements and covenants required hereby to be performed by or on behalf of the Authority or any officer thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

SECTION 9.04. 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 him 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 2021 Bonds and the amount, maturity, number and date of

holding the same may be proved by the registration books kept by the Trustee pursuant to Section 2.08.

Any declaration, request, consent or other instrument or writing of the Holder of any 2021 Bond shall bind all future Holders of such 2021 Bond with respect to anything done or suffered to be done by the Trustee or the Authority in good faith and in accordance therewith.

SECTION 9.05. Waiver of Personal Liability. No member, officer or employee of the Authority shall be individually or personally liable for the payment of the interest on or principal of or redemption premiums, if any, on the 2021 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 9.06. Deposit or Investment 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 those Permitted Investments described in a Written Request of the Authority filed with the Trustee at least two (2) Business Days prior to the making of any such investment, which such Permitted Investments shall, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement hereunder, except that the Trustee shall have no liability or responsibility for any loss, fee, tax or other charge resulting from any investment, reinvestment or liquidation of an investment made in accordance herewith; provided, that if no such Written Request is received by the Trustee, such money shall be held uninvested. The earnings on any investment in any fund or account created hereunder shall be deposited in such fund or account. The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the Authority. Upon the Authority's election, such statements will be delivered via the Trustee's online service and upon electing such service, paper statements will be provided only upon request. The Authority waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The Authority further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

SECTION 9.07. Acquisition of 2021 Bonds by Authority. All 2021 Bonds acquired by the Authority, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

SECTION 9.08. Destruction of Cancelled 2021 Bonds. Whenever provision is made for the return to the Authority of any 2021 Bonds which have been cancelled pursuant to the provisions hereof, the Trustee shall destroy such 2021 Bonds and furnish to the Authority a certificate of such destruction, and the Authority agrees to reimburse the Trustee for costs incurred in connection with the microfilming or the making of other permanent records of any such destroyed 2021 Bonds.

SECTION 9.09. 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 9.10. 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 2021 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 9.11. Notices. All written notices to be given hereunder shall be given by mail or facsimile 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 Authority:

Folsom Public Financing Authority
Folsom City Hall
50 Natoma Street
Folsom, California 95630
Attention: Treasurer
Facsimile: 916-985-0870
E-mail: financetreasury@folsom.ca.us

If to the Trustee:

U.S. Bank National Association
Attention: Global Corporate Trust
One California Street, Suite 1000
San Francisco, CA 94111
Facsimile: 415-677-3769
E-mail: karen.lei@usbank.com

If to the Initial Purchaser:

Key Government Finance, Inc.
Attention: Account Manager
1000 S. McCaslin Blvd.
Superior, CO 80027
Facsimile: 866-840-3016
E-mail: janice.a.thoman@key.com

The Trustee shall not be liable for any losses, costs, or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such notices notwithstanding instructions that conflict or are inconsistent with a subsequent written instruction. The party providing electronic notices agrees to assume all risks arising out of the use of such electronic methods to submit notices, instructions and directions to the Trustee, including, without limitation, the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

SECTION 9.01. CUSIP Numbers. Neither the Authority nor the Trustee shall be liable for any defect or inaccuracy in the CUSIP number, if any, that appears on any 2021 Bond or in any redemption notice relating thereto, and the Trustee may include in any redemption notice relating to any of the 2021 Bonds a statement to the effect that the CUSIP numbers, if any, on the 2021 Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Holders and that neither the Authority nor the Trustee shall be liable for any defects or inaccuracies in such numbers. At the request of the Initial Purchaser, CUSIP numbers have not been obtained for the 2021 Bonds.

SECTION 9.02. 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 2021 Indenture as a whole and not to any particular article, section, subdivision or clause hereof.

SECTION 9.03. 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 2021 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 the 2021 Indenture and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the 2021 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 9.04. Governing Law. The 2021 Indenture shall be construed and governed in accordance with the laws of the State.

SECTION 9.05. Execution in Several Counterparts. The 2021 Indenture 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 9.06. Force Majeure. In no event shall the Trustee be responsible or liable for any failure or delay in the performance of its obligations hereunder arising out of or caused by, directly or indirectly, forces beyond its control, including, without limitation, strikes, work stoppages, accidents, acts of war or terrorism, civil or military disturbances, nuclear or natural catastrophes or acts of God, and interruptions, loss or malfunctions of utilities, communications or computer (software and hardware) services; it being understood that the Trustee shall use reasonable efforts which are consistent with accepted practices in the banking industry to resume performance as soon as practicable under the circumstances.

SECTION 9.07. U.S.A. Patriot Act. The parties hereto acknowledge that in accordance with Section 326 of the U.S.A. Patriot Act, the Trustee, like all financial institutions and in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Trustee. The parties to this 2021 Indenture agree that they will provide the Trustee with such information as it may request in order for the Trustee to satisfy the requirements of the U.S.A. Patriot Act.

IN WITNESS WHEREOF, the Folsom Public Financing Authority has caused the 2021 Indenture to be signed in its name by its Treasurer and U.S. Bank National Association, in token of its acceptance of the trusts created hereunder, has caused the 2021 Indenture to be signed by one of its duly authorized signatories, all as of the day and year first above written.

FOLSOM PUBLIC FINANCING AUTHORITY

By _____
Treasurer

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Signatory

EXHIBIT A

Form of 2021 Bond

THE HOLDER HEREOF, BY THE ACCEPTANCE OF THIS BOND, ACKNOWLEDGES THAT THIS BOND MAY ONLY BE TRANSFERRED IN ACCORDANCE WITH THE TERMS OF THE 2021 INDENTURE

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SACRAMENTO

**FOLSOM PUBLIC FINANCING AUTHORITY
WATER REVENUE REFUNDING BOND, SERIES 2021**

No. R-___ \$ _____

Interest Rate

Maturity Date

Bond Date

___%

December 1, 20__

June [30], 2021

REGISTERED OWNER:

PRINCIPAL SUM:

DOLLARS

The Folsom Public Financing Authority, a joint exercise of powers entity duly organized and 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 and certain other funds 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 thereon computed on the basis of a 360-day year of twelve (12), 30-day calendar months from the interest payment date next preceding the date of authentication of this Bond (unless this Bond is authenticated on an interest payment date or on a day during the period from the sixteenth (16th) day of the month next preceding an interest payment date to such interest payment date, both dates inclusive, in which event it shall bear interest from such interest payment date, or unless it is authenticated on a day on or before the Record Date (as that term is hereinafter defined) for the first interest payment date, in which event it shall bear interest from its date) until the principal hereof shall have been paid, at the interest rate per annum specified above, payable semiannually thereafter on June 1 and December 1 in each year, commencing on December 1, 2021; provided that in the event the Authority fails to make any payment of interest on, principal of or redemption price when due (a "Defaulted Payment"), the Defaulted Payment shall continue as an obligation of the Authority, and the Authority shall pay the same with interest thereon from the due date thereof at the Default Rate

and the interest rate specified above shall be deemed to be amended to reflect such additional interest; provided further that if an Event of Default occurs and is not cured within 90 days, the 2021 Bonds shall bear interest at the Default Rate until such Event of Default is cured. The interest due on this Bond or before the maturity or prior redemption hereof shall be payable only to the person whose name appears in the registration books required to be kept by U.S. Bank National Association (the "Trustee") at its Designated Corporate Trust Office (as that term is defined in the 2021 Indenture hereinafter referred to, and herein the "Designated Corporate Trust Office") as the registered owner hereof at the close of business as of the fifteenth (15th) day of the month next preceding each interest payment date (each, a "Record Date"), with such interest to be paid by check mailed by first class mail on each interest payment date to such registered owner at his address as it appears on such registration books; provided, that upon the written request of the registered owner of one million dollars (\$1,000,000) or more in aggregate principal amount of Bonds received by the Trustee prior to the applicable Record Date (which such request shall remain in effect until rescinded in writing by such registered owner), interest shall be paid on each interest payment date by wire transfer of immediately available funds to an account maintained in any bank or trust company in the United States of America that is a member of the Federal Reserve System designated in writing by such registered owner. The principal of and redemption premium, if any, on this Bond shall be payable only to the person whose name appears in such registration books as the registered owner hereof, such principal and redemption premium, if any, to be paid upon surrender of this Bond to the Trustee at its Designated Corporate Trust Office at maturity or upon prior redemption. In lieu of surrender, provided that for so long as there is only one Holder of the Bonds and the Bonds are not in book-entry form, such principal and redemption premium, if any, shall to be paid to the Holder, and the Holder shall endorse on this Bond a record of partial payment of the principal of this Bond as follows:

PAYMENTS ON ACCOUNT OF PRINCIPAL

<u>Payment Date</u>	<u>Principal Amount Paid</u>	<u>Balance of Principal Amount Unpaid</u>	<u>Signature of Registered Holder</u>
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
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_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

The interest on and principal of and redemption premium, if any, on this Bond is payable in lawful money of the United States of America.

This Bond is one of a duly authorized issue of revenue bonds of the Authority designated as its “Water Revenue Refunding Bonds, Series 2021” (the “Bonds”) in the aggregate principal amount of nine million one hundred sixteen thousand dollars (\$9,116,000), 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 2021 Indenture dated as of June 1, 2021, by and between the Authority and the Trustee (the “2021 Indenture”) (copies of which are on file at the Designated Corporate Trust Office of the Trustee).

The Bonds are issued to provide the moneys to refinance the Authority’s Water Revenue Refunding Bonds, Series 2013, to finance costs of issuance, and related purposes. The Bonds are limited obligations of the Authority and are payable, as to interest thereon, principal thereof and any redemption premiums thereon, solely from the Revenues (the “Revenues”) constituting the installment payments (the “Installment Payments”) to be made by the City to the Authority for the refinancing of the 2005A Water Project pursuant to the 2021 Installment Purchase Contract dated as of June 1, 2021, by and between the City and the Authority (the “Contract”) and the funds held in the accounts and funds pursuant to the 2021 Indenture as provided therein, and the Authority is not obligated to pay interest on or principal of or redemption premiums, if any, on the Bonds except from the Revenues and such funds. All the Bonds are equally and ratably secured in accordance with the terms and conditions of the 2021 Indenture by a pledge of and charge and lien upon the Revenues and such funds, and the Revenues and such funds 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 in the 2021 Indenture. The full faith and credit of the Authority is not pledged for the payment of the interest on or principal of or redemption premiums, if any, on the Bonds, and no tax shall ever be levied or collected to pay the interest on or principal of or redemption premiums, if any, on the Bonds. The Bonds 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 and such funds, and neither the payment of the interest on or principal of or redemption premiums, if any, on the Bonds is a debt, liability or general obligation of the Authority. Reference is hereby made to the Act and to the 2021 Indenture 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, the security for payment of the Bonds, the remedies upon default and limitations thereon, and the amendment of the 2021 Indenture (with or without consent of the registered owners of the Bonds); and all the terms of the 2021 Indenture 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 optional redemption by the Authority prior to their respective stated maturity dates, upon notice as hereinafter provided, from any source of available funds, on any date and as a whole but not in part, at a redemption price equal to the sum of 100% of the principal amount thereof plus accrued interest thereon to the redemption date.

The Bonds are also subject to mandatory redemption in part by lot on December 1 in each year commencing December 1, 2021, at the principal amount thereof plus accrued interest thereon to the date fixed for redemption, without premium, from mandatory sinking account payments in accordance with the following schedule:

Year (December 1)	Redemption Amount
2021	\$643,000.00
2022	643,000.00
2023	654,000.00
2024	664,000.00
2025	674,000.00
2026	688,000.00
2027	701,000.00
2028	709,000.00
2029	725,000.00
2030	734,000.00
2031	748,000.00
2032	759,000.00
2033*	774,000.00

* Maturity

The Bonds redeemed under mandatory provisions described above shall not be subject to rescission.

If less than all outstanding Bonds maturing by their terms on any one date are to be redeemed at any one time, the Trustee shall select the Bonds to be redeemed on such date in any manner deemed fair by it, and the Trustee shall promptly notify the Authority in writing of the numbers of the Bonds so selected by it for redemption, and for purposes of such selection Bonds shall be deemed to be composed of one hundred thousand dollars (\$100,000) and one dollar (\$) multiples in excess thereof and any such multiple may be separately redeemed.

Notice of redemption of any Bond selected for redemption shall be mailed by first class mail by the Trustee, not less than thirty (30) days nor more than sixty (60) days prior to the redemption date, to the registered owner hereof, subject to and in accordance with provisions of

the 2021 Indenture with respect thereto; provided, that neither failure to receive any such notice nor any immaterial defect contained therein shall invalidate any of the proceedings taken in connection with any such redemption. If notice of redemption has been duly given as aforesaid and money for the payment of the above-described redemption price is held by the Trustee, then, subject to the rescission of such redemption as provided in the 2021 Indenture, this Bond shall on the redemption date designated in such notice become due and payable at the above-described redemption price; and from and after the date so designated interest on this Bond shall cease to accrue and the registered owner of this Bond shall have no rights with respect hereto except to receive payment of the redemption price hereof. If the notice of redemption expressly provides that the redemption is conditioned on the receipt by the Trustee of sufficient money to pay the full redemption price of the Bonds to be redeemed, and such money is not received prior to the fifth business day preceding the date fixed for redemption, the Trustee shall cause to be mailed, not later than the fifth business day preceding such redemption date, a notice declaring the rescission of such redemption election to the parties and in the manner as was mailed the original notice of redemption.

If an Event of Default (as that term is defined in the 2021 Indenture) shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the 2021 Indenture; except that the 2021 Indenture provides that in certain events such declaration and its consequences may be rescinded under the circumstances as provided therein.

This Bond is transferable only 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 2021 Indenture 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 of authorized denominations will be issued to the transferee in exchange therefor. A Purchaser Representations in form attached to this Bond shall be executed and filed with the Trustee prior to such transfer. 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 redemption premium, if any, hereon 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 and redemption premium, if any, on 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 may be registered only in the name of, or transferred to, either a “qualified institutional buyer” as defined in Rule 144A(a)(1) promulgated under the Securities Act of 1933, as amended, or an “accredited investor” by virtue of being a “bank,” as defined in Section 3(a)(2) of the Securities Act of 1933, as amended, and only in denominations of \$100,000 and \$1 multiples in excess thereof.

This Bond shall not be entitled to any benefit, protection or security under the 2021 Indenture 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 2021 Indenture.

IN WITNESS WHEREOF, the Folsom Public Financing Authority has caused this Bond to be executed in its name and on its behalf by the manual or facsimile signature of its Chairman and countersigned by the manual or facsimile signature of its Secretary and has caused this Bond to be dated as of June [30], 2021.

FOLSOM PUBLIC FINANCING
AUTHORITY

By _____
Chairman

Countersigned:

Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION AND REGISTRATION

This is one of the 2021 Bonds described in the within-mentioned 2021 Indenture which has been authenticated on June [30], 2021.

U.S. BANK NATIONAL ASSOCIATION,
as Trustee

By _____
Authorized Signatory

FORM OF ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ (Taxpayer Identification Number: _____) the within 2021 Bond and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within 2021 Bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed: _____

Note: The signature to this Assignment must correspond with the name as written on the face of the 2021 Bond in every particular, without alteration or enlargement or any change whatever, and the signature must be guaranteed by an eligible guarantor institution.

EXHIBIT B

Form of Purchaser Representations

Folsom Public Financing Authority
Folsom, California

Re: \$9,116,000
Folsom Public Financing Authority Water Revenue Refunding Bonds
Series 2021

Ladies and Gentlemen:

This letter is to provide you with certain representations and agreements with respect to our purchase of all of the above-referenced bonds (the "*Bonds*"), dated their date of issuance. The Bonds were issued under and secured in the manner set forth pursuant to a 2021 Indenture dated as of June 1, 2021 (the "*Indenture*"), between the Folsom Public Financing Authority (the "*Issuer*") and U.S. Bank National Association, as trustee (the "*Trustee*"). Key Government Finance, Inc. (the "*Purchaser*," the "*undersigned*," "*us*" or "*we*," as applicable) is purchasing the Bonds. We hereby represent and warrant to you and agree with you as follows:

1. We understand that the Bonds have not been registered pursuant to the Securities Act of 1933, as amended (the "1933 Act") or the securities laws of any state nor has the Indenture been qualified pursuant to the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions set forth therein. We acknowledge that the Bonds (i) are not being registered or otherwise qualified for sale under the "blue sky" laws and regulations of any state, (ii) will not be listed on any securities exchange, and (iii) will not carry a rating from any rating service.

2. We have not offered, offered to sell, offered for sale or sold any of the Bonds by means of any form of general solicitation or general advertising, and we are not an underwriter of the Bonds within the meaning of Section 2(11) of the 1933 Act.

3. We have sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations [and the lending to political subdivisions], to be able to evaluate the risks and merits of the investment represented by the purchase of the Bonds.

4. We have authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Bonds.

5. The undersigned is a duly appointed, qualified and acting representative of the Purchaser and is authorized to cause the Purchaser to make the certifications, representations and warranties contained herein by execution of this letter on behalf of the Purchaser.

6. The Purchaser is either a "qualified institutional buyer" as defined in Rule 144A promulgated under the 1933 Act or an "accredited investor" by virtue of being a "bank," as defined in Section 3(a)(2) of the Securities Act of 1933, as amended, and is able to bear the

economic risk of such [investment][loan]. The Bonds may be registered only in the name of, or transferred to, either a “qualified institutional buyer” or an “accredited investor”, and only in denominations of \$100,000 and \$1 multiples in excess thereof. The Form of Assignment attached to the Bonds shall be completed and filed with the Trustee prior to such transfer, and a Purchaser Representations in the form hereof shall be executed and filed with the Trustee prior to such transfer.

7. The undersigned understands that no official statement, prospectus, offering circular, or other comprehensive offering statement is being provided with respect to the Bonds. The undersigned has made its own inquiry and analysis with respect to the Issuer, the Bonds and the security therefor, and other material factors affecting the security for and payment of the Bonds.

8. The undersigned acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, regarding the Issuer and the City of Folsom (the “City”), to which a reasonable [investor][lender] would attach significance in making [investment][lending] decisions, and has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Issuer, the City, the Bonds and the security therefor, so that as a reasonable [investor][lender], it has been able to make its decision to purchase the Bonds.

9. The Bonds are being acquired by the Purchaser for investment for its own account and not with a present view toward resale or distribution; provided, however, that the Purchaser reserves the right to sell, transfer or redistribute the Bonds, but agrees that any such sale, transfer or distribution by the Purchaser shall be to a Person satisfying the conditions set forth in Section 2.11 of the Indenture.

ATTACHMENT 5

ESCROW AGREEMENT

by and between the

FOLSOM PUBLIC FINANCING AUTHORITY

and

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent

Dated as of June 1, 2021

RELATING TO THE

FOLSOM PUBLIC FINANCING AUTHORITY
WATER REVENUE REFUNDING BONDS, SERIES 2013

ESCROW AGREEMENT

This Escrow Agreement (the “Escrow Agreement”), dated as of June 1, 2021, is made and entered into by and between the FOLSOM PUBLIC FINANCING AUTHORITY, a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the “Authority”), and U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and existing under and by virtue of the laws of the United States of America and having a corporate trust office in San Francisco, California, and being qualified to accept and administer the trust hereby created, as escrow agent and as 2013 Trustee under the Indenture, as hereinafter defined (the “Escrow Agent”);

WITNESSETH:

WHEREAS, the Authority previously issued \$12,779,582 aggregate principal amount of its Folsom Public Financing Authority Water Revenue Refunding Bonds, Series 2013 (the “Series 2013 Bonds”) under the terms of a 2013 Indenture (the “Indenture”) dated as of July 1, 2013, by and between the Authority and U.S. Bank National Association, as successor to MUFG Union Bank, N.A. (formerly Union Bank, N.A.) as trustee thereunder (the “2013 Trustee”), the unmatured principal amount of which Series 2013 Bonds (being \$8,852,059) is currently outstanding; and

WHEREAS, the Authority has determined to refund the outstanding principal amount of the Series 2013 Bonds (the “Refunded Bonds”) by and through the issuance of the Authority’s Water Revenue Refunding Bonds, Series 2021 (the “Refunding Bonds”); and

WHEREAS, the Authority has taken action to cause to be delivered to the Escrow Agent on the date hereof from the proceeds of the sale of the Refunding Bonds the sum of \$8,980,856.46, which sum has been deposited by the Escrow Agent in the Escrow Fund hereinafter referred to and which will be held by the Escrow Agent in the Escrow Fund as uninvested money and will be sufficient in accordance with the Indenture, as certified by Robert Thomas CPA, LLC, to redeem the Refunded Bonds on July 23, 2021 (the “Redemption Date”), at a redemption price equal to 101% of the principal amount thereof plus accrued interest to the Redemption Date (the “Redemption Price”); and

WHEREAS, the provisions of the Indenture are incorporated herein by reference as if set forth herein in full;

NOW, THEREFORE, the Authority and the Escrow Agent hereby agree as follows:

SECTION 1. Establishment and Maintenance of Escrow Fund. The Escrow Agent agrees to establish and maintain the Escrow Fund (the “Escrow Fund”) until the Refunded Bonds have been paid and redeemed as provided in Section 2 hereof. The Escrow Agent shall hold the entire deposit to the Escrow Fund as uninvested money and shall hold such uninvested money in the Escrow Fund at all times as a separate escrow account wholly segregated from all other securities, investments, or money held by it; and the Escrow Agent shall not invest any money at any time on deposit in the Escrow Fund. All money in the Escrow Fund is hereby irrevocably pledged to secure the payment and redemption of the Refunded Bonds as provided in

Section 2 hereof, except that the Escrow Agent shall pay to the Authority, free from the escrow created by this Escrow Agreement, any money held in the Escrow Fund that is not used for the payment and redemption of the Refunded Bonds as provided in Section 2 hereof

SECTION 2. Payment from the Escrow Fund. The Escrow Agent is hereby irrevocably instructed to, and the Escrow Agent hereby agrees to, use the money in the Escrow Fund to redeem the Refunded Bonds on the Redemption Date at the Redemption Price. The Escrow Agent (as 2013 Trustee under the Indenture) hereby confirms that notice of the redemption of the Refunded Bonds on the Redemption Date was mailed on [June 23], 2021, in accordance with the Indenture.

SECTION 3. Compensation and Indemnification of the Escrow Agent.

(a) The Authority shall pay the Escrow Agent fees for its services hereunder and shall reimburse the Escrow Agent for its out-of-pocket expenses (including but not limited to the fees and expenses, if any, of its counsel or accountants) incurred by the Escrow Agent in connection with these services, all as previously agreed upon by the Authority and the Escrow Agent; provided, that these fees and expenses shall in no event be deducted from the Escrow Fund. The provisions of this Section 3(a) shall survive the termination of this Escrow Agreement or the resignation or removal of the Escrow Agent.

(b) The Authority agrees to indemnify the Escrow Agent, its agents and its officers or employees for, and hold the Escrow Agent, its agents and its officers or employees harmless from, all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, charges, taxes, expenses and disbursements of any kind (including, without limitation, reasonable fees and disbursements of counsel or accountants for the Escrow Agent) which may be imposed on, incurred by, or asserted against the Escrow Agent or such other party at any time by reason of its performance of Escrow Agent's services, in any transaction arising out of the Escrow Agreement or any of the transactions contemplated herein, unless due to the negligence or willful misconduct of the particular indemnified party.

SECTION 4. Functions of the Escrow Agent.

(a) The Escrow Agent undertakes to perform only such duties as are expressly and specifically set forth in the Escrow Agreement and no implied duties or obligations shall be read into the Escrow Agreement against the Escrow Agent.

(b) The Escrow Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, and shall be protected and indemnified as stated in the Escrow Agreement, in acting, or refraining from acting, upon any written notice, instruction, request, certificate, document, report or opinion furnished to the Escrow Agent and reasonably believed by the Escrow Agent to have been signed or presented by the proper party, and the Escrow Agent need not investigate any fact or matter stated in such notice, instruction, request, certificate, document, report or opinion.

(c) The Escrow Agent shall not have any liability hereunder except to the extent of its own negligence or willful misconduct. In no event shall the Escrow Agent be liable for any special, incidental, punitive, indirect or consequential damages, even if parties know of the

possibility of such damages. The Escrow Agent shall have no duty or responsibility under the Escrow Agreement in the case of any default in the performance of covenants or agreements contained in the Indenture or in the case of the receipt of any written demand with respect to such default. The Escrow Agent is not required to resolve conflicting demands to money or property in its possession under the Escrow Agreement.

(d) The Escrow Agent may consult with counsel of its own choice (which may be counsel to the Authority) and the opinion of such counsel shall be full and complete authorization to take or suffer in good faith any action in accordance with such opinion of counsel. The Escrow Agent shall be fully protected in relying on any such opinion of counsel and need not independently review or evaluate any such opinion of counsel in any respect.

(e) The Escrow Agent shall not be responsible for any of the recitals or representations contained herein or in the Indenture.

(f) The Escrow Agent may engage or be interested in any financial or other transaction with the Authority.

(g) The Escrow Agent shall not be liable for the accuracy of the calculations as to the sufficiency of the money in the Escrow Fund to make the payments as provided in Section 2 hereof.

(h) The Escrow Agent shall not be liable for any action or omission of the Authority under the Escrow Agreement, the Indenture or otherwise relating to the Refunded Bonds.

(i) Whenever in the administration of the trust of the Escrow Agreement the Escrow Agent shall deem it necessary or desirable that a matter be proved or established 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 negligence or willful misconduct on the part of the Escrow Agent, be deemed to be conclusively proved and established by a certificate of an authorized representative of the Authority, and such certificate shall, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be full warrant to the Escrow Agent for any action taken or suffered by it under the provisions of the Escrow Agreement upon the faith thereof.

(j) The Escrow Agent may at any time resign by giving written notice to the Authority of such resignation, whereupon the Authority shall promptly appoint a successor Escrow Agent by the resignation date. Resignation of the Escrow Agent will be effective sixty (60) days after notice of the resignation is given as stated above or upon appointment of a successor Escrow Agent, whichever first occurs. If the Authority does not appoint a successor Escrow Agent by the resignation effective date, the resigning Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor Escrow Agent (or may deposit with the court the money or investments or other property held by it in trust hereunder), which court may thereupon, after such notice, if any, as it may deem proper and as may be required by law, appoint a successor Escrow Agent. After receiving a notice of resignation of an Escrow Agent, the Authority may appoint a temporary Escrow Agent to replace the resigning Escrow Agent until the Authority appoints a successor Escrow Agent. Any such temporary Escrow Agent so appointed by the

Authority shall immediately and without further act be superseded by the successor Escrow Agent so appointed.

(k) The Escrow Agent (and its affiliates) may act as principal, agent, sponsor, depository or advisor with respect to the holding and making of any investments provided herein.

(l) The Escrow Agent's rights to indemnification and compensation under this Escrow Agreement will survive the Escrow Agent's resignation or removal and the termination of this Escrow Agreement.

(m) No provision of this Escrow Agreement requires the Escrow Agent to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties or in the exercise of its rights or powers.

(n) The Escrow Agent has no liability or responsibility for the sufficiency of funds in the Escrow Fund to make payments required by this Escrow Agreement.

SECTION 5. Merger or Consolidation of the Escrow Agent. Any company into which the Escrow Agent may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business shall be the successor to the Escrow Agent and vested with all of the title to the Escrow Fund and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

SECTION 6. Amendment of the Escrow Agreement. The Escrow Agreement may not be revoked or amended by the parties hereto unless there shall first have been filed with the Authority and the Escrow Agent (i) an unqualified opinion of a nationally recognized bond counsel that such amendment will not adversely affect the exclusion from gross income for federal income tax purposes of interest evidenced by the Refunded Bonds, and (ii) unless such amendment is not materially adverse to the interests of the registered owners of the Refunded Bonds, the written consent of the registered owners of all Refunded Bonds.

SECTION 7. Notices. All written notices to be given hereunder shall be given by mail or facsimile 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 Authority:

Folsom Public Financing Authority
Folsom City Hall
50 Natoma Street
Folsom, California 95630
Attention: Treasurer
Phone: (916) 461-6080
Facsimile: (916) 985-0870
Email: financetresury@folsom.ca.us

If to the Escrow Agent:

U.S. Bank National Association
Attention: Global Corporate Trust
One California Street, Suite 1000
San Francisco, CA 94111
Fax: (415) 677-3769
Email: karen.lei@usbank.com

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 notices notwithstanding instructions that conflict or are inconsistent with a subsequent written instruction. The party providing electronic notices agrees to assume all risks arising out of the use of such electronic methods to submit notices, 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.

SECTION 8. Severability. If any section, paragraph, sentence, clause or provision of the Escrow Agreement shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, sentence, clause or provision shall not affect any of the remaining provisions of the Escrow Agreement.

SECTION 9. Execution. The Escrow Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, but all together shall constitute but one and the same agreement. The exchange of copies of this Escrow Agreement and of signature pages by facsimile or PDF transmission shall constitute effective execution and delivery of this Escrow Agreement as to the parties hereto and may be used in lieu of the original Escrow Agreement and signature pages for all purposes.

IN WITNESS WHEREOF, the Authority and the Escrow Agent have caused the Escrow Agreement to be executed each on its behalf as of the day and year first above written.

FOLSOM PUBLIC FINANCING AUTHORITY

By _____
Treasurer

U.S. BANK NATIONAL ASSOCIATION,
as Escrow Agent and 2013 Trustee

By _____
Authorized Officer

ATTACHMENT 6

**City of Folsom
2021 Refunding Installment Sale Agreement
(Private Placement)**

SB 450 Summary / Government Code 5852.1

A. True Interest Cost (TIC) of the Bonds	1.76% ¹
B. Sum of all fees and charges paid to 3rd parties	\$135,000
Issuer	7,500 ²
Bond Counsel	55,000 ²
Municipal Advisor	32,500 ²
Placement Agent	25,000 ²
Trustee & Escrow Agent	6,100 ²
Trustee's Counsel	3,000 ²
Verification Agent	1,500 ²
CDIAC	2,279 ²
Contingency	2,121 ²
C. Bond Proceeds Net of Reserves, Capitalized Interest and 3rd Party Fees and Charges	\$8,981,000
Net proceeds	9,116,000 ¹
Less Reserve Fund	0 ¹
Less Sum of all fees and charges paid to 3rd parties	(135,000) ¹
Less Capitalized Interest	0 ¹
D. Total Payment Amount	\$10,233,948
Total Principal and Interest to Maturity	10,180,648 ¹
Trustee Fee	53,300 ³

Sources:

¹ Preliminary Cash Flows as of 5/19/21 prepared by Brandis Tallman

² Costs of Issuance

³ US Bank - 13 years at \$4,100 per year