Norton Rose Fulbright comments September 30, 2026

INSTALLMENT PURCHASE AGREEMENT

by and between

CITY OF PASADENA,
as Purchaser

and

PASADENA PUBLIC FINANCING AUTHORITY,
as Seller

Dated as of _____ 1, 2026

Relating to

$_____
PASADENA PUBLIC FINANCING AUTHORITY
WATER REVENUE BONDS
SERIES 2026A (WIFIA LOAN)

INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT (this "Agreement" or this "Installment Purchase Agreement"), made and entered into as of _____ 1, 2026, by and between the CITY OF PASADENA, a charter city and a municipal corporation duly organized and existing under and by virtue of the laws of the State of California (the "City"), and the PASADENA PUBLIC FINANCING AUTHORITY, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California (the "Authority"):

W I T N E S S E T H:

WHEREAS, the City proposes to finance certain improvements to the City's water system, as more particularly described herein; and

WHEREAS, the City desires to (a) finance the Pasadena's Water Infrastructure Program consisting of the following components: (1) The Sunset Complex Project, which includes components such as a storage reservoir, groundwater treatment plant, and pump station replacement and improvement project, (2) Drinking Water Main Replacement Project, which consists of replacing existing aging and leaking water mains in the Pasadena Water Service Area for up to five (5) years at an approximate replacement and relining rate of 2.25 miles/year, and (3) The Advanced Metering Infrastructure Project, which consists of replacing and retrofitting existing advanced water meters in the Pasadena Water Service Area (collectively, the "2026 Project") and (b) pay costs of issuance of the Authority Bonds; and

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

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

NOW, THEREFORE, IN CONSIDERATION OF THESE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH IS HEREBY ACKNOWLEDGED, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any 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. All capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Indenture.

"Accreted Value**"** means, with respect to any Capital Appreciation Indebtedness, the principal amount thereof plus the interest accrued thereon, compounded at the interest rate thereon on each date as specified therein.

"Acquisition and Construction" means, with respect to the 2026 Project, the acquisition, construction, improvement, equipping, renovation, remodeling or reconstruction thereof.

"Acquisition and Construction Costs" means, with respect to any of the 2026 Project, all costs of the Acquisition and Construction thereof which are paid from moneys on deposit in the Acquisition and Construction Fund, including but not limited to:

(a) all costs required to be paid to any person under the terms of any agreement for or relating to the Acquisition and Construction of the 2026 Project;

(b) obligations incurred for labor and materials in connection with the Acquisition and Construction of the 2026 Project;

(c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the Acquisition and Construction of the 2026 Project;

(d) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper Acquisition and Construction of the 2026 Project;

(e) any sums required to reimburse the Authority or the City for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the Acquisition and Construction of the 2026 Project;

(f) all financing costs incurred in connection with the Acquisition and Construction of the 2026 Project, including but not limited to costs of issuance of the Authority Bonds and other costs incurred in connection with this Agreement and the financing of the 2026 Project; and

(g) the interest components of the Installment Payments during the period of Acquisition and Construction of the 2026 Project, to the extent not paid from the proceeds of the Authority Bonds deposited in the Interest Account pursuant to the Indenture.

"Additional Obligations" means Obligations other than this Installment Purchase Agreement, which are either currently outstanding or issued pursuant to Section 5.03 hereof.

"Agreement" or "Installment Purchase Agreement" means this Installment Purchase Agreement, dated as of _____ 1, 2026, by and between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

"Annual Debt Service**"** means, for any Fiscal Year, the aggregate amount of principal and interest on all City Bonds and Contracts becoming due and payable during such Fiscal Year calculated using the principles and assumptions set forth under the definition of Debt Service.

"Assumed Debt Service**"** means, for any Fiscal Year, the aggregate amount of principal and interest which would be payable on all City Bonds and Contracts if each Excluded Principal Payment were amortized for a period specified by the City (but no longer than thirty (30) years from the date of the issuance of the City Bonds or Contracts to which such Excluded Principal Payment relates) on a substantially level debt service basis, calculated based on a fixed interest rate equal to the rate at which the

City could borrow for such period, as certified by a certificate of a financial advisor or investment banker delivered to the Trustee, who may rely conclusively on such certificate, within thirty (30) days of the date of calculation.

"Authority" means Pasadena Public Financing Authority, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California.

"Authority Bonds" means the Series 2026 Bonds, which Authority Bonds shall constitute the WIFIA Note referenced in the WIFIA Loan Agreement.

"Bond Counsel" means (a) Best Best & Krieger LLP, or (b) any other attorney or firm of attorneys appointed by or acceptable to the City of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on obligations of states and their political subdivisions and duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

"Capital Appreciation Indebtedness**"** means City Bonds and Contracts on which interest is compounded and paid less frequently than annually.

"Charter" means the City Charter of the City, as amended from time to time.

"CIC Account" means the CIC Account within the Water Fund established pursuant to Section 5.02.

"CIC Charges" means the charges levied by the City pursuant to Chapter 13.20.035 of the Water Rate Ordinance.

"CIC Revenues" means all capital improvement charges collected and received pursuant to Chapter 13.20.035 of the Water Rate Ordinance and interest earned thereon.

"City" means the City of Pasadena, a charter city and a municipal corporation duly organized and existing under and by virtue of the laws of the State of California.

"City Bonds" means all revenue bonds or notes of the City authorized, executed, issued, and delivered under and pursuant to the laws of the State of California, the payments of which are made from the Pledged Revenues and which are on a parity with the Installment Payments. The term "City Bonds" includes, but is not limited to, obligations in the form of bonds, notes, bond anticipation notes, and commercial paper.

"City Bonds Indenture" means the Water Revenue Bond Indenture, dated as of August 1, 2003, by and between the City and the Trustee, as originally executed and as it may from time to time be supplemented or amended by any supplemental indenture delivered pursuant to the provisions of the City Bonds Indenture.

"Code" means the Internal Revenue Code of 1986, as amended.

"Contract Payments" means Installment Payments due and payable under this Installment Purchase Agreement, installment or lease payments of interest and principal or, if there are no separate payments of interest and principal, the installment or lease payments, scheduled to be paid by the City under and pursuant to the Contracts.

"Contracts" means this Installment Purchase Agreement and all contracts or leases of the City authorized and executed by the City under and pursuant to the laws of the State of California, installment or lease payments under which are payable from the Pledged Revenues on a parity with this Installment Purchase Agreement.

"Current Interest Indebtedness**"** means the City Bonds and Contracts on which interest is paid at least annually.

"Debt Service" means the amount of principal and interest becoming due and payable on all City Bonds and Contracts; provided, however, that for the purposes of computing Debt Service:

(a) Excluded Principal Payments shall be excluded from such calculation, and Assumed Debt Service shall be included in such calculation;

(b) if the City Bonds or Contracts are Variable Rate Indebtedness, the interest rate thereon for periods when the actual interest rate cannot yet be determined will be assumed to be equal to the rate that is ninety percent (90%) of the average RBI during the twelve (12) calendar month period immediately preceding the date in which the calculation is made (the "assumed RBI-based rate");

(c) principal and interest payments on City Bonds and Contracts will be excluded to the extent such payments are to be paid from amounts on deposit with the Trustee or another fiduciary in escrow specifically therefor and to the extent that such interest payments are to be paid from the proceeds of City Bonds or Contracts held by the Trustee or another fiduciary as capitalized interest;

(d) in determining the principal amount, payment will (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such debt, including any mandatory sinking fund payments or any scheduled redemption or payment of City Bonds or Contracts on the basis of Accreted Value, and for such purpose, the redemption payment or payment of Accreted Value will be deemed a principal payment and interest that is compounded and paid as Accreted Value will be deemed due on the scheduled redemption or payment date of such Capital Appreciation Indebtedness;

(e) if any interest rate swap agreement is in effect with respect to, and is payable on a parity with, the City Bonds or Contracts to which it relates, no amounts payable under such interest rate swap agreement will be included in the calculation of Debt Service unless the sum of (i) interest payable on such City Bonds or Contracts, plus (ii) amounts payable by the City under such interest rate swap agreement, less (iii) amounts receivable by the City under such interest rate swap agreement are greater than the interest payable on the City Bonds or Contracts to which it relates, then, in such instance, the amount of such payments to be made that exceed the interest to be paid on the City Bonds or Contracts will be included in such calculation. For such purposes, any variable interest rate payable by the City with respect to a Series of Bonds and swapped to a fixed rate under any such interest rate swap agreement will be assumed to be equal to the assumed RBI-based rate;

(f) if any City Bonds or Contracts include an option or an obligation to tender all or a portion of such City Bonds or Contracts to the City, the Trustee or another fiduciary or agent and require that such City Bonds or Contracts or portion thereof be purchased if properly presented, then for purposes of determining the amounts of principal and interest due, the options or obligations to tender will be treated as a principal maturity occurring on the first date on which

holders or owners thereof may or are required to tender, except that any such option or obligation to tender will be ignored and not treated as a principal maturity, if (1) such City Bonds or Contracts are rated in one of the two highest long-term Rating Categories by Moody's or by Standard & Poor's or such City Bonds or Contracts are rated in the highest short-term note or commercial paper Rating Categories by Moody's or by Standard & Poor's, and (2) funds for the purchase price are to be provided by a letter of credit or standby bond purchase agreement; and

(g) if interest on any City Bonds or Contracts is reasonably anticipated to be reimbursed to the City by the United States of America pursuant to Section 54AA of the Code, or any future similar program, then interest payments with respect to such City Bonds or Contracts shall be reduced by the amount of such interest reasonably anticipated to be paid or reimbursed by the United States of America.

"Debt Service Payment Commencement Date" means the earlier to occur of (a) _____ 1, 20___; or (b) the Series 2026 Installment Payment Date falling closest to, but not later than, the fifth anniversary of the first disbursement date of the WIFIA Loan (but in any event no later than five (5) years after the Substantial Completion Date of the 2026 Project).

"Default Rate" has the meaning ascribed to such term in Part C of Schedule I (WIFIA Loan Specific Terms) of the WIFIA Loan Agreement.

"Department**"** means the Water and Power Department of the City.

"Excluded Principal Payments**"** means each payment of principal (or the principal component of lease or installment purchase payments) of City Bonds or Contracts which the City determines on a date not later than the date of issuance thereof that the City intends to pay with moneys that are not Pledged Revenues, but from the proceeds of future debt obligations of the City and the Trustee may rely conclusively on such determination of the City.

"Event of Default" means an event described in Section 8.01.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the last day of June of the next succeeding year, or any other twelve-month period selected and designated as the official Fiscal Year of the City.

"Gross Aggregate Revenues**"** means all Gross CIC Revenues and Other Water Revenues, all amounts deposited in the Water Fund and all interest earnings or income thereon or therefrom.

"Gross CIC Revenues**"** means all CIC Revenues, all amounts deposited in the CIC Account and all interest earnings or income thereon or therefrom.

"Indenture" means the Indenture of Trust, dated as of _____ 1, 2026, by and among the City, 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.

"Independent Certified Public Accountant" means any certified public accountant or firm of certified public accountants appointed and paid by the Authority, and who, or each of whom:

(a) is in fact independent and not under domination of the Authority or the City;

(b) does not have any substantial interest, direct or indirect, in the Authority or the City; and

(c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

"Independent Financial Consultant" means a financial consultant or firm of such consultants appointed by the City, and who, or each of whom:

(1) is in fact independent and not under domination of the City or the Authority;

(2) does not have any substantial interest, direct or indirect, with the City or the Authority; and

(3) is not connected with the City or the Authority as an officer or employee thereof, but who may be regularly retained to make reports thereto.

"Installment Payment Date;" "Series 2026 Installment Payment Date"

The term "Installment Payment Date" means each date on which Installment Payments are scheduled to be paid by the City under and pursuant to any Contracts. The term "Series 2026 Installment Payment Date" means the fifth day prior to each Interest Payment Date, or if said date is not a Business Day, then the preceding Business Day.

"Installment Payments;" "Series 2026 Installment Payments;" "Interest Component of Series 2026 Installment Payments;" "Principal Component of Series 2026 Installment Payments"

The term "Installment Payments" means the installment payments of interest and principal scheduled to be paid by the City under and pursuant to the Contracts. The term "Series 2026 Installment Payments" means the Installment Payments scheduled to be paid by the City under and pursuant hereto, plus interest on such draws as set forth in the Indenture. The term "Interest Component of Series 2026 Installment Payment", with respect to any Series 2026 Installment Payment, means the "Amount Attributable to Interest" in respect of such payment as reflected in Exhibit A hereto. The term "Principal Component of Series 2026 Installment Payment", with respect to any Series 2026 Installment Payment, means the "Amount Attributable to Principal" in respect of such payment as reflected in Exhibit A hereto.

"Interest Payment Date" means June 1 and December 1 in each year, as applicable, beginning on the Debt Service Payment Commencement Date, and continuing so long as any Authority Bonds remain Outstanding.

"Maintenance and Operation Costs" means the amount required to pay the expenses of management, repair and other costs necessary to operate, maintain and preserve the Water System in good repair and working order, including but not limited to, the expenses of conducting the Water System, including, but not limited to, the cost of supply and delivery of water under long-term contracts or otherwise and the expenses of conducting the Water Division of the Department but excluding depreciation. "Maintenance and Operation Costs" will include all amounts required to be paid by the City under contract with a joint powers agency for purchase of water capacity, transmission or distribution capability or any other commodities or services in connection with the foregoing, which contract requires payments by the City to be made under the Indenture to be treated as Maintenance and Operation Costs.

"Net Other Water Revenues**"** means all Other Water Revenues, all amounts deposited in the Water Fund and all interest earnings or income thereon or therefrom, less all Maintenance and Operation Costs.

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

"Obligations" means City Bonds and Contract Payments.

"Other Water Revenues**"** means all revenues from rates, fees and charges for providing water service to persons and real property and all other fees, rents and charges and other revenues derived by the City from the ownership, operation, use or service of the Water System, including contributions in aid of construction, but not including the CIC Revenues; provided, however, there shall be excluded therefrom any amounts reimbursed to the City by the United States of America pursuant to Section 54AA of the Code or any future similar program.

"Other Water Revenues Account**"** means the account within the Water Fund established pursuant to Section 5.02.

"Permitted Investments" means any investment permitted under applicable State law and the City's investment policies.

"Purchase Price" means the principal amount plus interest thereon owed by the City to the Authority under the terms hereof as provided in Section 4.01.

"Pledged Revenues" means all Gross CIC Revenues and all Net Other Water Revenues.

"RBI**"** means the Bond Buyer Revenue Bond Index or comparable index of long-term municipal obligations chosen by the City, and, if no comparable index can be obtained, eighty percent (80%) of the interest rate on actively traded thirty (30) year United States Treasury obligations.

"Series 2026 Bonds" means the $_____ aggregate principal amount of Pasadena Public Financing Authority Water Revenue Bonds, Series 2026A (WIFIA Loan).

"Subordinate Debt" means any indebtedness, installment sale obligation, lease obligation or other obligation of the City for borrowed money or interest rate swap agreement, which in the indenture, agreement, resolution or other instrument pursuant to which it is incurred or issues is expressly made subordinate and junior in right of payment from the Pledged Revenues or any portion thereof to the payment of City Bonds and any Contracts.

"Substantial Completion" means, with respect to the 2026 Project, the stage at which the 2026 Project is able to perform the functions for which the 2026 Project is designed.

"Substantial Completion Date" means the date on which the City certifies to the WIFIA Lender, with evidence satisfactory to the WIFIA Lender and notice to the WIFIA Lender in accordance with Part E of Schedule V (Reporting Requirements) of the WIFIA Loan Agreement, that Substantial Completion has occurred.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., acting in its capacity as Trustee under and pursuant to the Indenture, and its successors and assigns.

"Variable Rate Indebtedness**"** means any indebtedness the interest rate on which is not fixed at the time of incurrence of such indebtedness, and has not at some subsequent date been fixed, at a single numerical rate for the entire term of the indebtedness.

"Water Fund" means the fund by that name established pursuant to Section 5.02 hereof.

"Water Rate Ordinance**"** means Title 13, Chapter 13.20 of the Pasadena Municipal Code.

"Water System" means the entire system and facilities of the City for the purchase, storage, sale and distribution of water as said system now exists and including all additions, extensions and improvements thereto later constructed or acquired.

"WIFIA Interest Rate" has the meaning ascribed to such term in Part C of Schedule I (WIFIA Loan Specific Terms) of the WIFIA Loan Agreement.

"WIFIA Lender" means the United States Environmental Protection Agency, an agency of the United States of America, acting by and through the Administrator of the Environmental Protection Agency.

"WIFIA Loan Agreement" means the WIFIA Loan Agreement, dated _____, 2026, among the City, the Authority and the WIFIA Lender.

"Written Consent of the Authority or City," "Written Order of the Authority or City," "Written Request of the Authority or City," "Written Requisition of the Authority or City"

The terms "Written Consent of the Authority or City," "Written Order of the Authority or City," "Written Request of the Authority or City," and "Written Requisition of the Authority or City" mean, respectively, a written consent, order, request or requisition signed by or on behalf of (i) the Authority by its Chairman, Vice Chairman, or Executive Director or (ii) the City by the Mayor, Vice Mayor or City Manager or by any person who is specifically authorized by resolution of the City (a certified copy of which has been delivered to the Trustee) to sign or execute such a document on its behalf.

"2026 Project" has the meaning given to such term in the recitals to this Agreement.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

SECTION 2.01. Representations by the City. The City makes the following representations:

(a) The City is a charter city and a municipal corporation duly organized and existing under and pursuant to the laws of the State of California.

(b) The City has full legal right, power and authority to enter into this Agreement and carry out its obligations hereunder, to carry out and consummate all other transactions contemplated by this Agreement, and the City has complied with the provisions of the Law[1] in all matters relating to such transactions.

[1] **Note to Borrower:** Please define.

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

(d) The City will not take or, to the extent within its power, permit any action to be taken as a consequence of which any Interest Component of Series 2026 Installment Payments would fail to be excluded pursuant to section 103(a) of the Code from the gross income of the Authority or its assigns for purposes of federal income taxation, or to fail to be exempt from State of California personal income taxes.

(e) The City has determined that it is necessary and proper for City uses and purposes within the terms of the Law that the City finance/refinance the 2026 Project in the manner provided for in this Agreement.

(f) The City affirms all of the representations and warranties made by the City under Section 12 of the WIFIA Loan Agreement.

SECTION 2.02. Representations and Warranties by the Authority. The Authority makes the following representations and warranties:

(a) The Authority is a joint exercise of powers agency duly organized and in good standing under the laws of the State of California, has full legal right, power and authority to enter into this Agreement and to carry out and consummate all transactions contemplated by this Agreement and by proper action has duly authorized the execution and delivery and due performance of this Agreement.

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

(c) The Authority affirms all of the representations and warranties made by the Authority in Section 12 of the WIFIA Loan Agreement.

ARTICLE III

ISSUANCE OF AUTHORITY BONDS; SALE AND PURCHASE OF THE PROJECT

SECTION 3.01. The Authority Bonds. The Authority has authorized the issuance of the Authority Bonds pursuant to the Indenture in the aggregate principal amount of _____ Dollars ($_____). The City hereby approves the Indenture, the assignment to the Trustee of the rights of the Authority assigned under and pursuant to the Indenture, and the issuance of the Authority Bonds by the Authority under and pursuant to the Indenture. The Authority Bonds and the Series 2026 Installment Payments shall mature the earliest of (a) June 1, 20___; (b) the date on which the maturity of the WIFIA Loan has been accelerated or subject to mandatory redemption or prepayment (as the case may be); and (c) the June 1 immediately preceding the date that is thirty-five (35) years following the Substantial Completion Date.

SECTION 3.02. Appointment of City as Agent of Authority. The Authority hereby appoints the City as its agent to carry out all phases of the Acquisition and Construction of the additional 2026 Project to the Water System pursuant to and in accordance with the provisions hereof and the Indenture. The City hereby accepts such appointment and assumes all rights, liabilities, duties and responsibilities of the Authority regarding the Acquisition and Construction of the 2026 Project. The Authority, or the City as agent of the Authority hereunder, shall enter into, administer and enforce all purchase orders or other contracts relating to the Acquisition and Construction of the 2026 Project. All contracts for, and all work relating to, the Acquisition and Construction of the 2026 Project shall be subject to all applicable provisions of law relating to the acquisition, construction, improvement, and equipping of like facilities and property by the City.

SECTION 3.03. Sale and Purchase of the 2026 Project. As consideration for the proceeds of the Authority Bonds, the Authority hereby agrees to purchase, and the City hereby agrees to sell, the 2026 Project. As consideration for the City's agreement to make Series 2026 Installment Payments in accordance with Section 4.02 hereof, the Authority hereby agrees to sell, and the City hereby agrees to purchase, the 2026 Project. All right, title and interest in the 2026 Project shall vest in the City immediately upon execution of this Agreement. Such vesting shall occur without further action by the Authority or the City; and the Authority shall, if requested by the City or if necessary to assure such automatic vesting, deliver any and all documents required to assure such vesting.

ARTICLE IV

SERIES 2026 INSTALLMENT PAYMENTS

SECTION 4.01. Purchase Price.

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

(b) The principal amount of the payments to be made by the City hereunder on each Series 2026 Installment Payment Date is set forth in Exhibit A hereto; provided, however, the amount payable by the City to the Authority on each Series 2026 Installment Payment Date shall be reduced by the amount, if any, on deposit in the Bond Payment Fund and available or to be available for the payment of principal of and interest on the Authority Bonds on such Interest Payment Date as a result of prepayment in accordance with Article VII.

(c) The interest to accrue on the unpaid balance of such principal amount is as specified in Section 4.02 and Exhibit A hereto, and shall be paid by the City as and constitute interest paid on the principal amount of the City's obligations hereunder.

SECTION 4.02. Series 2026 Installment Payments. The City shall pay interest on the Purchase Price outstanding at the WIFIA Interest Rate; provided, that, upon the occurrence of an Event of Default, the City shall pay interest on the Purchase Price outstanding at the Default Rate, (a) in the case of an Event of Default described in Section 8.01(1), from (and including) its due date to (but excluding) the date of actual payment of the overdue amount of the Purchase Price then outstanding and accrued interest thereon and (b) in the case of any other Event of Default, from (and including) the date of such occurrence to (but excluding) the earlier of the date on which (i) such Event of Default has been cured (if applicable) in accordance with the terms of this Agreement and the WIFIA Loan Agreement or waived by the WIFIA Lender and (ii) the remaining balance of the Purchase Price has been irrevocably paid in full in immediately

available funds. Interest shall (x) accrue on the Purchase Price commencing on the date of the first disbursement of the proceeds under the WIFIA Loan Agreement , (y) be payable commencing on the Debt Service Payment Commencement Date and (z) be computed on the Purchase Price outstanding on the basis of a three hundred sixty (360) day year of twelve (12) thirty (30) day months. Each Series 2026 Installment Payment shall be paid to the Authority in lawful money of the United States of America. If the City fails to make any of the payments required to be made by it under this section, such payment shall continue as an obligation of the City until such amount shall have been fully paid; and the City agrees to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the Series 2026 Installment Payments if paid in accordance with their terms.

The obligation of the City to make the Series 2026 Installment Payments is absolute and unconditional, and until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the City will not discontinue or suspend any Series 2026 Installment Payments required to be made by it under this section when due, whether or not the Water System or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part and such payments shall not be subject to reduction whether by offset, abatement or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

SECTION 4.03. Additional Payments. In addition to the Series 2026 Installment Payments, the City shall pay when due all costs and expenses incurred by the Authority to comply with the provisions of the Indenture and the WIFIA Loan Agreement, including without limitation all costs of the Authority to issue the Authority Bonds, and shall pay to the Trustee upon request therefor all compensation for fees due to the Trustee and all of its costs and expenses payable as a result of the performance of and compliance with its duties hereunder or under the Indenture or any related documents, together with all amounts required to indemnify the Trustee pursuant to Sections 6.13 and Section 6.14 of the Indenture, and all costs and expenses of attorneys, auditors, engineers and accountants. The rights of the Trustee and the obligations of the City under this Section 4.03 shall survive the termination of this Agreement and the resignation and removal of the Trustee.

ARTICLE V

SECURITY

SECTION 5.01. Pledge of Pledged Revenues. All Pledged Revenues are hereby irrevocably pledged to the payment of the Series 2026 Installment Payments as provided herein and Pledged Revenues shall not be used for any purpose other than as permitted herein while any of the Series 2026 Installment Payments remain unpaid. This pledge shall constitute a lien on Pledged Revenues, including Pledged Revenues in the Water Fund established herein, subject to the terms hereof, for the payment of the Series 2026 Installment Payments, in accordance with the terms hereof and the Indenture, and all other Obligations in accordance with the terms thereof.

SECTION 5.02. Allocation of Gross Aggregate Revenues. To carry out and effectuate the pledge and lien contained herein, the City agrees to establish and maintain a fund, designated as the "Water Fund," and to designate within the Water Fund two separate accounts: the "CIC Account" and the "Other Water Revenues Account." The CIC Account and the Other Water Revenues Account may be for accounting purposes only and need not be maintained as separate depository accounts. Amounts in such accounts may be invested and commingled together, as the City will determine and in accordance with the Water Rate Ordinance, the City Charter and the Laws of the State of California. As long as any City Bonds are Outstanding or any Contract remains unpaid, the City will forthwith deposit all Gross Aggregate Revenues received in the Water Fund and will further credit to the CIC Account all CIC Revenues when and as

received by the City and to the Other Water Revenues Account all Other Water Revenues when and as received by the City. Investment income on amounts held by the City in the Water Fund and credited to either the CIC Account or the Other Water Revenues Account will also be deposited in the Water Fund and credited to the applicable account. All moneys at any time held in the Water Fund will be held in trust for the benefit of the Owners[2] of the City Bonds and Contracts and will be disbursed, allocated and applied solely for the uses and purposes set forth herein and the City Bonds Indenture.

As soon as practicable in each month after the deposit of Gross Aggregate Revenues into the Water Fund, but in any case no later than the Business Day prior to each Interest Payment Date, the City will withdraw or transfer from the CIC Account and Other Water Revenues Account and pay or deposit such amounts for the following purposes in the following order, the amounts set forth below:

(a) from the CIC Account to the Trustee, for deposit in the Bond Payment Fund established pursuant to the Indenture, the amount, if any, required so that the balance in said fund, including any subaccounts therein, to the extent moneys in such subaccounts are available to pay Debt Service as of such Interest Payment Date, will equal the Debt Service due on such Interest Payment Date;

(b) from the CIC Account to the Trustee for deposit in the Parity Reserve Fund established pursuant to the City Indenture, the amount, if any, required so that the amount credited to such fund will be at least equal to the Reserve Fund Requirement as of such Interest Payment Date;

(c) from the Other Water Revenues Account, such amounts that the City will require to provide for Maintenance and Operation Costs;

(d) from the Other Water Revenues Account to the Trustee for deposit in the Bond Payment Fund established pursuant to the Indenture, the amount, if any, required so that the balance in said fund, including any subaccounts therein, to the extent moneys in such subaccounts are available to pay Debt Service as of such Interest Payment Date, will equal the Debt Service due on such Interest Payment Date;

(e) from the Other Water Revenues Account to the Trustee for deposit in the Parity Reserve Fund established pursuant to the City Indenture, the amount, if any, required so that the amount credited to such fund will be at least equal to the Reserve Fund Requirement as of such Interest Payment Date;

(f) from the CIC Account to any fund established with respect to, or any trustee for or holder of, any Subordinate Debt, the amount, if any, required to pay principal then due and accrued interest on such Subordinate Debt, and any amount necessary to replenish any reserve account with respect to such Subordinate Debt;

(g) from the Other Water Revenues Account to any fund established with respect to, or any trustee for or holder of, any Subordinate Debt, the amount, if any, required to pay principal then due and accrued interest on such Subordinate Debt, and any amount necessary to replenish any reserve account with respect to such Subordinate Debt; and

(h) from the CIC Account and the Other Water Revenues Account to the City, for any lawful purpose,

provided, that on a parity with the deposits required by paragraphs (a), (b), (d) and (e) above, the City will set aside or transfer amounts to the appropriate accounts with respect to outstanding City Bonds and Contracts as provided in the proceedings for such City Bonds and Contracts (which will be

[2] **Note to Borrower:** Please define.

proportionate in the event such amounts are insufficient to provide for all deposits required as of any date to be made with respect to the Authority Bonds and such City Bonds and Contracts).

SECTION 5.03. Additional Obligations. The City may at any time execute any Contract or issue any City Bonds, as the case may be, in accordance herewith, provided, however, that: (1) the City shall not issue or incur any Additional Obligations during the term of the WIFIA Loan Agreement having any priority in payment of principal or interest out of the Gross Aggregate Revenues or the Pledged Revenues senior to the Series 2026 Installment Payments; and (2) the City may not issue or incur any Additional Obligations during the term of the WIFIA Loan Agreement unless all of the following conditions are satisfied:

(a) No Event of Default shall have occurred and be continuing, and the City shall deliver a certificate to that effect to the Trustee; and

(b) the City shall have placed on file with the Trustee a certificate of the City certifying that "A" less "B" shall be at least equal to 1.10 times the amount of Annual Debt Service during the immediately succeeding Fiscal Year on all City Bonds or Contracts then outstanding and the additional City Bonds or Contracts then proposed to be issued.

"A" equals the sum of (i) Gross Aggregate Revenues for any period of twelve (12) consecutive months during the eighteen (18) months immediately preceding the date on which any additional City Bonds or Contracts will become outstanding, plus (ii) the amount by which the City projects Gross Aggregate Revenues for any such period described in clause (i) above would have increased had increases in rates, fees and charges during such period of twelve (12) months been in effect throughout such period of twelve (12) months, plus (iii) the amount by which the City projects Gross Aggregate Revenues will increase during a period of twelve (12) months commencing on the date of issuance of any such additional City Bonds or Contracts as a result of increases in rates, fees and charges approved by the City Council prior to such date of issuance (other than those referenced in (ii) above) and which will be imposed during such twelve (12) month period.

"B" equals the amount projected for Maintenance and Operation Costs in the twelve (12) month period following the date of issuance of any such additional City Bonds or Contracts or in the twelve (12) month period following completion of improvements to the Water System to be financed with the proceeds of such additional City Bonds or Contracts, whichever is greater.

Provided, however, no such requirement contained in this subsection (b) shall be required in the case of a refunding where the aggregate Annual Debt Service with respect to any such refunding City Bonds or Contracts through the date of maturities thereof shall not exceed the aggregate Annual Debt Service with respect to the City Bonds or Contracts being refunded.

(c) The City shall not, for the term of the WIFIA Loan Agreement, issue or incur any Obligations for the 2026 Project that are secured by a lien on any assets or property of the City other than the Pledged Revenues.

SECTION 5.04. Investments. All moneys held by the City in the Water Fund shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein.

ARTICLE VI

COVENANTS OF THE CITY

SECTION 6.01. Compliance with Installment Purchase Agreement and Ancillary Agreements. The City will punctually pay the Series 2026 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 this Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Water System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The City will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Indenture required to be observed and performed by it; and it is expressly understood and agreed by and between the parties to this Agreement that, subject to Section 11.07 hereof, each of the agreements, conditions, covenants and terms contained in each of this Agreement and the Indenture is an essential and material term of the purchase of and payment for the 2026 Project by the City pursuant to and in accordance with this Agreement.

The City will faithfully observe and perform all the agreements, conditions, covenants and terms required to be observed and performed by it pursuant to all outstanding Contracts and City Bonds as such may from time to time be executed or issued, as the case may be.

SECTION 6.02. Against Encumbrances. The City will not make any pledge of or place any lien on Pledged Revenues or the moneys in the Water Fund except as provided in Section 5.02 herein; provided, however, that the City may at any time, or from time to time, issue evidences of indebtedness or incur other obligations for any lawful purpose that are payable from and secured by a pledge of and lien on Pledged Revenues or any moneys in the Water Fund as may from time to time be deposited therein, provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein. The City will not issue any evidences of indebtedness or incur other obligations that are payable from and secured by a pledge of and lien on Pledged Revenues senior to the pledge of and lien on Pledged Revenues of the Series 2026 Installment Payments.

SECTION 6.03. Against Sale or Other Disposition of Property. The City will not enter into any agreement or lease that impairs the operation of the Water System or any part thereof necessary to secure adequate Pledged Revenues for the payment of the Series 2026 Installment Payments, or that would otherwise impair the rights of the Authority hereunder or the operation of the Water System. Any real or personal property that has become non-operative or that is not needed for the efficient and proper operation of the Water System, or any material or equipment that has become worn out, may be sold if such sale will not impair the ability of the City to pay the Series 2026 Installment Payments and if the proceeds of such sale are deposited in the Water Fund.

Nothing herein shall restrict the ability of the City to sell any portion of the Water System if such portion is immediately repurchased by the City and if such arrangement cannot by its terms result in the

purchaser of such portion of the Water System exercising any remedy that would deprive the City of or otherwise interfere with its right to own and operate such portion of the Water System.

SECTION 6.04. 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 6.05. Payment of Claims. The City will pay and discharge any and all lawful claims for labor, materials or supplies that, if unpaid, might become a lien on the Pledged Revenues or the funds or accounts created hereunder or under the Indenture or on any funds in the hands of the City pledged to pay the Series 2026 Installment Payments or to the Owners prior or superior to the lien of the Series 2026 Installment Payments or that might impair the security of the Series 2026 Installment Payments, except that if the City desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City will forthwith pay or cause to be paid and discharged such judgment.

SECTION 6.06. Insurance.

(a) The City will procure and maintain or cause to be procured and maintained insurance relating to the Water System with responsible insurers in such amounts and against such risks (including damage to or destruction of the Water System) as are usually covered in connection with facilities similar to the Water System, so long as such insurance is available from reputable insurance companies at reasonable costs.

In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the following shall apply; provided however, the following shall not apply, if (1) the Net Proceeds are less than $50,000, in which case the City may determine the use of such proceeds; or (2) the City certifies in a Written Order of the City delivered to the Trustee that if the damaged or destroyed portion of the Water System is not repaired or replaced, the Water System will generate Pledged Revenues equal to at least 125% of the amount described in clause (b) of Section 6.10 for each future fiscal year that the Authority Bonds are scheduled to remain outstanding without a rate increase triggering a noticed Proposition 218 rate hearing:

(i) The Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System. The City shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and liens.

(ii) If such Net Proceeds are sufficient to enable the City to retire the entire obligation evidenced hereby prior to the final due date of the Series 2026 Installment Payments as well as the entire obligations evidenced by City Bonds and Contracts then remaining unpaid prior to their final respective due dates, the City may elect not to reconstruct, repair or replace the damaged or destroyed portion of the Water System, and/or not to construct other additions, betterments, extensions or improvements to the Water System; and thereupon such Net Proceeds shall be applied to the prepayment of Series

2026 Installment Payments as provided in Article VII and to the retirement of such City Bonds and Contracts.

(iii) If such Net Proceeds exceed the costs of such reconstruction, repair or replacement portion of the Water System, and/or the cost of the construction of additions, betterments, extensions or improvements to the Water System, then the excess Net Proceeds may, in the City's discretion, be applied in part to the prepayment of Series 2026 Installment Payments as provided in Article VII and in part to such other fund or account as may be appropriate and used for the retirement of City Bonds and Contracts in the same proportion that the aggregate unpaid principal balance of Series 2026 Installment Payments then bears to the aggregate unpaid principal amount of such City Bonds and Contracts.

(b) The City will procure and maintain such other insurance as it shall deem advisable or necessary to protect its interests and the interests of the Authority, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal water systems similar to the Water System.

(c) Any insurance required to be maintained by paragraph (a) above and, if the City determines to procure and maintain insurance pursuant to paragraph (b) above, 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 water systems similar 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.

The Trustee shall not be responsible for the sufficiency or adequacy of the insurance maintained by the City.

SECTION 6.07. Accounting Records; Financial Statements and Other Records.

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

(b) The City will prepare and file with the Authority and, upon request of the Trustee, with the Trustee annually within two hundred 10 (210) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2026);

(1) financial statements of the Water System for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with a report of an Independent Certified Public Accountant thereon; and

(2) a detailed report as to all insurance policies maintained and self-insurance programs maintained by the City with respect to the Water System, as of the close of such Fiscal Year, including the names of the insurers that have issued the policies and the amounts thereof and the property or risks covered thereby and a statement that all such policies comply with Section 6.08 hereof.

The Trustee shall have no duty to review, verify or analyze the documents provided to it pursuant to this Section 6.07(b)(1) and shall hold such documents solely as a repository for the benefit of the Owners. The Trustee shall not be deemed to have notice of any information contained therein or default or Event of Default which may be disclosed therein in any manner.

SECTION 6.08. Protection of Security and Rights of the Authority. The City will preserve and protect the security hereof and the rights of the Authority to the Series 2026 Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

SECTION 6.09. Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge all taxes, assessments and other governmental charges that may hereafter be lawfully imposed upon the Water System, or any part thereof or upon the Gross Aggregate Revenues when the same shall become due. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System, or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

SECTION 6.10. Amount of Rates and Charges. (i) The City shall fix, prescribe, and collect fees, rates, and charges for the Water System which will be at least sufficient to pay the following amounts in the order set forth:

(a) The interest on, and principal and redemption price of, the outstanding City Bonds and any Contracts as the same will become due and payable;

(b) All payments required for compliance with the City Bonds Indenture and the Indenture, including payments required to be made into any Parity Reserve Fund established in the City Bond Indenture;

(c) All payments required to be made with respect to any Subordinate Debt;

(d) All Maintenance and Operation Costs; and

(e) All payments required to meet any other obligations of the City which are charges, liens, encumbrances upon or payable from the Gross Aggregate Revenues or any portion thereof;

and the charges will be fixed so that in each Fiscal Year Gross Aggregate Revenues less Maintenance and Operation Costs will be at least equal to 1.10 times the amount of the Annual Debt Service.

(ii) So long as the WIFIA Loan Agreement is in effect, if:

(A) the forecast furnished by the City in the most recent Updated Financial Model/Plan, as defined in the WIFIA Loan Agreement, delivered by the City pursuant to Part A of Schedule V (Reporting Requirements) of the WIFIA Loan Agreement demonstrates that projected Pledged Revenues may be inadequate to satisfy paragraph (i) above for any Fiscal Year during the Forecast Period, as defined in the WIFIA Loan Agreement, then the City shall propose a remedial course of action, which plan shall demonstrate to the WIFIA Lender's satisfaction that such plan will generate an equivalent or greater increase to the Pledged Revenues so as to satisfy paragraph (i) above; and/or

(B) the City fails to satisfy paragraph (i) above for the most recently ended City Fiscal Year, the City and the WIFIA Lender shall meet and confer within fifteen (15)

days of the date of such notice to determine a course of action acceptable to the WIFIA Lender. If (1) the City and the WIFIA Lender fail to agree upon a course of action within forty-five (45) days of the date of such notice or (2) following an agreement upon a course of action by the City and the WIFIA Lender, the City fails to implement the agreed upon course of action within sixty (60) days of the date of such agreement, then any such failure shall constitute a Default under and as defined by the WIFIA Loan Agreement, subject to the City's rights to cure the Default in accordance with Section 17(b)(v) (Covenant Default) of the WIFIA Loan Agreement.[3]

SECTION 6.11. Collection of Rates and Charges. The City will have in effect at all times rules and regulations requiring each customer to pay the rates, fees and charges applicable to the water services and providing for the billing thereof and for a due date and a delinquency date for each bill.

SECTION 6.12. Eminent Domain Proceeds. If all or any part of the Water System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows; provided however, the following shall not apply, if (1) the Net Proceeds are less than $50,000, in which case the City may determine the use of such proceeds; or (2) the City certifies in a Written Order of the City delivered to the Trustee that if the portion of the Water System taken by eminent domain is not replaced, the Water System will generate Pledged Revenues equal to at least 125% of the amount described in clause (b) of Section 6.10 for each future fiscal year that the Authority Bonds are scheduled to remain outstanding without a rate increase triggering a noticed Proposition 218 rate hearing:

(a) If (1) the City files with the Authority and the Trustee a certificate showing (i) the estimated loss of annual Pledged Revenues, if any, suffered or to be suffered by the City by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the Water System proposed to be acquired and constructed by the City from such Net Proceeds, and (iii) an estimate of the additional annual Pledged Revenues to be derived from such additions, betterments, extensions or improvements, and (2) the City, on the basis of such certificate filed with the Authority and the Trustee, determines that the estimated additional annual Pledged Revenues will sufficiently offset the estimated loss of annual Pledged Revenues resulting from such eminent domain proceedings so that the ability of the City to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the City shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the City for such purpose shall be deposited in the Water Fund.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the City in part to the prepayment of Series 2026 Installment Payments as provided in Article VII and in part to such other fund or account as may be appropriate and used for the retirement of City Bonds and Contracts in the same proportion that the aggregate unpaid principal balance of Series 2026 Installment Payments then bears to the aggregate unpaid principal amount of such City Bonds and Contracts.

SECTION 6.13. 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

[3] **Note to Borrower:** Conformed to current WLA language.

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 6.14. Continuing Disclosure. The City will comply with the continuing disclosure requirements promulgated under U.S. Securities and Exchange Commission Rule 15c2 12.

SECTION 6.15. Access to the Water System. The City agrees that the Authority and the Trustee, and any duly authorized representative thereof, shall have the right at all reasonable times to enter upon and to examine and inspect the Water System. The City further agrees that the Authority and the Trustee, and any duly authorized representative thereof, shall have such rights of access to the Water System as may be reasonably necessary to cause the proper maintenance of the Water System in the event of failure by the City to perform its obligations hereunder.

SECTION 6.16. Covenants in WIFIA Loan Agreement. The City agrees that it will comply with all of the covenants and conditions in Sections 14 and 15 of the WIFIA Loan Agreement during the Term of the WIFIA Loan Agreement.

ARTICLE VII

PREPAYMENT OF SERIES 2026 INSTALLMENT PAYMENTS

SECTION 7.01. Prepayment. The City may exercise its option to prepay the principal components of the Series 2026 Installment Payments without penalty or premium, (i) in full on any date or (ii) in part on any Series 2026 Installment Payment Date (and, if in part, the amounts thereof to be prepaid shall be determined by the City; provided, that such prepayment shall be in principal amounts of $1,000,000 or any integral multiple of $1.00 in excess thereof), in each case from time to time but not more than once annually. Each prepayment hereunder shall be made on such date and in such principal amount as shall be specified by the City in a Written Request of the City and delivered to the Authority, the Trustee and the WIFIA Lender not less than thirty (30) days prior to the requested date of prepayment, unless otherwise agreed by the WIFIA Lender.

SECTION 7.02. Method of Prepayment. Upon the WIFIA Lender's receipt of confirmation that payment in full in immediately available funds of all outstanding Series 2026 Installment Payments (the entire WIFIA Loan Balance) and any unpaid interest, fees and expenses with respect thereto has occurred as a result of a prepayment, the WIFIA Lender shall surrender the WIFIA Bond to the Authority or its authorized representative, by mail in accordance with Section 31 (Notices) of the WIFIA Loan Agreement or as otherwise agreed between the parties hereto. If the City prepays only part of the unpaid balance of principal of the Series 2026 Installment Payments and WIFIA Loan, the WIFIA Lender may make a notation on the WIFIA Loan Amortization Schedule indicating the amount of principal of and interest on the WIFIA Loan then being prepaid. Absent manifest error, the WIFIA Lender's determination of such matters as set forth on an updated WIFIA Loan Amortization Schedule shall be conclusive evidence thereof; provided, that neither the failure to make any such recordation nor any error in such recordation shall affect in any manner the City's obligations hereunder or under any other WIFIA Loan Document. All partial prepayments of principal shall be applied to reduce the principal component of Series 2026 Installment Payments and WIFIA Loan Balance such that the remaining scheduled principal components of the Series 2026 Installment Payments due hereunder and principal payments for the WIFIA Loan set out in the WIFIA Loan Amortization Schedule are reduced in inverse order of maturity or, at the election of the City evidenced by a written request of the City filed with the WIFIA Lender at least thirty (30) days prior to the date of prepayment, on a pro rata basis (provided that, in any event, the WIFIA Debt Service following such prepayment shall be equal in time and amount to the unpaid payments due under this Installment Purchase Agreement). If such funds have not been so paid on the prepayment date, such principal

components of the Series 2026 Installment Payments due hereunder and principal amount of the WIFIA Loan shall continue to bear interest until payment thereof at the rate provided for in Section 6 (Interest Rate) of the WIFIA Loan Agreement.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

SECTION 8.01. Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen, that is to say --

(1) if default shall be made in the due and punctual payment of any Series 2026 Installment Payment or any Contract or City Bond when and as the same shall become due and payable;

(2) if default shall be made by the City in the performance of any of the agreements or covenants required herein 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; provided, however, if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such thirty (30) day period, such failure shall not constitute an Event of Default if corrective action is instituted by the City within such thirty (30) day period and the City shall thereafter diligently and in good faith cure such failure in a reasonable period of time, which period shall not extend more than one hundred eighty (180) days from the date of the default notice; or

(3) 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; or

(4) any Event of Default, as described in Section 17 of the WIFIA Loan Agreement and not otherwise described herein;

then and in each and every such case during the continuance of such Event of Default specified in clause (3) above, the Authority shall, and for any other such Event of Default the Authority may, by notice in writing to the City, declare the entire principal amount of the unpaid Series 2026 Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding. This subsection however, is subject to the condition that if at any time after the entire principal amount of the unpaid Series 2026 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 moneys 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 Series 2026 Installment Payments or the unpaid payment of any other Contract or Bond referred to in clause (1) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the remaining unpaid principal balance of the Series 2026 Installment Payments or such Contract or Bond if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other

defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid Series 2026 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 such case the Authority, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

SECTION 8.02. Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 8.01, all Pledged Revenues thereafter received shall be applied in the following order –

First, to the payment of the fees, costs and expenses of the Trustee, if any, in carrying out the provisions of this article and of the WIFIA Lender in enforcing its rights and remedies pursuant to the WIFIA Loan Agreement or as a third party beneficiary hereunder, including reasonable compensation to their respective accountants, advisors and legal counsel and then to the payment of the fees, costs and expenses of the Authority, if any, in carrying out the provisions of this article, including reasonable compensation to its accountants, advisors and legal counsel, and then to any other unpaid fees and expenses of the Trustee; and

Second, to the payment of the entire principal amount of the unpaid Series 2026 Installment Payments and the unpaid principal amount of all City Bonds and Contracts and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to the Series 2026 Installment Payments and such City Bonds and Contracts if paid in accordance with their respective terms.

SECTION 8.03. 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 director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform and carry out its or his duties under the Law and the agreements and covenants required to be performed by it or him contained herein:

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

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

Notwithstanding anything contained herein, the Authority shall have no security interest in or mortgage on the 2026 Project or the Water System or any other real property of the City and no default hereunder shall result in the loss of the 2026 Project or the Water System or any other real property of the City

SECTION 8.04. 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 Series 2026 Installment Payments to the Authority at the respective due dates or upon prepayment from the Pledged Revenues, the Water Fund and the other funds herein pledged for such payment, 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. 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 the 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 8.05. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Authority or the Bond Owners, or as provided in the Indenture, 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 under the Indenture 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 the Law or any other law.

ARTICLE IX

DISCHARGE OF OBLIGATIONS

SECTION 9.01. Discharge of Obligations. When:

(a) all or any portion of the Series 2026 Installment Payments shall have become due and payable in accordance herewith or a written notice of the City to prepay all or any portion of the Series 2026 Installment Payments shall have been filed with the Trustee; and

(b) there shall have been deposited with the Trustee at or prior to the Series 2026 Installment Payment Dates or date (or dates) specified for prepayment, in trust for the benefit of the Authority or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the Series 2026 Installment Payments, sufficient moneys and Permitted Investments, in the amounts required by Section 10.03 of the Indenture, described in paragraph (1), (2) or (3) of the definition thereof, the principal of and interest on which when due will provide money sufficient to pay all principal, prepayment premium, if any, and interest of such Series 2026 Installment Payments to their respective Series 2026 Installment Payment Dates or prepayment date or dates as the case may be; and

(c) provision shall have been made for paying all fees and expenses of the Trustee,

then and in that event, the right, title and interest of the Authority herein and the obligations of the City hereunder shall, with respect to all or such portion of the Series 2026 Installment Payments as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Trustee and the obligation of the City to have such moneys and such Permitted Investments applied to the payment of such Series 2026 Installment Payments).

In such event, upon request of the City the Trustee shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, prepared by or on behalf of and at the expense of the City, and, in the

event of a total discharge and satisfaction, the Trustee shall pay over to the City, after payment of all amounts due the Trustee pursuant to the Indenture and payment of all amounts due the WIFIA Lender pursuant to the WIFIA Loan Agreement, as an overpayment of Series 2026 Installment Payments, all such moneys or such Permitted Investments held by it pursuant hereto other than such moneys and such Permitted Investments as are required for the payment or prepayment of the Series 2026 Installment Payments, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of the Series 2026 Installment Payments and shall be applied by the Trustee to the payment of the Series 2026 Installment Payments of the City.

ARTICLE X

[RESERVED]

ARTICLE XI

MISCELLANEOUS

SECTION 11.01. Liability of City Limited to Pledged Revenues. Notwithstanding anything contained herein, the City shall not be required to advance any moneys derived from any source of income other than the Pledged Revenues, the Water Fund and the other funds provided herein and in the Indenture for the payment of the Series 2026 Installment Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The City may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the Series 2026 Installment Payments is a special obligation of the City payable solely from Pledged Revenues, the Water Fund and other funds described in this Agreement and in the Indenture, and does not constitute a debt of the City or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

SECTION 11.02. Benefits of Installment Purchase Agreement Limited to Parties. Except as provided in Section 11.05 hereto, nothing contained herein, expressed or implied, is intended to give to any person other than the City or the Authority 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 other party.

SECTION 11.03. 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 shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

SECTION 11.04. Waiver of Personal Liability. No director, officer or employee of the City shall be individually or personally liable for the payment of the Series 2026 Installment Payments, but nothing contained herein shall relieve any director, officer or employee of the City from the performance of any official duty provided by any applicable provisions of law or hereby.

SECTION 11.05. Third Party Beneficiary. The Trustee and the WIFIA Lender shall each be and is hereby made a third party beneficiary hereunder with all rights of a third party beneficiary and may enforce the provisions of this Agreement as if they were a party hereto.

SECTION 11.06. Article and Section Headings; Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

SECTION 11.07. 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. The City and the Authority hereby declare that they would have executed this Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 11.08. Assignment. This Agreement and any rights hereunder may be assigned by the Authority to the Trustee, as a whole or in part, without the necessity of obtaining the prior consent of the City.

SECTION 11.09. Net Contract. This Agreement shall be deemed and construed to be a net contract, and the City shall pay absolutely net during the term hereof the Series 2026 Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

SECTION 11.10. California Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

SECTION 11.11. 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 Pasadena
100 N. Garfield Avenue
Pasadena, CA 91101
Attention: City Manager

If to the Authority:
Pasadena Public Financing Authority
100 N. Garfield Avenue
Pasadena, CA 91101
Attention: Executive Director

If to WIFIA Lender:
Environmental Protection Agency
WJC-E 7334A
1200 Pennsylvania Avenue NW
Washington, D.C. 20460
Attention: WIFIA Director
Email: WIFIA_Portfolio@epa.gov

SECTION 11.12. Effective Date. This Agreement shall become effective upon its execution and delivery, and shall terminate when the Purchase Price shall have been fully paid (or provision for the payment thereof shall have been made to the written satisfaction of the Authority).

SECTION 11.13. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

SECTION 11.14. Indemnification of Authority. The City hereby agrees to indemnify and hold harmless the Authority if and to the extent permitted by law, from and against all claims, advances, damages and losses, including legal fees and expenses, arising out of or in connection with the acceptance or the performance of its duties hereunder and under the Indenture; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder or under the Indenture by the Authority.

SECTION 11.15. Amendments Permitted. (a) This Agreement and the rights and obligations of the Authority, the City, the Owners of the Authority Bonds and of the Trustee may be modified or amended at any time, by an amendment hereto that shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Authority Bonds then Outstanding, exclusive of Authority Bonds disqualified as provided in Section 7.02 of the Indenture, shall have been filed with the Trustee. No such modification or amendment shall –

(1) extend the stated maturities of the Authority Bonds, or reduce the rate of interest represented thereby, or extend the time of payment of interest, or reduce the amount of principal represented thereby, or reduce any premium payable on the prepayment thereof, without the consent of the Owner of each Authority Bond so affected, or

(2) reduce the aforesaid percentage of Owners of Authority Bonds whose consent is required for the execution of any amendment or modification of this Agreement, or

(3) modify any of the rights or obligations of the Trustee or the Authority without its respective written consent thereto.

(b) This Agreement and the rights and obligations of the Authority, the City and of the Owners of the Authority Bonds may also be modified or amended at any time, by an amendment hereto that shall become binding upon adoption, without the consent of the Owners of any Authority Bonds, but only to the extent permitted by law and only for any one or more of the following purposes-

(1) to add to the covenants and agreements of the Authority or the City contained in this Agreement other covenants and agreements thereafter to be observed or to surrender any right or power herein reserved to or conferred upon the Authority or the City so long as such limitation or surrender of such rights or powers shall not adversely affect the Owners of the Authority Bonds; and

(2) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Agreement, or in any other respect whatsoever as the Authority or the City may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not adversely affect the interests of the Owners of the Authority Bonds.

(c) No amendment without consent of the Owners may modify any of the rights or obligations of the Trustee without its written consent thereto.

(Signature page follows)

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

CITY OF PASADENA

By: _____
[Name]
[Title]

PASADENA PUBLIC FINANCING AUTHORITY

By: _____
[Name]
[Title]

-Signature Page-
Installment Purchase Agreement

EXHIBIT A

PURCHASE PRICE

1. The principal amount of payments to be made by the City hereunder is $_____.

2. The installment payments of principal and interest are payable five days prior to each Interest Payment Date in the amounts set forth as follows:

Interest Payment Dates	Amount Attributable to Principal	Amount Attributable to Interest	Total

Interest Payment Dates	Amount Attributable to Principal	Amount Attributable to Interest	Total

TABLE OF CONTENTS

Page

ARTICLE I
DEFINITIONS

SECTION 1.01. Definitions 1

ARTICLE II
REPRESENTATIONS AND WARRANTIES

SECTION 2.01. Representations by the City 8

SECTION 2.02. Representations and Warranties by the Authority 9

ARTICLE III
ISSUANCE OF AUTHORITY BONDS; SALE AND PURCHASE OF THE PROJECT

SECTION 3.01. The Authority Bonds 9

SECTION 3.02. Appointment of City as Agent of Authority 9

SECTION 3.03. Sale and Purchase of the 2026 Project 9

ARTICLE IV
SERIES 2026 INSTALLMENT PAYMENTS

SECTION 4.01. Purchase Price. 10

SECTION 4.02. Series 2026 Installment Payments 10

SECTION 4.03. Additional Payments 11

ARTICLE V
SECURITY

SECTION 5.01. Pledge of Pledged Revenues 11

SECTION 5.02. Allocation of Gross Aggregate Revenues 11

SECTION 5.03. Additional Obligations 12

SECTION 5.04. Investments 13

ARTICLE VI
COVENANTS OF THE CITY

SECTION 6.01. Compliance with Installment Purchase Agreement and Ancillary Agreements 13

SECTION 6.02. Against Encumbrances 14

SECTION 6.03. Against Sale or Other Disposition of Property 14

SECTION 6.04. Maintenance and Operation of the Water System 14

SECTION 6.05. Payment of Claims 14

TABLE OF CONTENTS
(continued)

Page

SECTION 6.06. Insurance. 14
SECTION 6.07. Accounting Records; Financial Statements and Other Records. 16
SECTION 6.08. Protection of Security and Rights of the Authority 16
SECTION 6.09. Payment of Taxes and Compliance with Governmental Regulations 16
SECTION 6.10. Amount of Rates and Charges 16
SECTION 6.11. Collection of Rates and Charges 17
SECTION 6.12. Eminent Domain Proceeds 17
SECTION 6.13. Further Assurances 18
SECTION 6.14. Continuing Disclosure 18
SECTION 6.15. Access to the Water System 18
SECTION 6.16. Covenants in WIFIA Loan Agreement 18

ARTICLE VII
PREPAYMENT OF SERIES 2026 INSTALLMENT PAYMENTS

SECTION 7.01. Prepayment 19
SECTION 7.02. Method of Prepayment 19

ARTICLE VIII
EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

SECTION 8.01. Events of Default and Acceleration of Maturities 19
SECTION 8.02. Application of Funds Upon Acceleration 20
SECTION 8.03. Other Remedies of the Authority 21
SECTION 8.04. Non-Waiver 21
SECTION 8.05. Remedies Not Exclusive 21

ARTICLE IX
DISCHARGE OF OBLIGATIONS

SECTION 9.01. Discharge of Obligations 22

ARTICLE X
[RESERVED]

ARTICLE XI
MISCELLANEOUS

SECTION 11.01. Liability of City Limited to Pledged Revenues 22

TABLE OF CONTENTS
(continued)

Page

SECTION 11.02. Benefits of Installment Purchase Agreement Limited to Parties 23
SECTION 11.03. Successor Is Deemed Included in all References to Predecessor 23
SECTION 11.04. Waiver of Personal Liability 23
SECTION 11.05. Third Party Beneficiary 23
SECTION 11.06. Article and Section Headings; Gender and References 23
SECTION 11.07. Partial Invalidity 23
SECTION 11.08. Assignment 24
SECTION 11.09. Net Contract 24
SECTION 11.10. California Law 24
SECTION 11.11. Notices 24
SECTION 11.12. Effective Date 24
SECTION 11.13. Execution in Counterparts 24
SECTION 11.14. Indemnification of Authority 24
SECTION 11.15. Amendments Permitted 24

EXHIBIT A – PURCHASE PRICE A-1