



RESOLUTION NO. 2022-48
RESOLUTION NO. PFA-01
ORDINANCE NO. 2022-02

AGENDA

OUR MISSION

Protect, enhance, and develop Calaveras County's water resources and watersheds to provide safe, reliable, and cost-effective services to our communities.

Regular Board Meeting
CCWD Public Financing Authority
Wednesday, May 25, 2022
1:00 p.m.

Calaveras County Water District
120 Toma Court
San Andreas, California 95249

Board Chambers are open to the public and the following alternative is available to members of the public who wish to participate in the meeting virtually:

Microsoft Teams meeting

Join on your computer or mobile app

[Click here to join the meeting](#)

Or call in (audio only)

[+1 323-647-8603,,605388082#](#)

Phone Conference ID: 605 388 082#

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the Administration Office at 209-754-3028. Notification in advance of the meeting will enable CCWD to make reasonable arrangements to ensure accessibility to this meeting. Any documents that are made available to the Board before or at the meeting, not privileged or otherwise protected from disclosure, and related to agenda items, will be made available at CCWD for review by the public.

ORDER OF BUSINESS

CALL TO ORDER / PLEDGE OF ALLEGIANCE

1. **ROLL CALL**

2. **PUBLIC COMMENT**

At this time, members of the public may address the Board on any non-agendized item. The public is encouraged to work through staff to place items on the agenda for Board consideration. No action can be taken on matters not listed on the agenda. Comments are limited to three minutes per person.

BOARD OF DIRECTORS

Cindy Secada, President
Bertha Underhill, Director

Scott Ratterman, Vice President
Russ Thomas, Director

Jeff Davidson, Director

3. CONSENT AGENDA

The following items are expected to be routine / non-controversial. Items will be acted upon by the Board at one time without discussion. Any Board member may request that any item be removed for later discussion.

3a Approval of Minutes for the Board Meeting of April 27, 2022
(Rebecca Hitchcock, Clerk to the Board)

3b Report on the Monthly Investment Transactions for March 2022
(Michael Minkler, General Manager)

4. NEW BUSINESS

4a Discussion/Action regarding Approval of Issuance of Tax-Exempt Bonds to Finance Various Water & Sewer Capital Projects
(Michael Minkler, General Manager) **RES 2022-_____**

5. CONVENE PUBLIC FINANCING AUTHORITY

5a Roll Call: Calaveras County Water District Public Financing Authority Board Members

5b Discussion/Action regarding Authorizing the Execution and Delivery of Installment Purchase Contracts and Assignment Agreements Related the Issuance of Tax-Exempt Bonds to Finance Water and Sewer Capital Improvements
(Michael Minkler, General Manager) **RES 2022-PFA-01**

5c Adjournment

6. RECONVENE REGULAR BOARD MEETING

7. NEW BUSINESS

7a Update on the Drought Executive Order and Eastside Groundwater Sustainability Agency

8. REPORTS

8a* General Manager's Report
(Michael Minkler)

9.* BOARD REPORTS / INFORMATION / FUTURE AGENDA ITEMS

10. NEXT BOARD MEETINGS

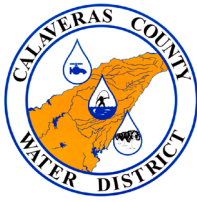
- Wednesday, June 8, 2022, 1:00 p.m., Regular Board Meeting
- Wednesday, June 22, 2022, 1:00 p.m., Regular Board Meeting

11. CLOSED SESSION

11a Conference with Legal Counsel-Anticipated Litigation
Significant Exposure to Potential Litigation-Government Code Section 54956.9(d)(2)-2
cases.

12. REPORTABLE ACTION FROM CLOSED SESSION

13. ADJOURNMENT



CALAVERAS COUNTY WATER DISTRICT

Board of Directors

District 1 Scott Ratterman
District 2 Cindy Secada
District 3 Bertha Underhill
District 4 Russ Thomas
District 5 Jeff Davidson

Financial Services

Umpqua Bank
US Bank
Wells Fargo Bank

CCWD Committees

*Engineering Committee
*Finance Committee
*Legal Affairs Committee

Joint Power Authorities

ACWA / JPIA
CCWD Public Financing Authority
Calaveras-Amador Mokelumne River Authority (CAMRA)
Calaveras Public Power Agency (CPPA)
Eastern San Joaquin Groundwater Authority
Tuolumne-Stanislaus Integrated Regional Water
Management Joint Powers Authority (T-Stan JPA)
Upper Mokelumne River Watershed Authority (UMRWA)

Other Regional Organizations of Note

Calaveras County Parks and Recreation
Committee
Highway 4 Corridor Working Group
Mountain Counties Water Resources
Association (MCWRA)
Mokelumne River Association (MRA)
Tuolumne-Stanislaus Integrated Regional Water
Mgt. JPA Watershed Advisory Committee (WAC)
Eastern San Joaquin Groundwater Authority-Technical
Advisory Committee

Legal Counsel

Matthew Weber, Esq.
Downey Brand, LLP

Auditor

Richardson & Company, LLP

Membership**

Thomas / Davidson (alt. Secada)
Underhill / Secada (alt. Thomas)
Davidson / Ratterman (alt. Thomas)

Ratterman (alt. Michael Minkler)
All Board Members
Ratterman / Underhill (alt. Secada)
Michael Minkler (Alt. Brad Arnold)
Thomas
Secada (alt. Thomas)
Davidson (alt. Ratterman)

Thomas (alt. Ratterman)

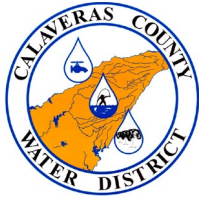
Thomas / Underhill
All Board Members

All Board Members
Brad Arnold

Brad Arnold

* Standing committees, meetings of which require agendas & public notice 72 hours in advance of meeting.

** The 1st name listed is the committee chairperson.



MINUTES

CALAVERAS COUNTY WATER DISTRICT REGULAR BOARD MEETING

APRIL 27, 2022

Directors Present: Cindy Secada, President
Scott Ratterman, Vice-President
Bertha Underhill, Director
Russ Thomas, Director

Directors Absent: Jeff Davidson, Director

Staff Present: Michael Minkler, General Manager
Matt Weber Esq, General Counsel
Rebecca Hitchcock, Clerk to the Board
Damon Wyckoff, Director of Operations
Stacey Lollar, Human Resources Manager
Jesse Hampton, Plant Operations Manager
Jessica Self, External Affairs Manager
John Griffin, Senior Civil Engineer
Kate Jesus, Engineering Coordinator
Tiffany Burke, Administrative Technician Sr.
Catherine Eastburn, Accountant II
Kelly Richards, Customer Service Supervisor

Others Present: Carl Stoughton

ORDER OF BUSINESS

CALL TO ORDER / PLEDGE OF ALLEGIANCE

1. ROLL CALL

President Secada called the Regular Board Meeting to order at 1:00 p.m. and led the Pledge of Allegiance. Director Davidson was absent.

2. PUBLIC COMMENT

Carl Stoughton addressed the Board regarding the new meters that have been installed.
Jesse Hampton addressed the Board regarding dogs on company property.

3. CONSENT AGENDA

MOTION: Directors Ratterman/Thomas-Approved Consent Agenda Items:
3a and 3b as presented

- 3a Approval of Minutes for the Board Meeting of March 23, 2022
(Rebecca Hitchcock, Clerk to the Board)
- 3b Report on the Monthly Investment Transactions for March 2022
(Jeffrey Meyer, Senior Vice President Hilltop Securities Inc)
- Director Underhill pulled Item 3c from the Consent Agenda***
- 3c Consideration of taking positions on Legislative Bills: AB 1717, SB 1235, SB 1426,
AB 2728, and AB 2421
(Jessica Self, External Affairs Manager)

AYES: Directors Ratterman, Thomas, Underhill, and Secada
NOES: None
ABSTAIN: None
ABSENT: Director Davidson

4. NEW BUSINESS

- 4a Presentation of ACWA JPIA Refund Check by Patricia Slaven, JPIA Director of HR and Administration

DISCUSSION: Patricia Slaven, JPIA Director of HR and Administration described how the refund was calculated for Workers Compensation. She explained that the District is doing the right things and employees are taking safety seriously. She presented a \$36 thousand dollar refund to the District. Director Ratterman reiterated what Ms. Slaven said about staff really focus on safety. The Board would like a luncheon for staff with the Board present to celebrate the accomplishment.

PUBLIC COMMENT: There was no public comment.

OFF CONSENT AGENDA

Director Underhill pulled Item 3c from the Consent Agenda

- 3c Consideration of taking positions on Legislative Bills: AB 1717, SB 1235, SB 1426,
AB 2728, and AB 2421
(Jessica Self, External Affairs Manager)

DISCUSSION: Director Underhill asked about AB2421 Unpermitted Cannabis Cultivation. Mr. Minkler responded to her questions and further discussion ensued about the bill. Director Ratterman stated he would like staff to create a policy on how the District handles adopting official opinions on legislative positions.

5. OLD BUSINESS

- 5a Discussion/Action regarding the Slurry Line Water Services Wheeling Agreement with Utica Water and Power Authority
(Brad Arnold, Water Resources Manager) **RES 2022-43**

MOTION: **Directors Ratterman/Underhill-Adopted Resolution No. 2022-43 Approving the Slurry Line Water Services Wheeling Agreement with Utica Water and Power Authority Mokelumne River Middle Fork Pump Station Easement**

DISCUSSION: Mr. Minkler stated that the Utica Water and Power Authority (UWPA) Board approved this agreement at their board meeting on Tuesday. He reviewed the details of talks between the

District and NCPA regarding the Slurry Line plan. There was discussion regarding those talks and how they are progressing and who is replacing Randy Bowersox at NCPA. There was additional discussion regarding the agreement and how long it has taken to get to this point.

PUBLIC COMMENT:

Joel Metzger, General Manager of UWPA addressed the Board regarding the agreement and thanked staff for their work on the agreement. He feels this agreement will be very beneficial to the community.

Don Kimber thanked the Board for approving this agreement and he appreciates the District keeping the water in Calaveras County.

YES: Directors Ratterman, Underhill, Thomas, and Secada
NOES: None
ABSTAIN: None
ABSENT: Director Davidson

6. REPORTS

6a General Manager's Report
(Michael Minkler)

DISCUSSION: Mr. Minkler reported on the following activities: 1) the upcoming price increase from CPPA; 2) the Sheep Ranch tank project is almost complete, and plans are in place for a ribbon cutting on May 13th; 3) the West Point Town Hall is scheduled for Tuesday May 17th; 4) the bills that recently went out in Ebbetts Pass have true consumption from the date of their meter swap out. Customers may call regarding what seems to be an increase in their bill but will be assured that and the price tiers have been adjusted; and 5) the District's water conservation message.

7. BOARD REPORTS / INFORMATION / FUTURE AGENDA ITEMS

Director Underhill asked about the drought outreach.

Director Ratterman reported he will attend the ACWA Conference and JPIA meeting beginning on Monday. He asked about the suggestions be brought back from the JPIA meeting the previous year such as cones on vehicles, reflective tape on vehicles, and no extension cords on the floors. Mr. Wyckoff reported those suggestions have been implemented District wide. He also reported on the upcoming MCWRA Meeting and Caldor Tour.

Director Thomas inquired on the 80 acres for sale at the end of the road that could possibly provide a road between Hwy 49 and George Reed Rd.

Director Secada asked about payment plan options for customers that have much higher bills this month.

8. NEXT BOARD MEETINGS

- Wednesday, May 11, 2022, 1:00 p.m., Regular Board Meeting
- Wednesday, May 25, 2022, 1:00 p.m., Regular Board Meeting

9. CLOSED SESSION

The meeting adjourned into Closed Session at approximately 2:29 p.m. Those present were Board Members: Cindy Secada, Russ Thomas, Bertha Underhill, and Scott Ratterman; staff members Michael Minkler, General Manager; and General Counsel, Matt Weber.

- 9a Conference with Real Property Negotiators Gov. Code § 54956.8
Property: APN 012-011-011, Copperopolis
Agency negotiators: M. Minkler
Negotiating parties: Calaveras Healthy Impact Prod Solutions (CHIPS)
Under negotiation: Price and/or terms of payment
- 9b Conference with Legal Counsel-Anticipated Litigation
Significant Exposure to Potential Litigation-Government Code Section 54956.9(d)(2)-2 cases.
- 9c Public Employee Performance Evaluation-Government Code §54957
General Manager

10. REPORTABLE ACTION FROM CLOSED SESSION

The Board reconvened into Open Session at approximately 3:55 p.m. There was no reportable action.

11. ADJOURNMENT

With no further business, the meeting adjourned at 3:55 p.m.

Respectfully Submitted:

ATTEST:

Michael Minkler
General Manager

Rebecca Hitchcock
Clerk to the Board

Agenda Item

DATE: May 25, 2022

TO: Michael Minkler, General Manager

FROM: Jeffrey Meyer, Senior Vice President, Hilltop Securities, Inc.

SUBJECT: Report on the Monthly Investment Transactions for April 30, 2022

RECOMMENDED ACTION:

For information only.

SUMMARY:

Per the District's Investment Policy, Staff will report the monthly investment activity for the preceding month. During April 2022 the following investment transactions occurred:

Chandler Asset Management Activity:	
Book Value at 03/31/2022	20,023,850.89
Security Purchases	570,334.63
Money Market Fund Purchases	515,401.56
Money Market Contributions	674.79
Money Market Fund Sales	(573,053.66)
Maturities	(500,000.00)
Money Market Fund Withdrawals	(1,774.09)
Amortization/Accretion	(4,935.11)
Book Value at 04/30/2022	20,030,499.01
Local Agency Investment Fund Activity:	
Balance at 03/31/2022	11,907,995.00
Interest, Jan - March 2022	9,488.82
Balance at 04/30/2022	11,917,483.82

LAIF (Local Agency Investment Fund) daily interest rates are 0.61% as of 04/30/2022. The LAIF rate has remained relatively low, and the majority of available funds are being invested through Chandler Asset Management.

Agenda Item

DATE: May 25, 2022
TO: Board of Directors
FROM: Michael Minkler, General Manager
SUBJECT: Discussion/Action regarding Approval of Issuance of Tax-Exempt Bonds to Finance Various Water & Sewer Capital Projects

RECOMMENDED ACTION

Motion _____ / _____ adopting Resolution No. 2022 - _____ Authorizing the Execution and Delivery by the District of a Water Project Installment Purchase Contract, a Wastewater Project Installment Purchase Contract, and Authorizing the Execution of Other Necessary Documents and Related Actions

SUMMARY

On April 13, 2022, District staff presented the results of the bid solicitation associated with the bond financing of a certain water and sewer capital projects. The Board provided the General Manager approval to execute two, 20-year private placement loans:

- **Water Fund - Webster Bank:** The 20-year loan @ 2.94% is expected to generate approximately \$17,832,000 in loan proceeds, with \$1.2 million annual debt service requirement.
- **Sewer Fund - First Foundation Bank:** The 20-year loan @ 3.20% is expected to generate \$11,155,000 in bond proceeds, with an annual debt service of approximately \$772,000.

The primary advantage of utilizing a private placement loan, under the current market conditions, is the ability to enter into a Rate Lock (i.e., lock-in interest rates up-front). Tax-exempt bond rates (public sales) often trade relative to interest rate indices, the most common index is MMD or Municipal Market Data. The table below provides a summary of the average 20-year rate for a tax-exempt AA-rate bond.

Date	AA MMD
April 8 th	2.89%
April 13 th	3.01%
May 16 th	3.56%

As illustrated above, interest rates moved 12 bps or 0.12% between bid date on April 8th and the Board Approval date on April 13th. Moreover, rates have moved 0.55% (55 bps) in the 4 weeks since. Given that the Federal Reserve is expected to raise interest rates

another 0.50% (50 bps) at the next meeting, it is evident that the District was well served by locking-in borrowing rates in April.

The Board also approved a Reimbursement Resolution to finance capital improvements completed with the proceeds of the tax-exempt loans, on April 13. As a result, the District will be able to reimburse itself for project-related expenditures made within 60 days (February 13th) of April 13th.

Since the District previously formed a Joint Powers Financing Authority, CCWD Public Financing Authority, to facilitate the sale a prior bond issues, the District will not be required to utilize the CSDA Financing Corporation and thus save approximately in \$7,500 in issuance costs.

CONCLUSION

The Board is being asked to approve a Resolution authorizing the execution of the accompanying legal documents (Assignment Agreements and Installment Purchase Contracts) to facilitate two private placement loan transactions: a 20-year loan with Webster Bank at 2.94% to finance \$17.8 million in Water Capital Improvements, backed by a pledge of Water Fund Net Revenues; and a 20-year loan with First Foundation Bank to finance \$11.1 million in Sewer Capital Improvements, backed by a pledge of Wastewater Fund Net Revenues.

FINANCIAL CONSIDERATIONS

The cost of issuance associated with this refinancing will be paid from the proceeds of the private placement loans. The cost of issuance for each transaction is approximately \$100,000, which is on the lower side of fees paid for the majority of private placement financings.

Attachments: Resolution No. 2022-__ Authorizing the Execution and Delivery by the District of a Water Project Installment Purchase Contract, a Wastewater Project Installment Purchase Contract, and Authorizing the Execution of Other Necessary Documents and Related Actions

RESOLUTION NO. 2022-

A RESOLUTION OF THE CALAVERAS COUNTY WATER DISTRICT

**AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT
OF A WATER PROJECT INSTALLMENT PURCHASE CONTRACT AND
A WASTEWATER PROJECT INSTALLMENT PURCHASE CONTRACT
AND AUTHORIZING THE EXECUTION OF OTHER NECESSARY
DOCUMENTS AND RELATED ACTIONS**

WHEREAS, the Calaveras County Water District (the “District”) is a county water district duly organized and validly existing under the laws of the State of California; and

WHEREAS, the District proposes the issuance of obligations (the “Water Obligations”) to finance certain improvements to the District’s water system as generally described in Exhibit B-1 (the “Water Project”) and proposes the issuance of obligations (the “Wastewater Obligations”, and together with the Water Obligations, the “Obligations”) to finance certain improvements to the District’s wastewater system, primarily consisting of the “Arnold Secondary Clarifier & WWTP Improvements Project” and the “Copper Cove Lift Stations Project” as generally described in Exhibit B-2 (collectively, the “Wastewater Project” and together with the Water Project, the “2022 Project”) both on a private placement basis; and

WHEREAS, to provide funds necessary to finance the Water Project, the District desires to enter into that certain Installment Purchase Contract (the “Water Installment Purchase Contract”) with CCWD Public Financing Authority (the “Authority”) in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution; and

WHEREAS, to provide funds necessary to finance the Wastewater Project, the District desires to enter into that certain Installment Purchase Contract (the “Wastewater Installment Purchase Contract” and, together with the Water Installment Purchase Contract, respectively, the “Installment Purchase Contracts”) with the Authority in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution; and

WHEREAS, there have been presented at this meeting the forms of Installment Purchase Contracts; and

WHEREAS, Webster Bank, National Association (“Webster”) agreed to provide financing to the District to finance the Water Project by accepting an assignment of the Water Installment Purchase Contract from the Authority; and

WHEREAS, First Foundation Public Finance, a Delaware statutory trust and a wholly-owned subsidiary of First Foundation Bank (the “First Foundation”) agreed to provide financing to the District to finance the Wastewater Project by accepting an assignment of the Wastewater Installment Purchase Contract from the Authority; and

WHEREAS, Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) (“SB 450”) requires that the Board obtain from an underwriter, municipal advisor or private lender and disclose, prior to authorization of the issuance of bonds, including debt instruments such as the respective Installment Purchase Contracts, 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 respective Installment Purchase Contracts, (b) the sum of all fees and charges paid to third parties with respect to the Installment Purchase Contracts, (c) the amount of proceeds of the respective Installment Purchase Contracts 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 respective Installment Purchase Contracts, and (d) the sum total of all debt service payments on the respective Installment Purchase Contracts calculated to the final maturity of the respective Installment Purchase Contracts plus the fees and charges paid to third parties not paid with the proceeds of the respective Installment Purchase Contracts; and

WHEREAS, in compliance with SB 450, the Board obtained the required good faith estimates and such estimates are disclosed and set forth on Exhibit A-1 with respect to the Water Installment Purchase Contract and Exhibit A-2 with respect to the Wastewater Installment Purchase Contract attached hereto; and

WHEREAS, the United States Treasury Department has issued Treasury Regulation Section 1.150-2 (the “Reimbursement Regulations”) constituting final regulations with respect to the use of proceeds of a tax-exempt financing for reimbursement purposes and, in order to comply with the Reimbursement Regulations, the District intends to declare its official intent to be reimbursed for the Water Project with proceeds of future tax-exempt borrowings, including but not limited to the Water Installment Purchase Contract; and

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

NOW, THEREFORE, THE BOARD OF DIRECTORS OF THE DISTRICT DOES HEREBY RESOLVE, DETERMINE AND ORDER:

Section 1. All of the recitals herein contained are true and correct and the Board so finds.

Section 2. The forms of respective Installment Purchase Contracts submitted to this meeting and made a part hereof as though set forth herein are hereby approved. The President of the Board, and such other member of the Board as the President may designate, the General Manager of the District, and such other officers of the District as the General Manager of the District may designate (each an "Authorized Officer") are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver the respective Installment Purchase Contracts in the form submitted to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, with the advice and approval of the District's General Counsel and Special Counsel, such requirement or approval to be conclusively evidenced by the execution and delivery of the respective Installment Purchase Contracts by such Authorized Officer.

In connection with the Water Project, the District approves the execution and delivery of the Water Installment Purchase Contract so long as the maturity of the related Installment Payments (as defined in the Water Installment Purchase Contract) does not exceed September 1, 2042, the interest rate with respect to the Installment Payments at the time of entering into the Water Installment Purchase Contract does not exceed 2.94%, and the principal amount of the Installment Payments does not exceed \$19,850,000.

In connection with the Wastewater Project, the District approves the execution and delivery of the Wastewater Installment Purchase Contract so long as the maturity of the related Installment Payments (as defined in the Wastewater Installment Purchase Contract) does not exceed September 1, 2042, the interest rate with respect to the Installment Payments at the time of entering into the Wastewater Installment Purchase Contract does not exceed 3.20%, and the principal amount of the respective Installment Payments does not exceed \$11,500,000.

Section 3. The District hereby approves the assignment of the respective Installment Payments paid pursuant to the Water Installment Purchase Contract by the Authority to Webster by a private placement pursuant to and in accordance with the respective assignment agreement.

Section 4. The District hereby approves the assignment of the respective Installment Payments paid pursuant to the Wastewater Installment Purchase Contract by the Authority to First Foundation by a private placement pursuant to and in accordance with the respective assignment agreement.

Section 5. In accordance with SB 450, good faith estimates of the following have been obtained from the Placement Agent and are set forth on Exhibit A-1 and Exhibit A-2 attached hereto:

(a) the true interest cost of the respective Installment Purchase Contracts, (b) the sum of all fees and charges paid to third parties with respect to the respective Installment Purchase Contracts, (c) the amount of proceeds of the respective Installment Purchase Contracts 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 respective Installment Purchase Contracts, and (d) the sum total of all debt service payments on the respective Installment Purchase Contracts calculated to the final maturity of the respective Installment Purchase Contracts plus the fees and charges paid to third parties not paid with the proceeds of the respective Installment Purchase Contracts.

Section 6. The District shall, presently intends, and reasonably expects to finance a portion of the Water Project with legally available funds. All of the expenditures covered by this Resolution were or will be paid on and after the date which is 60 days prior to the effective date of this Resolution. The District presently intends and reasonably expects to participate in a tax-exempt financing within 18 months of the date of the expenditure of moneys on the Water Project or the date upon which the Water Project is placed in service, whichever is later (but in no event more than three years after the date of the original expenditure of such moneys), and to allocate from such financing an amount not to exceed amounts advanced for the Water Project from legally available funds to reimburse the District. The District intends for this Resolution to constitute the District's official intent, within the meaning of the Reimbursement Regulations, to support the use of the proceeds of the Water Installment Purchase Contract to reimburse the District for the prior payment of expenditure related to the Water Project.

Section 7. The Officers and staff of the District are hereby authorized and directed, jointly and severally, to do any and all things, to execute and deliver any and all documents, including but not limited to a fee agreement, costs of issuance agreement, custodian agreement or other similar agreements, which in consultation with District Counsel and Special Counsel, they may deem necessary or advisable in order to effectuate the purposes of this Resolution, and any and all such actions previously taken by such Officers or staff members are hereby ratified and confirmed.

This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED AND ADOPTED this 25th day of May 2022, by the following roll call vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

CALAVERAS COUNTY WATER DISTRICT

Cindy Secada, President
Board of Directors

ATTEST:

Kate Jesus
Engineering Coordinator

EXHIBIT A-1

GOOD FAITH ESTIMATES

WATER INSTALLMENT PURCHASE CONTRACT

The following information is provided in compliance with Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) with respect to the Water Installment Purchase Contract:

1. *True Interest Cost of the Water Installment Purchase Contract.* Assuming the maximum aggregate principal amount of the Water Installment Purchase Contract authorized to be issued (\$19,840,000) is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the Water Installment Purchase Contract, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for Water Installment Purchase Contract, is 2.94%.

2. *Finance Charge of the Water Installment Purchase Contract.* Assuming the maximum aggregate principal amount of the Water Installment Purchase Contract authorized to be issued (\$19,840,000) is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the District's finance charge of the Water Installment Purchase Contract, which means the sum of all fees and charges paid to third parties from the principal amount of the Water Installment Purchase Contract, is \$100,000.00.

3. *Amount of Proceeds to be Received by the District.* Assuming the maximum aggregate principal amount of the Water Installment Purchase Contract authorized to be issued (\$19,840,000) is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the amount of proceeds expected to be received by the District for sale of the Water Installment Purchase Contract less the finance charge of the Installment Purchase Contract described in paragraph 2 above and any reserves or capitalized interest paid or funded with proceeds of the Water Installment Purchase Contract, is \$19,740,000.

4. *Total Payment Amount.* Assuming the maximum aggregate principal amount of the Water Installment Purchase Contract authorized to be issued (\$19,840,000) is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the District will make to pay debt service on the Water Installment Purchase Contract plus the finance charge of the Water Installment Purchase Contract described in paragraph 2 above not paid with the proceeds of the Water Installment Purchase Contract, calculated to the final maturity of the Water Installment Purchase Contract, is \$26,523,208.

EXHIBIT A-2

GOOD FAITH ESTIMATES

WASTEWATER INSTALLMENT PURCHASE CONTRACT

The following information is provided in compliance with Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) with respect to the Wastewater Installment Purchase Contract:

1. *True Interest Cost of the Wastewater Installment Purchase Contract.* Assuming the maximum aggregate principal amount of the Wastewater Installment Purchase Contract authorized to be issued (\$11,100,000) is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the true interest cost of the Wastewater Installment Purchase Contract, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for Wastewater Installment Purchase Contract, is 3.20%.

2. *Finance Charge of the Wastewater Installment Purchase Contract.* Assuming the maximum aggregate principal amount of the Wastewater Installment Purchase Contract authorized to be issued (\$11,100,000) is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the District's finance charge of the Wastewater Installment Purchase Contract, which means the sum of all fees and charges paid to third parties from the principal amount of the Wastewater Installment Purchase Contract, is \$110,000.00.

3. *Amount of Proceeds to be Received by the District.* Assuming the maximum aggregate principal amount of the Wastewater Installment Purchase Contract authorized to be issued (\$11,100,000) is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the amount of proceeds expected to be received by the District for sale of the Wastewater Installment Purchase Contract less the finance charge of the Installment Purchase Contract described in paragraph 2 above and any reserves or capitalized interest paid or funded with proceeds of the Wastewater Installment Purchase Contract, is \$10,990,000.

4. *Total Payment Amount.* Assuming the maximum aggregate principal amount of the Wastewater Installment Purchase Contract authorized to be issued (\$11,100,000) is sold, and based on market interest rates prevailing at the time of preparation of this information, a good faith estimate of the total payment amount, which means the sum total of all payments the District will make to pay debt service on the Wastewater Installment Purchase Contract plus the finance charge of the Wastewater Installment Purchase Contract described in paragraph 2 above not paid with the proceeds of the Wastewater Installment Purchase Contract, calculated to the final maturity of the Wastewater Installment Purchase Contract, is \$15,180,272.

EXHIBIT B-1

General Description of the Water Project

The Water Project generally consists of the following work:

1. Copper Cove Tank B & Clearwell (CIP #11083C)
2. Copper Cove Tank B Pump Station Renovation (CIP #111111)
3. Jenny Lind A-B Transmission Pipeline (CIP #11088)
4. Lake Tulloch Water Line Crossing (CIP #11104)
5. Copper Cove Zone B-C Transmission Pipeline and Pump Station (CIP #11122)

EXHIBIT B-2

General Description of the Copper Cove Lift Stations Project (CIP #15076 & #15080)

The “Copper Cove Lift Stations Project” is located at the Calaveras County Water District’s Copper Cove sewer collection and conveyance system located in the communities of the Copper Cove subdivision and the Lake Tullock Shores subdivision in Copperopolis, California. The forcemain will be located on O’Byrnes Ferry Road and Connors Estates Drive. The Copper Cove Lift Stations Project consists of the following work:

1. Demolition and replacement of Lift Stations 6, 8, 15 & 18;
2. Lift Stations 12 & 13 force main bypass consisting of approximately 5,000 linear feet of 6-in PVC forcemain and 900 linear feet of 4-in PVC forcemain;
3. New pumps, valves, meter and bypass connection vaults, wet well, flow meters, pressure transmitters, site piping, site work, slabs, hatches, ladders, paving, site restoration and all appurtenant work;
4. New pump controls, electrical, and instrumentation upgrades;
5. New PG&E electrical service upgrades;
6. New generators;
7. General site improvements; and
8. Other related improvements to provide a fully functional system.

General Description of the Arnold Secondary Clarifier & WWTP Improvements Project (CIP #15095)

The “Arnold Secondary Clarifier & WWTP Improvements Project” is located at the Calaveras County Water District’s Arnold Wastewater Treatment Plant located in the community of Arnold, California. The Arnold Secondary Clarifier & WWTP Improvements Project consists of the following work:

1. Demolition and abandonment of facilities to be replaced;
2. New secondary clarifier (to supplement existing clarifier);
3. New yard piping;
4. New Return Activated Sludge and Waste Activated Sludge (RAS/WAS) pump station;
5. New aerobic digestors;
6. New electrical, utility power supply, instrumentation, and PLC/SCADA controls;
7. New generators;
8. General site improvements; and
9. Other related improvements to provide a fully functional system.

INSTALLMENT PURCHASE CONTRACT

between the

CALAVERAS COUNTY WATER DISTRICT

and

CCWD PUBLIC FINANCING AUTHORITY

Dated as of June 1, 2022

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EXHIBIT A – DESCRIPTION OF PROJECT
EXHIBIT B – INSTALLMENT PAYMENT SCHEDULE

INSTALLMENT PURCHASE CONTRACT

This INSTALLMENT PURCHASE CONTRACT, dated as of June 1, 2022 (the “Installment Purchase Contract”), between the CALAVERAS COUNTY WATER DISTRICT, a county water district duly organized and validly existing under the laws of the State of California (the “District”), and CCWD Public Financing Authority, a joint exercise of powers authority duly organized and validly existing under and by virtue of the laws of the State of California (the “Authority”);

WITNESSETH:

WHEREAS, the District is authorized by the laws of the State of California to acquire certain property for its water system and to finance and refinance the acquisition and construction of such facilities through the execution of installment purchase contracts; and

WHEREAS, the District proposes to finance the acquisition of certain real property of benefit to the District’s water system as generally described in Exhibit A attached hereto and incorporated herein (the “Project”); and

WHEREAS, the Authority has been formed for the purpose of, among other things, assisting the District in financing facilities and property useful to them and the Authority is authorized to assist the District in the financing, construction, acquisition, and improvement of the District’s facilities and property; and

WHEREAS, the Authority has agreed to assist the District in financing the Project; and

WHEREAS, the District and the Authority have duly authorized the execution of this Installment Purchase Contract; 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 entering into of this Installment Purchase 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 this Installment Purchase Contract;

NOW, THEREFORE, IN CONSIDERATION OF THE PROMISES 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 1.01 shall for all purposes hereof, and of any amendment hereof, and of any opinion or report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein.

“Acquisition,” “Acquire” or “Acquired” means, with respect to the Project, the acquisition or perfection of an ownership or capacity interest in the Project, or the construction, refinancing or ownership of the Project.

“Acquisition Costs” with respect to the Project means the contract price paid or to be paid for the Acquisition of the Project.

“Acquisition Fund” means the fund established and held by the District pursuant to Section 2.05 hereof.

“Act” means the County Water District Law of the State of California, being Sections 30000 et seq. of the Water Code of the State of California, and all laws amendatory thereof or supplemental thereto.

“Additional Revenues” means, with respect to the issuance of any Parity Obligations, an allowance for Net Revenues (i) arising from any increase in the charges made for service from the Enterprise, adopted prior to the incurring of such Parity Obligations and effective within eighteen (18) months following the date of incurring such Parity Obligations, in an amount equal to the total amount by which the Net Revenues of the Enterprise would have been increased if such increase in charges had been in effect during the whole of the most recent completed Fiscal Year or during any more recent twelve (12) month period selected by the District, and (ii) arising from any increase in service connections to the Enterprise, prior to the incurring of such Parity Obligations, in an amount equal to the total amount by which the Net Revenues for the Enterprise would have been increased if such connections had been in existence during the whole of the most recent complete Fiscal Year or during any more recent twelve (12) month period selected by the District, all as shown by the certificate or opinion of an Independent Financial Consultant.

“Alternate Project” means an alternate project designated by the District pursuant to Section 2.01.

“Assignment Agreement” means the Assignment Agreement, dated as of June 1, 2022, between the Authority and the Lender relating to this Installment Purchase Contract.

“Authority” means CCWD Public Financing Authority a joint exercise of powers authority duly organized and existing under the laws of the State of California, and any successor thereto.

“Authorized Officer” means the District’s President, Vice-President, General Manager, Finance Director, Director of Administrative Services, Clerk to the Board of Directors, or any other person designated as an Authorized Officer of the District by a Certificate of the District signed by its President, Vice-President, General Manager, Finance Director or Director of Administrative Services and filed with the District.

“Bond Counsel” means Kutak Rock LLP or another firm of nationally recognized attorneys experienced in the issuance of obligations the interest on which is excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended.

“Business Day” means any day other than a Saturday, Sunday or legal holiday or a day on which banks are authorized to be closed for business in California and New York.

“Closing Date” means June 1, 2022.

“Debt Service” means, for any Fiscal Year, the sum of (1) the Installment Payments (except to the extent that interest has been fully capitalized and is invested in Federal Securities which mature at times and in such amounts as are necessary to pay the interest to which such amounts are pledged) required to be paid hereunder during such Fiscal Year, (2) the interest falling due during such Fiscal Year on all Parity Obligations (which are outstanding under the documents or agreements pursuant to which they were issued), assuming that all outstanding serial Parity Obligations are retired as scheduled and that all outstanding term Parity Obligations are redeemed from sinking fund payments as scheduled (except to the extent that such interest has been fully capitalized and is invested in Federal Securities which mature at times and in such amounts as are necessary to pay the interest to which such amounts are pledged), (3) the principal amount of all serial Parity Obligations (which are outstanding under the documents or agreements pursuant to which they were issued) falling due by their terms during such Fiscal Year, and (4) the minimum amount of term Parity Obligations (which are outstanding under the documents or agreements pursuant to which they were issued) required to be paid or called and redeemed during such Fiscal Year, together with the redemption premiums, if any, thereon; provided that, whenever interest as described herein accrues at other than a fixed rate, such interest shall be assumed to be a rate equal to the greater of (i) the actual rate on the date of calculation, or if the Parity Obligations are not yet outstanding, the initial rate (if established and binding), (ii) if the Parity Obligations have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (x) if interest on the Parity Obligations is excludable from gross income under the applicable provisions of the Tax Code, the most recently published The Bond Buyer Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (y) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities, plus fifty (50) basis points.

“Debt Service Fund” means the fund established in Section 3.04 hereof.

“Debt Service Payments” means the payments of Debt Service.

“Default Rate” means the then applicable interest rate on the principal amount of the Installment Payments plus 3.00% per annum.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the District, the Authority or the Lender relating to the financing of the Project, including but not limited to filing costs, fees of the California Debt and Investment Advisory Commission, settlement costs, initial fees and charges of the Authority and its counsel, financing discounts, outside legal fees and charges, financial and other professional consultant fees, and charges and fees in connection with the foregoing.

“Determination of Taxability” means (a) the occurrence of any action that, in the judgment of the District, in reliance on the advice of Bond Counsel, will adversely affect the tax-exempt status of the Installment Payments, (b) the failure to take any action that, in the judgment of the District, in reliance on the advice of Bond Counsel, is necessary to preserve the exemption from income taxation of interest on the Installment Payments, (c) a final judgment or order of a court of competent jurisdiction, or a final ruling or decision of the Internal Revenue Service, in any such case to the effect that the interest on the Installment Payments is includable for Federal income tax purposes in the gross incomes of the recipients thereof, or (d) the enactment of Federal legislation that would cause the interest on the Installment Payments to be includable for Federal income tax purposes in the gross incomes of the recipients thereof. A judgment or order of a court of competent jurisdiction or a ruling or decision of the Internal Revenue Service shall be considered final only if no appeal or action for

judicial review has been filed (and is pending) and the time for filing such right of appeal or action has expired.

“District” means the Calaveras County Water District, a county water district duly organized and existing under the Constitution and laws of the State of California, and its successors and assigns.

“Due Date” means the date three (3) Business Days prior to an Installment Payment Date.

“Electronic Notice” means notice given through means of telecopy, facsimile transmission, e-mail or other similar electronic means of communication confirmed by writing or written transmission.

“Enterprise” means, collectively, the entire water collection, storage, treatment, transmission and distribution system now owned or operated by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be a part of the Enterprise, including, but not limited to, any and all properties and assets, real and personal, tangible and intangible, of the District, now or hereafter existing, used or pertaining to the collection, storage, treatment, transmission and distribution system, including all contractual rights to water supply and transmission, as well as all pipes, valves, machinery and all other appurtenances necessary, useful or convenient for the collection, storage, treatment, transmission and distribution of water, and any necessary lands, rights of way and other real or personal property useful in connection therewith, and all additions, extensions, expansions, improvements and betterments thereto and equipments thereof.

“Event of Default” means an event of default described in Section 7.01.

“Federal Securities” means direct obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States), or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America.

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

“Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures prescribed by the California State Controller or his successor for water districts in the State of California, or failing the prescription of such procedures means Generally Accepted Accounting Principles as presented and recommended by the American Institute of Certified Public Accountants or its successor, or by the National Council on Governmental Accounting or its successor, or by any other generally accepted authority on such principles.

“General Manager” means the General Manager of the District, or any other person designated by the General Manager to act on behalf of the General Manager.

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

“Independent Certified Public Accountant” means any certified public accountant or firm of certified public accountants duly licensed and entitled to practice, and practicing as such appointed and paid by the District, and each of whom--

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

“Independent Financial Consultant” means a financial consultant qualified in the field of municipal finance, appointed and paid by the District, and who:

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

“Installment Payments” means the Installment Payments scheduled to be paid by the District under and pursuant to this Installment Purchase Contract for the purposes and as described in Section 3.01 hereof in the amounts on the dates designated in Exhibit B to this Installment Purchase Contract.

“Installment Payment Date” means each March 1 and September 1, commencing September 1, 2022.

“Lender” means initially Webster Bank, National Association, and thereafter any successor or assign.

“Maintenance and Operation Costs” means the reasonable and necessary costs and expenses paid or incurred by the District for maintaining and operating the Enterprise, determined in accordance with Generally Accepted Accounting Principles, including but not limited to (a) costs of acquisition of water, including all associated treatment and delivery costs, to be used by the Enterprise, (b) costs of electricity and other forms of energy supplied to the Enterprise, (c) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Enterprise in good repair and working order, (d) the reasonable administrative costs of the District attributable to the operation and maintenance of the Enterprise, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and (e) all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the issuance of any Parity Obligations or of such Parity Obligations, such as compensation, reimbursement and indemnification of the trustee for any such Parity Obligations and fees and expenses of Independent Certified Public Accountants and independent engineers, but in all cases excluding (i) debt service payable on obligations incurred by the District with respect to the Enterprise,

(ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

“Material Adverse Effect” means an event or occurrence which adversely affects in a material manner (a) the assets, liabilities, condition (financial or otherwise), business, facilities or operations of the District, (b) the ability of the District to carry out its business in the manner conducted as of the date of this Installment Purchase Contract or to meet or perform its obligations under this Installment Purchase Contract on a timely basis, (c) the validity or enforceability of the Installment Purchase Contract, or (d) the exclusion of the interest component of the Installment Payments from gross income for federal income tax purposes or the exemption of such interest for state income tax purposes.

“Maximum Annual Debt Service” means the largest annual sum of (i) Debt Service Payments during the period from the date of such determination through the later of (a) the final Installment Payment Date hereunder or (b) the maturity date of Parity Obligations reflected by such Debt Service Payments.

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

“Net Revenues” means, for any period, all of the Revenues during such period less all of the Maintenance and Operation Costs during such period.

“Outstanding” (i) when used as of any particular time with reference to this Installment Purchase Contract, means all Installment Payments except Installment Payments paid or deemed to have been paid within the meaning of Article VI, and (ii) when used as of any particular time with reference to any Parity Obligation, means all debt service payments due and owing on such Parity Obligation except debt service payments paid or deemed to have been paid pursuant to the terms of such Parity Obligation.

“Parity Obligations” means all bonds, notes, loan agreements, installment sale agreements, leases or other obligations of the District payable from and secured by a pledge of and lien upon any of the Net Revenues incurred on a parity with the payment of the Installment Payments pursuant to Section 4.01 hereof.

“Parity Project” means any additions, betterments, extensions or improvements to the District’s Enterprise designated by the Board of Directors of the District as a Parity Project, the acquisition and construction of which is to be paid for with the proceeds of any Parity Obligations.

“Permitted Investments” means any investment that is a legal investment under the laws of the State for the moneys proposed to be invested therein or authorized by the District’s investment policy in effect at the time of investment.

“Project” means the additions, betterments, extensions and improvements to the District’s Enterprise as described in Exhibit A hereto, including any Alternate Project.

“Rate Stabilization Fund” means any fund established and held by the District as a fund for the stabilization of rates and charges imposed by the District with respect to the Revenue Fund, which fund is established, held and maintained in accordance with Section 3.05(c).

“Revenue Fund” means the fund maintained by the District into which it deposits Revenues.

“Revenues” means all gross income and revenue received or receivable by the District from the ownership and operation of the Enterprise, calculated in accordance with Generally Accepted Accounting Principles, including all rates, fees, charges (including connection fees), insurance proceeds and condemnation awards received by the District and all other income and revenue howsoever derived by the District from the Enterprise, including, without limitation, property taxes, interest income, and all other operating and non-operating revenue; provided, however, that (i) any specific charges levied for the express purpose of reimbursing others for all or a portion of the cost of the acquisition or construction of specific water facilities, (ii) grants that are designated by the grantor for a specific water purpose and are therefore not available for other purposes, or (iii) customers’ water related deposits or any other water related deposits subject to refund until such deposits have become the property of the District, are not Revenues and are not subject to the lien hereof. Notwithstanding the foregoing, there shall be deducted from Revenues any amounts (of Revenues) transferred into the Rate Stabilization Fund as contemplated by Section 3.05(c) hereof, and there shall be added to Revenues any amounts transferred out of the Rate Stabilization Fund and into the Revenue Fund, as contemplated by Section 3.05(c) hereof.

“State” means the State of California.

“Taxable Rate” means an interest rate sufficient such that the total interest to be paid to the Lender on any Payment Date would, after such interest was reduced by the amount of any U.S. federal, state and local income tax (including any interest or penalties) actually imposed thereon, equal the amount of interest due on the then unpaid principal amount of the Installment Payments; provided, however, that in no event shall the Taxable Rate exceed 12% per annum.

“Tax Code” means the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Tax Code shall be deemed to be a reference to any successor to any such section.

ARTICLE II. SALE AND PURCHASE OF THE PROJECT

Section 2.01 Sale and Purchase of the Project.

The Authority hereby agrees to cause the Project, and any additions or modifications thereto to be constructed, acquired or installed, as applicable, by the District as its agent, and the District shall enter into contracts and provide for, as agent of the Authority, the complete acquisition and construction of the Project. The District hereby agrees that it will cause the construction, acquisition and installation of the Project to be diligently performed upon satisfactory completion of design work and compliance with the California Environmental Quality Act and approval by the Board of Directors of the District, unforeseeable delays beyond the reasonable control of the District only excepted. It is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any cost of the Project and that all such costs and expenses shall be paid by the District, regardless of whether the funds deposited in the Acquisition Fund are sufficient to cover all such costs and expenses.

In consideration for the Authority's assistance in acquiring the Project, the District agrees to sell, and hereby sells, to the Authority, and the Authority agrees to purchase, and hereby purchases, from the District, the Project in the manner and in accordance with the provisions of this Installment Purchase Contract. In consideration for the Installment Payments as set forth in Section 3.01, the Authority agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Authority, the Project at the purchase price specified below and otherwise in the manner and in accordance with the provisions of this Installment Purchase Contract. All right, title and interest in the Project shall vest in the District immediately upon execution and delivery of this Installment Purchase Contract.

The District hereby covenants to use the proceeds received from the Authority for the costs and expenses of the Acquisition of the Project. The District may change the specifications of the Project, so long as such change does not substantially alter the nature of the Project; provided, however, that the District and the Lender, as assignee of the Authority under the Assignment Agreement, in their sole discretion, may jointly designate an Alternate Project. In the event an Alternate Project is designated, the District shall certify in writing to the Lender that Acquisition Costs shall not materially increase as a result from such change. In the event Acquisition Costs shall materially increase as a result of the designation of an Alternate Project, prior to designating such Alternate Project the District shall either deposit in the Acquisition Fund an amount sufficient to pay such increase, or shall certify in writing to the Lender that funds sufficient to pay such increase in Acquisition Costs are otherwise available to the District.

The Authority, upon the effective date hereof, agrees to cause to be deposited in the Acquisition Fund the aggregate amount of \$[_____], respecting its purchase of the Project hereunder. In the event the money so deposited as first above provided is insufficient to pay all the costs of the Acquisition of the Project, the Authority shall have no obligation whatsoever to use or provide any additional funds for the purposes described in this Article II.

All right, title and interest in each component of the Project shall vest in the District immediately upon execution and delivery of this Installment Purchase Contract. Such vesting shall occur without further action by the Authority or District and the Authority shall, if requested by the District, if necessary, to assure such automatic vesting, deliver any and all documents required to assure such vesting.

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 District may institute such action or proceeding against the Authority as the District may deem necessary to compel the observance or performance of such agreement, condition, covenant or term, or to recover damages for the nonobservance or nonperformance thereof; provided, however, that the District shall have no right to terminate this Installment Purchase Contract as a remedy to such failures. The District 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 District deems reasonably necessary in order to protect or secure its rights hereunder, and in such event the Authority agrees to cooperate fully with the District and to take all action necessary to effect the substitution of the District for the Authority in any action or proceeding if the District shall so request.

Section 2.02 Indemnification and Expenses of the Authority and the Lender.

(a) The District hereby agrees to indemnify and hold harmless the Authority and its directors, officers and employees 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 the Assignment Agreement; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder or under the Assignment Agreement by the Authority.

(b) The District shall, to the extent permitted by law, indemnify and save the Lender, and its respective officers, agents, directors and employees, harmless from and against all claims, losses, liabilities, costs, expenses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management or operation of, or from any work or thing done on, the Project or the Enterprise by the District, including injury or damages to any persons or property arising therefrom, (b) any breach or default on the part of the District in the performance of any of its obligations under this Installment Purchase Contract, or (c) any act of negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Project or the Enterprise. No indemnification is made under this Section for willful misconduct or negligence by the Lender or its officers, agents, directors or employees. The provisions of this Section shall continue in full force and effect, notwithstanding the termination of the term of the Installment Purchase Contract for any reason.

Section 2.03 Authority not Liable.

The Authority and its directors, officers and employees shall not be liable to the District or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on, or about or relating to the Project, and in no event shall the Authority be liable for any incidental, indirect, special or consequential damage in connection herewith or arising hereunder.

Section 2.04 Disclaimer of the Authority.

The District acknowledges and agrees that the Authority makes no representation or warranty, express or implied, as to the Enterprise or the Project, except as expressly set forth in this Installment Purchase Contract. The District acknowledges that all risks relating to the Enterprise or the Project or the transactions contemplated hereby, are to be borne by the District, and the benefits of any and all implied warranties and representations of the Authority are hereby waived by the District.

Section 2.05 Acquisition Fund.

There is hereby established by the District a fund known as the "Acquisition Fund," which the District shall maintain and hold. On the Closing Date, \$[_____] shall be deposited into the Acquisition Fund. The moneys in the Acquisition Fund shall be applied to the payment of the costs of Acquisition of the Project or to reimburse the District for previous costs expended in the acquisition or construction of the Project, and of expenses incidental thereto. A portion of the amount paid by the Lender under the Assignment Agreement shall applied by the Lender to pay Delivery Costs in the amount of \$[_____] on the Closing Date.

ARTICLE III.
INSTALLMENT PAYMENTS, REVENUES AND ACCOUNTS

Section 3.01 Payment of the Installment Payments.

The total principal amount of the Installment Payments owed and to be paid by the District to the Lender, as assignee of the Authority under the Assignment Agreement, for the Project is \$[____], plus interest thereon, calculated at the rate of 2.94% per annum. The Installment Payments shall, subject to any rights of prepayment of the District provided in Article VI, be due in installments in the amounts and on the dates described in Exhibit B attached hereto.

Each Installment Payment shall be payable to the Lender in accordance with the terms hereof and at the times required by this Section 3.01 in lawful money of the United States of America. In the event the District fails to make any of the payments required to be made by it under this Section 3.01, such payment shall continue as an obligation of the District until such amount shall have been fully paid and the District agrees to pay the same with the stated interest thereon at the rate set forth in the preceding paragraph.

So long as this Installment Purchase Contract is held by the Lender, all Installment Payments paid hereunder shall be made by wire transfer using the wire instructions provided in writing by the Lender to the District. If no wire instructions are so provided, Installment Payments shall be mailed to the notice address for the Lender set forth in Section 8.09.

The obligation of the District to make the Installment Payments is absolute and unconditional, and until such time as all Installment Payments shall have been fully paid (or provision for the payment thereof shall have been made pursuant to Article VI hereof), the District will not, under any circumstances, discontinue, abate or suspend any Installment Payments required to be made by it under this Section 3.01 when due, whether or not the Enterprise or any part thereof is operating or operable or has been completed, or whether or not the Enterprise is condemned, damaged, destroyed or seized 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 reduction whether by offset, counterclaim, defense, recoupment, abatement, suspension, deferment or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement or covenant contained herein for any cause whatsoever.

Section 3.02 Interest Component of the Installment Payments.

The Installment Payments shall bear interest from the Closing Date until the payment of the principal thereof and the prepayment premiums, if any, thereon, shall have been made or provided for in accordance with the provisions of Article VI hereof, whether at maturity, upon prepayment or otherwise. Interest accrued on the Installment Payments from the Closing Date and from each Installment Payment Date to, but not including, the next succeeding Installment Payment Date shall be paid on each such succeeding Installment Payment Date and shall be computed on the basis of a year of 360 days and twelve 30-day months. In the event of an Event of Default hereunder, the interest component of the portion of the Installment Payment shall be calculated based on the Default Rate. In the event of a Determination of Taxability, the rate of interest on the Installment Payments shall be the Taxable Rate.

Section 3.03 Establishment of Accounts.

The funds and accounts and flow of funds set forth in this Article III are hereby established and shall control to the extent inconsistent with any other terms of this Installment Purchase Contract.

Section 3.04 Pledges of Net Revenues and Other Funds; Debt Service Fund.

The District hereby irrevocably pledges all of the Net Revenues to the punctual payment of the Installment Payments and any Parity Obligations, and such Net Revenues, except as otherwise permitted herein, shall not be used for any other purposes while any of the Installment Payments are due hereunder. The pledge of Net Revenues to secure the Installment Payments and any Parity Obligations shall constitute a first lien on the Net Revenues, for the payment of such Installment Payments and such Parity Obligations in accordance with the terms hereof and thereof.

Pursuant to Section 5451 of the Government Code of the State of California, the pledge of the Net Revenues by the District for the repayment of the principal of, premium, if any, and interest components of the Installment Payments constitutes a first lien and security interest which immediately attaches to such Net Revenues, and is effective and binding against the District, the Authority, their successors, creditors and all others asserting rights therein irrespective of whether those parties have notice of the pledge, irrespective of whether such amounts are or may be deemed to be a fixture and without the need for physical delivery, recordation, filing or further act.

There is hereby established with the District a fund known as the "Debt Service Fund," which the District shall maintain and hold in trust separate and apart from other funds held by it. Within the Debt Service Fund, the District shall establish a Debt Service Account and a Redemption Account. Installment Payments made by the District shall be deposited in the Debt Service Account. Such payments shall be net of amounts already on deposit therein that are in excess of the amount required to accumulate therein pursuant to Section 3.01 above. The District shall transfer the money contained in the Debt Service Account and the Redemption Account at the following respective times in the following respective accounts in the following order of priority in the manner hereinafter provided, each of which accounts the District hereby agrees to establish and maintain so long as any Installment Payments are due hereunder, and the money in each of such accounts shall be disbursed only for the purposes and uses hereinafter authorized:

(i) Debt Service Account. All moneys in the Debt Service Account shall be used and withdrawn by the District solely for the purpose of paying Installment Payments and principal of and interest on any Parity Obligations on each Installment Payment Date. The District shall be entitled to receive as a credit against Installment Payments an amount equal to the amount of any balance contained in the Debt Service Account prior to the Due Date for such Installment Payments (excluding money designated or necessary for the payment of Parity Obligations).

(ii) Redemption Account. The District, on any optional prepayment date, shall deposit in the Redemption Account moneys to accomplish any such optional prepayment. All money in the Redemption Account shall be used and withdrawn by the District solely for the purpose of paying the Installment Payment to be optionally prepaid on their respective prepayment dates.

Section 3.05 Receipt and Deposit of Revenues; Establishment and Maintenance of Accounts for Revenues; Use and Withdrawal of Revenues.

The District covenants and agrees that all Revenues, when and as received, will be received and held by the District in trust hereunder for the benefit of the Lender, as assignee of the Authority under the Assignment Agreement, and for the benefit of the holders of any Parity Obligations. All Revenues will be deposited by the District in the Revenue Fund (which the District hereby covenants and agrees to maintain so long as any Installment Payments are due hereunder) and will be accounted for through and held in trust in the Revenue Fund; provided, that the District may withdraw such amounts in the Revenue Fund as may be necessary to make refunds for amounts paid in advance for services provided by the Enterprise, which such service was not thereafter made available or provided. All Revenues held by the District shall be disbursed, allocated and applied solely to the uses and purposes hereinafter in this Article III set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

All Revenues in the Revenue Fund shall be set aside by the District or deposited by the District as follows and in the following order of priority:

(a) Maintenance and Operation Costs of the Enterprise. In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants to pay all Maintenance and Operation Costs of the Enterprise (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs of the Enterprise, the payment of which is not then immediately required) from the moneys in the Revenue Fund as they become due and payable.

(b) Debt Service Funds. Installment Payments payable pursuant to Section 3.01 above, and all other payments relating to principal and interest on or with respect to Parity Obligations, shall be paid in accordance with the terms hereof and of such Parity Obligations, without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference.

(c) General Expenditures. All Revenues not required to be withdrawn pursuant to the provisions of (a) and (b) above shall be used for expenditure for any lawful purpose of the District, including payment of any rebate requirement or of any obligation subordinate to the payment of all amounts due hereunder or under Parity Obligations. The District may maintain and hold a separate fund to be known as the "Rate Stabilization Fund." From time to time the District may deposit in the Rate Stabilization Fund, from remaining Net Revenues described in this Section 3.05(c) or other available funds of the District, such amounts as the District shall determine. The District may withdraw amounts from the Rate Stabilization Fund (i) for transfer to the Revenue Fund for inclusion in Revenues for any Fiscal Year, or (ii) for any other lawful use of the District. Amounts so transferred from the Rate Stabilization Fund to the Revenue Fund in any Fiscal Year constitutes Revenues for that Fiscal Year and will be applied for the purposes of the Revenue Fund. All interest or other earnings upon deposit in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Revenues. Amounts on deposit in the Rate Stabilization Fund are not pledged to and do not secure the Installment Payments or any Parity Obligations.

Section 3.06 Investment of Funds.

Amounts on deposit in any fund or account created pursuant to this Installment Purchase Contract shall be invested in Permitted Investments which will, as nearly as practicable, mature on or before the dates when such money is anticipated to be needed for disbursement hereunder. Interest or profit received on such investments shall be deposited to the Debt Service Fund in which such investments are then held. In computing the amount in any fund or account, Permitted Investments shall be valued at market value, exclusive of accrued interest.

If at any time after investment therein a Permitted Investment ceases to meet the criteria set forth in the definition of Permitted Investments and such obligation, aggregated with other non-conforming investments, exceeds five percent (5%) of invested funds, such Permitted Investment shall be sold or liquidated.

**ARTICLE IV.
PARITY OBLIGATIONS**

Section 4.01 Parity Obligations.

(a) So long as any Installment Payments are due hereunder, the District shall not issue or incur any obligations payable from Revenues or Net Revenues senior or superior to the payment of the Installment Payments due hereunder. The District may at any time issue Parity Obligations payable from Net Revenues on a parity with the Installment Payments due hereunder to provide financing or refinancing for the Enterprise in such principal amount as shall be determined by the District. The District may issue or incur any such Parity Obligations subject to the following specific conditions, which are hereby made conditions precedent to the issuance and delivery of such Parity Obligations:

(i) No Event of Default shall have occurred and be continuing;

(ii) The Net Revenues (calculated without taking into account any amounts transferred into the Revenue Fund from the Rate Stabilization Fund pursuant to Section 3.05(c) hereof), calculated in accordance with Generally Accepted Accounting Principles, either (i) as shown by the books of the District for the latest Fiscal Year, as verified by a certificate of an Authorized Officer of the District, or (ii) as shown by the books of the District for any more recent twelve (12) month period selected by the District, as verified by a certificate or opinion of an Independent Certified Public Accountant employed by the District, plus in either case (at the option of the District) the Additional Revenues, shall be at least equal to one hundred twenty-five percent (125%) of the amount of Maximum Annual Debt Service on all outstanding Parity Obligations and the Parity Obligations to be issued; and

(iii) Except with respect to this Installment Purchase Contract, and at the District's sole discretion, there shall be established from the proceeds of such Parity Obligations a reserve fund for the security of such Parity Obligations, in an amount equal to the lesser of (i) the maximum amount of debt service required to be paid by the District with respect to such Parity Obligations during any Fiscal Year and (ii) the maximum amount then permitted under the Tax Code, in either event as certified in writing by the District.

(b) The provisions of subsection (ii) of this Section shall not apply to any Parity Obligations if, and to the extent that (1) all of the proceeds of such Parity Obligations (other than proceeds applied to pay costs of issuing such Parity Obligations and to make the reserve fund deposit required pursuant to subsection (iii) of this Section) shall be deposited in an irrevocable escrow held in cash or invested in Federal Securities for the purpose of paying the principal of and interest and premium (if any) on such outstanding Parity Obligations, and (2) at the time of the incurring of such Parity Obligations, the District certifies in writing that maximum annual debt service on such Parity Obligations will not exceed Maximum Annual Debt Service on the outstanding Parity Obligations being refunded, and (3) the final maturity of such Parity Obligations is not later than the final maturity of the Parity Obligations being refunded.

(c) In order to maintain the parity relationship of debt service payments on all Parity Obligations permitted hereunder, the District covenants that all payments in the nature of principal and interest or reserve account replenishment with respect to any Parity Obligations, will be structured to occur semi-annually on the Installment Payment Dates and in each year as such payments are due with respect to the debt service payments on the Loan, and reserve account replenishment with respect to any Parity Obligations will be structured to occur monthly, and to otherwise structure the terms of such Parity Obligations to ensure that they are in all respects payable on a parity with the debt service payments on Parity Obligations and not prior thereto.

(d) The District may at any time execute contracts or issue bonds or other indebtedness payable from Net Revenues or the Revenue Fund payable on a subordinated basis to the payment of the Debt Service payments on Parity Obligations.

ARTICLE V. REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 5.01 Compliance with Installment Purchase Contract.

The District will not suffer or permit any material default by it to occur under this Installment Purchase Contract, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms hereof required to be complied with, kept, observed and performed by it.

Section 5.02 Observance of Laws and Regulations.

The District will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by it, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Section 5.03 Prosecution and Defense of Suits.

The District will promptly, upon request of the Authority or the Lender, take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to

the Project or any part thereof, whether now existing or hereafter developing, will prosecute all actions, suits or other proceedings as may be appropriate for such purpose and will indemnify and save the Authority and the Lender harmless from all cost, damage, expense or loss, including reasonable attorneys' fees, which they or any of them may incur by reason of any such cloud, defect, action, suit or other proceeding.

Section 5.04 Accounting Records and Statements.

The District will keep proper accounting records in which complete and correct entries shall be made of all transactions made by the District relating to the receipt, deposit and disbursement of the Revenues, Net Revenues and Installment Payments, and such accounting records shall be available for inspection by the Lender or its agent duly authorized in writing on any Business Day upon reasonable notice at reasonable hours and under reasonable conditions prescribed by the District.

Section 5.05 Further Assurances.

Whenever and so often as requested to do so by the Lender, the District 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 Lender all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by this Installment Purchase Contract.

Section 5.06 Against Encumbrances.

The District hereby represents that there is no pledge of or lien on Net Revenues senior to the pledge and lien securing the Installment Payments. The District will not make any pledge of or place any lien on the Net Revenues, provided that the District may at any time, or from time to time, pledge or encumber the Net Revenues in connection with the issuance or execution of Parity Obligations in accordance with Section 4.01 or other obligations permitted hereby, or subordinate to the pledge of Net Revenues herein.

Section 5.07 Against Sale or Other Disposition of Property.

The District will not sell, lease, encumber or otherwise dispose of the Enterprise or any part thereof in excess of one-half of one percent of the book value of the Enterprise in any Fiscal Year, unless a Finance Officer certifies that such sale, lease, encumbrance or disposition will not materially adversely affect the operation of the Enterprise or the Net Revenues; provided however, any real or personal property which has become non-operative or which is not needed for the efficient and proper operation of the Enterprise, or any material or equipment which has become worn out, may be sold or exchanged at not less than the fair market value thereof and the proceeds (if any) of such sale or exchange shall be deposited in the Revenue Fund.

The District will not enter into any agreement or lease which would impair the ability of the District to meet the covenant set forth in Section 5.16 hereof or which would otherwise impair the rights of the Lender or the operation of the Enterprise.

Section 5.08 Against Competitive Facilities.

To the extent permitted by law, the District covenants that it will not acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers and excluding any water system existing on the date of execution of this Installment Purchase Contract, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any water system competitive with the Enterprise.

Section 5.09 Reserved.

Section 5.10 Maintenance and Operation of the Enterprise; Budgets.

The District will maintain and preserve the Enterprise in good repair and working order at all times and will operate the Enterprise in an efficient and economical manner. The District will pay all Maintenance and Operation Costs of the Enterprise as they become due and payable.

Section 5.11 Payment of Claims.

The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or any part thereof or on any funds in the control of the District prior or superior to the lien of the Installment Payments or which might impair the security of the Installment Purchase Contract; provided the District shall not be obligated to make such payment so long as the District contests such payment in good faith.

Section 5.12 Compliance with Contracts.

The District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, expressed or implied, required to be performed by it contained in all contracts for the use of the Enterprise and all other contracts affecting or involving the Enterprise to the extent that the District is a party thereto.

Section 5.13 Insurance.

(a) The District will procure and maintain insurance on the Enterprise with commercial insurers or through participation in a joint powers insurance authority, in such amounts, with such deductibles and against such risks (including accident to or destruction of the Enterprise) as are usually insurable in accordance with industry standards with respect to similar enterprises and consistent with the District's current coverage.

In the event of any damage to or destruction of the Enterprise caused by the perils covered by such insurance, the proceeds of such insurance shall be applied to the repair, reconstruction or replacement of the damaged or destroyed portion of the Enterprise. The District shall cause such repair, reconstruction or replacement to begin promptly after such damage or destruction shall occur and to continue and to be properly completed as expeditiously as possible, and shall pay out of the proceeds of such insurance all costs and expenses in connection with such repair, reconstruction or replacement so that the same shall be completed and the Enterprise shall be free and clear of all liens and claims, unless the District determines that such reconstruction, repair, or replacement is not necessary to the efficient or proper operation or use of the Enterprise and therefore determines not to reconstruct, repair,

or replace such damaged or destroyed portion of the Enterprise. If such Net Proceeds exceed the costs of such reconstruction, repair, or replacement, then the excess Net Proceeds shall be deposited in such funds and accounts of the District as is permitted by law.

The District will procure and maintain commercial general liability insurance covering claims against the District for bodily injury or death, or damage to property, occasioned by reason of the ownership or operation of the Enterprise, such insurance to afford protection in such amounts and against such risks as are usually covered in connection with similar enterprises.

The District will procure and maintain workers' compensation insurance against liability for compensation under the Workers' Compensation Insurance and Safety Act of California, or any act hereafter enacted as an amendment or supplement or in lieu thereof, such insurance to cover all persons employed in connection with the Enterprise.

In lieu of obtaining insurance coverage as required by this Section, such coverage may be maintained by the District in the form of self-insurance so long as the District certifies that (i) the District has segregated amounts in a special insurance reserve meeting the requirements of this Section; (ii) an Insurance Consultant certifies annually, on or before December 1 of each year in which self-insurance is maintained, in writing that the District's general insurance reserves are actuarially sound and are adequate to provide the necessary coverage; and (iii) such reserves are held in a separate trust fund by an independent trustee. The District shall pay or cause to be paid when due the premiums for all insurance policies required hereby.

Section 5.14 Books and Accounts; Financial Statements.

The District shall keep proper books of record and accounts of the Enterprise and the Debt Service Fund all separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Enterprise and relating to the funds created by this Installment Purchase Contract. Said books shall, upon prior request, be subject to the inspection by the Lender, or its representatives authorized in writing, upon not less than five (5) Business Days' prior notice to the District.

The District shall cause the books and accounts of the Enterprise, which shall include a statement of revenues and expenditures and changes in fund balances, a balance sheet and a statement of cash flow, to be audited annually by an independent certified public accountant or firm of certified public accountants, not more than two hundred and seventy (270) days after the close of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2022. The District shall send a copy of such report and all related financial statements and notes to the Lender not more than two hundred and seventy (270) days after the close of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2022. In the event that the audited financial statements are not available within 270 days after the close of each Fiscal Year, the District will furnish unaudited financial statements to the Lender in the manner described in this paragraph within such period, and will then supply the audited financial statements immediately upon the availability thereof. No later than thirty (30) days after its adoption, the District shall also send to the Lender a copy of the annual budget of the Enterprise and any amendment or supplement thereto and any other financial information reasonably requested by the Lender. The District also agrees to provide the Lender not more than two hundred and seventy (270) days after the close of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2022, a debt service coverage calculation for the Enterprise and all obligations payable from the Net Revenues thereof, with such calculation to be prepared by a certified public accountant.

Section 5.15 Payment of Taxes and Compliance with Governmental Regulations.

The District will pay and discharge all taxes, assessments and other governmental charges, if any, which may hereafter be lawfully imposed upon the Enterprise or any part thereof or upon the Revenues when the same shall become due and the District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Enterprise or any part thereof. However, the District shall not be required to make such payments, or to comply with any regulations or requirements, so long as the payment or validity or application thereof shall be contested in good faith.

Section 5.16 Amounts of Rates and Charges.

(a) The District will, at all times while the Installment Payments due hereunder remains outstanding, fix, prescribe and collect rates, fees and charges in connection with the Enterprise so as to yield Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts in the order set forth below:

(i) All Maintenance and Operation Costs of the Enterprise;

(ii) The Debt Service payments and all other payments (including payments under reimbursement agreements) with respect to all Parity Obligations as they become due and payable;

(iii) All amounts, if any, required to restore the balance in any reserve accounts established for Parity Obligations in accordance with the terms of such Parity Obligation Documents, without preference or priority; and

(iv) All payments required to meet any other obligations of the District that are charges, liens, encumbrances upon, or which are otherwise payable from the Revenues during such Fiscal Year.

(a) Furthermore, the District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Enterprise during each Fiscal Year which are sufficient to yield estimated Net Revenues which are at least equal to one hundred twenty-five percent (125%) of the aggregate amount of Debt Service on all Parity Obligations payable from Net Revenues coming due and payable during such Fiscal Year. The District may make adjustments, from time to time, in its rates, fees and charges as it deems necessary, but shall not reduce its rates, fees and charges below those in effect unless the Net Revenues resulting from such reduced rates, fees and charges shall at all times be sufficient to meet the requirements set forth in this paragraph.

(b) If the District violates the covenants set forth in subsections (a) or (b) hereof, such violation shall not, in and of itself, be a default under this Agreement and shall not give rise to a declaration of an Event of Default so long as (i) Net Revenues (calculated without taking into account any amounts transferred into the Revenue Fund from the Rate Stabilization Fund pursuant to subsection (d) below), are at least equal to the Maximum Annual Debt Service coming due and payable during such Fiscal Year, and (ii) within 120 days after the date such violation is discovered, the District either (y) transfers enough moneys from the Rate Stabilization Fund sufficient to yield estimated Net Revenues which are at least equal to one hundred twenty-five percent (125%) of the aggregate amount of Debt Service on all Parity Obligations payable from Net Revenues coming due and payable during

such Fiscal Year in compliance with subsection (b) hereof, or (z) hires an Independent Financial Consultant to review the revenues and expenses of the Enterprise, and abides by such consultant's recommendations to revise the schedule of rates, fees, expenses and charges, and to revise any Maintenance and Operation Costs insofar as practicable, and to take such other actions as are necessary so as to produce Net Revenues to cure such violation for future compliance; provided, however, that, if the District does not, or cannot, transfer from the Rate Stabilization Fund the amount necessary to comply with subsection (b) hereof, or otherwise cure such violation within twelve (12) months after the date such violation is discovered, an Event of Default shall be deemed to have occurred under Section 7.01(b) hereof.

Section 5.17 Collection of Rates and Charges.

The District will have in effect at all times rules and regulations requiring all users of the Enterprise to pay the assessments, rates, fees and charges applicable to the Enterprise provided or made available to such users. Such rules and regulations shall also provide for the billing thereof and for a due date and a delinquency date for each bill.

Section 5.18 Eminent Domain Proceeds.

If all or any part of the Enterprise shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If (1) the District certifies (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the Enterprise proposed to be acquired by the District from any Net Proceeds, and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements, and (2) on the basis of such certificate, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive); then the District shall promptly proceed with the acquisition of such additions, betterments, extensions or improvements substantially in accordance with such certification and such Net Proceeds shall be applied for the payment of the costs of such acquisition, and any balance of such Net Proceeds not required by the District for such purpose shall be deposited in such funds and accounts of the District as is permitted by law.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied to prepay the Installment Payments, and any Parity Obligations, on a pro rata basis in the manner provided herein and in the instruments authorizing such Parity Obligations.

Section 5.19 Notification of Material Adverse Effect.

The District shall timely inform the Lender of any Material Adverse Effect upon learning of the existence of such an effect.

Section 5.20 Tax Covenants.

The District shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, the interest with

respect to the Installment Payments to become includable in gross income for federal income tax purposes. To that end, the District hereby makes the following specific covenants:

(a) The District hereby covenants that it shall not make or permit any use of the proceeds of this Installment Purchase Contract that may cause the Installment Purchase Contract to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

(b) The District covenants that the proceeds of the Installment Purchase Contract will not be used as to cause the proceeds of the Installment Purchase Contract to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(c) The District covenants not to take any action or permit or suffer any action to be taken if the result of the same would be to cause the Installment Purchase Contract to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

In furtherance of the covenants stated in this Section, the District shall comply with the requirements of the Tax Certificate executed in connection with this Installment Purchase Contract.

Section 5.21 Further Representations, Covenants and Warranties of the District.

The District represents, covenants and warrants to the Lender as follows:

(a) The District is a duly organized and validly existing irrigation district of the State of California.

(b) The Constitution and the laws of the State of California authorize the District to enter into the Installment Purchase Contract and to enter into the transactions contemplated thereby and to carry out its obligations under each of the aforesaid agreements, and the District has duly authorized and executed each of the aforesaid agreements in accordance with the laws of the State of California.

(c) The District has duly authorized and executed this Installment Purchase Contract in accordance with the laws of the State of California.

(d) The District is empowered to set rates and charges for services provided by the Enterprise provided to the users of the Enterprise without review or approval by any state or local governmental agency.

(e) This Installment Purchase Contract and the pledge of Net Revenues is a first lien and pledge on Net Revenues.

(f) Neither the execution and delivery of the Installment Purchase Contract nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the District is now a party or by which the District is bound, or constitutes a default under either of the foregoing, or

results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the District.

(g) No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Installment Payments or the consummation of the other transactions effected or contemplated herein or hereby. The District gives no representation or warranty with regard to compliance with Blue Sky or similar securities requirements.

(h) The District does not enjoy any rights of immunity on the grounds of sovereign immunity in respect of its obligations under the Installment Purchase Contract or otherwise with respect to the Installment Payments. To the extent the District has or hereafter may acquire under any applicable law any rights to immunity from legal proceedings on the grounds of sovereignty, the District hereby waives, to the extent permitted by law, such rights to immunity for itself in respect of its obligations arising under or related to the Installment Purchase Contract or otherwise with respect to the Installment Payments.

Section 5.22 Representations, Covenants and Warranties of the Authority.

The Authority represents, covenants and warrants to the District as follows:

(a) The Authority is 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 Installment Purchase Contract and to carry out and consummate all transactions contemplated by this Installment Purchase Contract and by proper action has duly authorized the execution and delivery and due performance of this Installment Purchase Contract.

(b) The execution and delivery of this Installment Purchase Contract 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) Neither the Authority, nor the Lender as assignee of the Authority, will assign this Installment Purchase Contract or its right to receive Installment Payments from the District, or its duties and obligations under the Installment Purchase Contract to any other person, firm or corporation, except to affiliates of the Authority or affiliates of the Lender or to banks, insurance companies or other financial institutions or their affiliates, including participation arrangements with such entities; provided, (i) no such assignment shall be made that would cause there to be more than 15 such assignees or any interest in the Installment Payments of less than \$100,000 and (ii) such assignee shall deliver a letter of representations to the District in a form addressed to and acceptable to the District and in substantially the same form delivered by the Lender in connection with the execution of this Installment Purchase Contract.

Section 5.23 Representations, Covenants and Warranties of the District and the Authority.

Each of the District and the Authority represent, warrant and covenant that: (i) the transaction contemplated herein and in the Assignment Agreement is an arm’s length commercial transaction among the District, the Authority and the Lender and its affiliates, (ii) in connection with such transaction, the Lender and its affiliates are acting solely as a principal and not as an advisor including, without limitation, a “Municipal Advisor” as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the “Municipal Advisor Rules”), an agent or a fiduciary of the District or the Authority, (iii) the Lender and its affiliates are relying on the Bank exemption in the Municipal Advisor Rules, (iv) the Lender and its affiliates have not provided any advice or assumed any advisory or fiduciary responsibility in favor of the District or the Authority with respect to the transaction contemplated hereby or by the Assignment Agreement and the discussions, undertakings and procedures leading thereto (whether or not the Lender, or any affiliate of the Lender, has provided other services or advised, or is currently providing other services or advising the District on other matters), (v) the Lender and its affiliates have financial and other interests that differ from those of the District or the Authority, and (vi) each of the District and the Authority has consulted with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent it deemed appropriate.

**ARTICLE VI.
PREPAYMENT OF INSTALLMENT PAYMENTS**

Section 6.01 Prepayment.

(a) The District may prepay the unpaid principal balance of the Installment Payments in whole, but not in part, on any Installment Payment Date commencing on September 1, 2024, described below, by paying a prepayment price equal to the principal amount of the Installment Payments to be prepaid, plus accrued interest to the date of prepayment, with the prepayment premium, if any as follows:

<u>Prepayment Date</u>	<u>Prepayment Premium</u>
Any Installment Payment Date from September 1, 2024 to September 1, 2026	2%
Any Installment Payment Date from March 1, 2027 to September 1, 2029	1%
Any Installment Payment Date from March 1, 2030 and thereafter	0%

(b) The District may or shall, as the case may be, prepay on any date from the Net Proceeds of insurance or condemnation awards, as provided herein, all or any part, in integral multiples of \$5,000, of the principal amount of the unpaid Installment Payments, in inverse order of the remaining Installments Payments, at a prepayment price equal to the sum of the principal amount prepaid plus accrued and unpaid interest thereon to the date of prepayment, without premium.

In the event that a portion of the Installment Payments shall have been prepaid by the District pursuant to subsection (b) above, the total amount of all future payments set forth in the schedules attached hereto as Exhibit B shall be reduced by the aggregate amount of Installment Payments so

prepaid, as the case may be, as agreed to in writing by the Lender. The Lender shall provide the District a revised schedule of Installment Payments.

Notwithstanding any such prepayment, the District shall not be relieved of its obligations hereunder, including its obligations under Article III hereof, until the entire principal amount of the unpaid Installment Payments together with the interest accrued thereon, if any, and together with the ordinary and extraordinary fees, costs and expenses of the Lender, shall have been fully paid and the Installment Payments are no longer due hereunder (or provision for payment thereof shall have been made pursuant to Section 6.03 hereof).

Section 6.02 Method of Prepayment.

Before making any prepayment pursuant to Section 6.01(b), the District shall, give written notice to the Lender specifying the date on which the prepayment will be made, which date shall be not less than thirty (30) days from the date such notice is given.

Section 6.03 Security Deposit.

Notwithstanding any other provision of this Installment Purchase Contract, the District may secure the payment of (i) all or a portion of the Installment Payments by a deposit with the Lender or, at the Lender's sole option, a bank or trust company acceptable to the Lender, as escrow holder under an escrow deposit and trust agreement, of either (i) cash in an amount which is sufficient to pay such unpaid Installment Payments, including the principal and interest components thereof, in accordance with the Installment Payment schedule set forth in Exhibit B attached hereto, or (ii) non-callable Federal Securities or pre-refunded non-callable municipal obligations rated "AA" and "Aa" by S&P and Moody's, respectively, together with cash if required, in such amount as will, without re-investment, in the opinion of an independent certified public accountant (which opinion shall be addressed to the Lender), together with interest to accrue thereon, be fully sufficient to pay such unpaid Installment Payments on their payment dates so that such Installment Payments shall be defeased; provided, that prior to any such deposit or defeasance, the District must provide an opinion of nationally recognized bond counsel addressed to the Lender to the effect that such deposit and defeasance will not cause the interest component of the Installment Payments to be included in gross income for federal income tax purposes. In the event of any shortfall, the District shall deposit from legally available funds such amounts as is necessary to make up such shortfall. In all cases, deposits of cash or Federal Securities made to secure the Installment Payments pursuant to this paragraph shall be kept in segregated escrow accounts or escrow subaccounts and such deposits shall not be commingled for any reason.

In the event of deposits pursuant to this Section 6.03 sufficient to fully defease all of the Installment Payments, and provided that all other amounts payable by the District hereunder have been paid in full, all obligations of the District under this Installment Purchase Contract shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all Installment Payments from the deposits made by District pursuant to this Section 6.03 and the obligation to pay amounts due the Lender, as assignee of the Authority. Said deposits shall be deemed to be and each of the deposits shall constitute a separate special fund that may be used solely for the payment of the Installment Payments in accordance with the provisions of this Installment Purchase Contract, and pending such application shall be held in trust and pledged to and for the sole benefit of the Lender and any assignee or transferee of the Lender. The District hereby grants to the Lender, as assignee of the Authority, a first priority security interest in any amounts so deposited.

**ARTICLE VII.
EVENTS OF DEFAULT AND REMEDIES**

Section 7.01 Events of Default and Events of Mandatory Acceleration; Acceleration of Maturities.

If one or more of the following Events of Default shall happen:

(a) default shall be made in the due and punctual payment by the District of any Installment Payment when and as the same shall become due and payable;

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

(c) any financial statement or certificate furnished to the Authority or the Lender in connection with the execution of this Installment Purchase Contract, or any representation or warranty made by the District shall prove to be incorrect, false or misleading in any material respect when furnished or made;

(d) the District shall file a petition seeking arrangement or reorganization under 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 the consent of the District 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 District or of the whole or any substantial part of its property; or

(e) an event of default shall have occurred with respect to any Parity Obligations;

then and in each and every such case during the continuance of such Event of Default the Authority or the Lender as its assignee may, by notice in writing to the District declare all of the principal amount of the unpaid Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding.

This provision, however, is subject to the condition that, except with respect to an Event of Default under subsection (d) above, if at any time after such principal amount of the unpaid Installment Payments and the accrued interest thereon shall have been so declared immediately due and payable and before the acceleration date or the date of any judgment or decree for the payment of the money due shall have been obtained or entered:

(1) the District shall deposit with the Lender a sum sufficient to pay (x) all delinquent Installment Payments then-due and owing and causing an Event of Default under subsection (a) above and the accrued interest thereon, with any interest due on such overdue installments, and (y) the reasonable expenses of the Lender incurred as the result of such Event of Default, and

(2) any and all other defaults known to the Lender (other than in the payment of such overdue principal amount of the unpaid Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Lender or provision deemed by the Lender to be adequate shall have been made therefor, then and in every such case the Lender, by written notice to the District, may rescind and annul such declaration of immediate payment of all of the principal amount of the unpaid Installment Payments and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 7.02 Application of Funds Upon Default.

All moneys and investments in the funds and accounts held hereunder (other than the Rebate Fund, if any) upon the date of the declaration of an Event of Default as provided in Section 7.01, shall be applied to the payment of Installment Payments in accordance with Sections 3.04, 3.05 and 5.20 hereof and all Revenues thereafter received shall be applied as follows:

(a) Unless the principal of all Installment Payments shall have become or shall have been declared due and payable:

First: To the payment to the persons entitled thereto of the interest portion of all Installments Payments, with interest on overdue installments, if lawful, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably according to the amounts due on such installment, to the persons entitled thereto without any discrimination or privilege; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any of the Installment Payments which shall have become due, with interest at their rate from the respective dates upon which they became due, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Installment Payments due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, to the persons entitled thereto without any discrimination or privilege.

(b) If all of the Installment Payments shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the Installment Payments, with interest on overdue interest and principal, as aforesaid, without preference or priority over interest or of interest over principal or of any installment of interest over any other installment of interest, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

Section 7.03 Other Remedies of the Authority.

The Authority or the Lender, as assignee thereof, as applicable, may--

(a) by mandamus or other action or proceeding or suit at law or in equity enforce its rights against the District, or any board member, officer or employee thereof, and compel the District or any such board member, officer or employee to perform and carry out its or his duties under applicable law and the agreements and covenants contained herein required to be performed by it or him;

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

(c) by suit in equity upon the happening of an Event of Default require the District and its board members, officers and employees to account as the trustee of an express trust; or

(d) by suit in equity, to seek the appointment of a receiver or other third party to operate the Enterprise and collect the Revenues.

Section 7.04 Non-Waiver.

Nothing in this Article VII or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Installment Payments to the Lender at the respective due dates or upon prepayment from the Revenues, or, except as expressly provided herein, shall affect or impair the right of the Authority or the Lender, as assignee 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 Lender 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 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 Lender by applicable law or by this Article VII may be enforced and exercised from time to time and as often as shall be deemed expedient.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely, the parties 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 Remedies Not Exclusive.

No remedy herein conferred upon or reserved 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 any other law. If any remedial action is discontinued or abandoned, the Lender shall be restored to its former position.

Section 7.06 Lender Exercise of Remedies.

The rights and remedies provided to the Authority under this Article VII have been assigned by the Authority to the Lender pursuant to the Assignment Agreement and shall be exercised by solely by the Lender in its discretion.

**ARTICLE VIII.
MISCELLANEOUS**

Section 8.01 Liability of District Limited.

Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the Installment Payments or for the performance of any agreements or covenants contained herein required to be performed by it. The District may, however, but shall not be required to, 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 District for such purpose.

The obligation of the District to make the Installment Payments and the other amounts due hereunder is a special obligation of the District payable solely from the Net Revenues and does not constitute a debt or pledge of the faith and credit of the District or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Section 8.02 Benefits of Installment Purchase Contract Limited to Parties.

Except as provided in Section 8.03, nothing contained herein, express or implied, is intended to give to any person other than the District or the Lender 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 District or the Lender shall be for the sole and exclusive benefit of the other party.

Section 8.03 Successor Is Deemed Included In All References to Predecessor.

Whenever the District or the Authority is named or referred to herein, such reference shall be deemed to include the successor and assigns to the powers, duties and functions that are presently vested in the District or the Lender, and all agreements and covenants required hereby to be performed by or on behalf of the District or the Authority shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 8.04 Waiver of Personal Liability.

No board member, officer or employee of the District or the Authority shall be individually or personally liable for the payment of the Installment Payments, but nothing contained herein shall relieve any board member, officer or employee of the District or the Authority from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 8.05 Article and Section Headings, Gender and References.

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

Section 8.06 Partial Invalidity.

If any one or more of the agreements or covenants or portions thereof contained herein required to be performed by or on the part of the District or the Authority shall be contrary to the 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 District and the Authority hereby declare that they would have executed this Installment Purchase 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 8.07 Assignment.

(a) The District hereby consents to the Authority's assignment of this Installment Purchase Contract to the Lender pursuant to the Assignment Agreement.

(b) The Lender has the right at any time to assign, transfer, or convey this Installment Purchase Contract or any interest therein or portion thereof, but no such assignment, transfer or conveyance shall be effective as against the District unless and until the Lender has delivered to the District written notice thereof that discloses the name and address of the assignee or the Loan Servicer (as hereafter provided and defined) and such assignment, transfer or conveyance shall be made only to (i) an affiliate of the Lender or (ii) banks, insurance companies or other financial institutions or their affiliates. Nothing herein limits the right of the Lender or its assignees to sell or assign participation interests in this Installment Purchase Contract to one or more entities listed in (i) or (ii), provided that any participation, custodial or similar agreement under which multiple ownership interests in this Installment Purchase Contract are created shall provide the method by which the owners of such interests shall establish the rights and duties of a single entity, owner, servicer or other fiduciary or agent acting on behalf of all of the assignees (herein referred to as the "Loan Servicer") to act on their behalf with respect to the rights and interests of the Lender under this Installment Purchase Contract, including with respect to the exercise of rights and remedies of the Lender on behalf of such owners upon the occurrence of an event of default under this Installment Purchase Contract.

Section 8.08 California Law.

This Installment Purchase Contract shall be construed and governed in accordance with the laws of the State of California.

Section 8.09 Notices.

All written notices to be given hereunder shall be given by certified 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 District: Calaveras County Water District
120 Toma Court (overnight delivery)
P.O. Box 846 (postal delivery)
San Andreas, California 95249
Attention: Director of Administrative Services

If to the Authority: CCWD Public Financing Authority
120 Toma Court (overnight delivery)
P.O. Box 846 (postal delivery)
San Andreas, California 95249
Attention: Executive Director

If to the Lender: Webster Bank, National Association
500 Seventh Avenue, 3rd Floor
New York, NY 10018
Attention: Public Sector Finance

The parties hereto may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Unless otherwise requested by the parties, any notice required to be given hereunder in writing may be given by any form of Electronic Notice capable of making a written record.

Section 8.10 Effective Date.

This Installment Purchase Contract shall become effective upon its execution and delivery and shall terminate when all Installment Payments shall have been fully paid (or provision for the payment thereof shall have been made to the written satisfaction of the Lender pursuant to Article VI hereof).

Section 8.11 Execution in Counterparts.

This Installment Purchase 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.

Section 8.12 Amendments.

This Installment Purchase Contract may be amended in writing as may be mutually agreed by the District and the Lender in a signed writing. Any amendment made in violation of this Section 8.12 shall be a nullity and void.

Section 8.13 Third-Party Beneficiary.

The Lender shall be a third-party beneficiary of this Installment Purchase Contract.

Section 8.14 Expenses.

The fees and disbursements of Bond Counsel, the fees and disbursements of the financial advisor to the District, the cost of preparing the documents, and other miscellaneous expenses of the District incurred in connection with the execution and delivery of the Installment Purchase Contract, including CDIAC fees, shall all be the obligation of the District. The Lender shall have no

responsibility for any expenses associated with the issuance of the Installment Purchase Contract, including, but not limited to, the expenses identified above as the obligation of the District.

Section 8.15 Restrictions on Agreement.

The District and the Lender understand that this Installment Purchase Contract shall not be, and the District and the Lender shall not cause this Installment Purchase Contract to be, (a) assigned a rating by any credit rating agency, (b) registered with The Depository Trust Company or any other securities depository, (c) offered pursuant to any type of offering document or official statement, (d) assigned a DTC-registered CUSIP number by Standard & Poor's CUSIP Service or (e) listed on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website.

Section 8.16 Website Disclosure.

If the District elects or is required to post this Installment Purchase Contract and related documentation on a national public market repository, the District may do so with certain information redacted pursuant to this Section. With respect to any such posting, the District shall provide such documentation to the Lender for review with reasonable advance notice prior to any posting deadline imposed by applicable law and shall consider in good faith reasonable redaction requests of the Lender Sensitive Data (defined below) that are provided within a reasonable period prior to such posting deadline. The District shall redact such "Bank Sensitive Data" as directed by the Lender. For the purpose of this Section, "Bank Sensitive Data" means signatures/names, account numbers, wire transfer and payment instructions and any other data that could be reasonably construed as sensitive information.

Section 8.17 Judicial Reference.

TO THE EXTENT PERMITTED BY LAW, THE AUTHORITY, THE DISTRICT AND THE LENDER HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INSTALLMENT PURCHASE CONTRACT, THE ASSIGNMENT AGREEMENT OR ANY OF THE RELATED DOCUMENTS OR THE TRANSACTION CONTEMPLATED HEREBY OR THEREBY. IF AND TO THE EXTENT THAT THE FOREGOING WAIVER OF THE RIGHT TO A JURY TRIAL IS UNENFORCEABLE FOR ANY REASON IN SUCH FORUM, THE AUTHORITY, THE DISTRICT AND THE LENDER HEREBY CONSENT TO THE ADJUDICATION OF ANY AND ALL CLAIMS PURSUANT TO JUDICIAL REFERENCE AS PROVIDED IN CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638, AND THE JUDICIAL REFEREE SHALL BE EMPOWERED TO HEAR AND DETERMINE ANY AND ALL ISSUES IN SUCH REFERENCE WHETHER FACT OR LAW. THE AUTHORITY, THE DISTRICT AND THE LENDER REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND CONSENT AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS AND CONSENTS TO JUDICIAL REFERENCE FOLLOWING THE OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL OF ITS CHOICE ON SUCH MATTERS. IN THE EVENT OF LITIGATION, A COPY OF THIS INSTALLMENT PURCHASE CONTRACT MAY BE FILED AS A WRITTEN CONSENT TO JUDICIAL REFERENCE UNDER CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638 AS PROVIDED HEREIN.

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

CALAVERAS COUNTY WATER DISTRICT

By: _____
General Manager

CCWD PUBLIC FINANCING AUTHORITY

By: _____
Executive Director

EXHIBIT A

DESCRIPTION OF THE PROJECT

The Project generally consists of the following work:

1. Copper Cove Tank B & Clearwell (CIP #11083C)
2. Copper Cove Tank B Pump Station Renovation (CIP #11111)
3. Jenny Lind A-B Transmission Pipeline (CIP #11088)
4. Lake Tulloch Water Line Crossing (CIP #11104)
5. Copper Cove Zone B-C Transmission Pipeline and Pump Station (CIP #11122)

EXHIBIT B

INSTALLMENT PAYMENT SCHEDULE

1. The principal amount of Installment Payments to be made by the District hereunder is \$[____].00.

2. The Installment Payments of principal and interest are payable in the amounts and on the Installment Payment Dates as follows:

<i>Installment Payment Date</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest*</i>	<i>Total</i>
-------------------------------------	---	---	--------------

Third Business Day Prior To:

\$

TOTAL	\$	\$	\$
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* Assuming No Event of Default or Event of Taxability.

INSTALLMENT PURCHASE CONTRACT

between the

CALAVERAS COUNTY WATER DISTRICT

and

CCWD PUBLIC FINANCING AUTHORITY

Dated as of June 1, 2022

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EXHIBIT A – DESCRIPTION OF PROJECT

EXHIBIT B – INSTALLMENT PAYMENT SCHEDULE

INSTALLMENT PURCHASE CONTRACT

This INSTALLMENT PURCHASE CONTRACT, dated as of June 1, 2022 (as amended and supplemented, the “Installment Purchase Contract”), between the CALAVERAS COUNTY WATER DISTRICT, a county water district duly organized and validly existing under the laws of the State of California (the “District”), and CCWD PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority duly organized and validly existing under and by virtue of the laws of the State of California (the “Authority”);

WITNESSETH:

WHEREAS, the District is authorized by the laws of the State of California to acquire certain property for its wastewater system and to finance and refinance the acquisition and construction of such facilities through the execution of installment purchase contracts; and

WHEREAS, the District proposes to finance the acquisition of certain real property of benefit to the District’s wastewater system, primarily consisting of the “Arnold Secondary Clarifier & WWTP Improvements Project” and the “Copper Cove Lift Stations Project,” as generally described in Exhibit A attached hereto and incorporated herein (collectively, the “Project”); and

WHEREAS, the Authority has been formed for the purpose of, among other things, assisting the District in financing facilities and property useful to them and the Authority is authorized to assist the District in the financing, construction, acquisition, and improvement of the District’s facilities and property; and

WHEREAS, the Authority has agreed to assist the District in financing the Project; and

WHEREAS, the District and the Authority have duly authorized the execution of this Installment Purchase Contract; 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 entering into of this Installment Purchase 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 this Installment Purchase Contract;

NOW, THEREFORE, IN CONSIDERATION OF THE PROMISES 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 1.01 shall for all purposes hereof, and of any amendment hereof, and of any opinion or report or other document

mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein.

“Acquisition,” “Acquire” or “Acquired” means, with respect to the Project, the acquisition or perfection of an ownership or capacity interest in the Project, or the construction, refinancing or ownership of the Project.

“Acquisition Costs” with respect to the Project means the contract price paid or to be paid for the Acquisition of the Project.

“Acquisition Fund” means the fund established and held by the District pursuant to Section 2.05 hereof.

“Act” means the County Water District Law of the State of California, being Sections 30000 et seq. of the Water Code of the State of California, and all laws amendatory thereof or supplemental thereto.

“Additional Revenues” means, with respect to the issuance of any Parity Obligations, an allowance for Net Revenues (i) arising from any increase in the charges made for service from the Enterprise, adopted prior to the incurring of such Parity Obligations and effective within eighteen (18) months following the date of incurring such Parity Obligations, in an amount equal to the total amount by which the Net Revenues of the Enterprise would have been increased if such increase in charges had been in effect during the whole of the most recent completed Fiscal Year or during any more recent twelve (12) month period selected by the District, and (ii) arising from any increase in service connections to the Enterprise, prior to the incurring of such Parity Obligations, in an amount equal to the total amount by which the Net Revenues for the Enterprise would have been increased if such connections had been in existence during the whole of the most recent complete Fiscal Year or during any more recent twelve (12) month period selected by the District, all as shown by the certificate or opinion of an Independent Financial Consultant.

“Alternate Project” means an alternate project designated by the District pursuant to Section 2.01.

“Applicable Environmental Laws” means and shall include, but shall not be limited to, the Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA”), 42 USC Sections 9601 et seq.; the Resource Conservation and Recovery Act (“RCRA”), 42 USC Sections 6901 et seq.; the Federal Water Pollution Control Act, 33 USC Sections 1251 et seq.; the Clean Air Act, 42 USC Sections 7401 et seq.; the California Hazardous Waste Control Law (“HWCL”), California Health & Safety Code Sections 25100 et seq.; the Hazardous Substance Account Act (“HSAA”), California Health & Safety Code Sections 25300 et seq.; the Porter- Cologne Water Quality Control Act (the “Porter-Cologne Act”), California Water Code Sections 1300 et seq.; the Air Resources Act, California Health & Safety Code Sections 3900 et seq.; the Safe Drinking Water & Toxic Enforcement Act, California Health & Safety Code Sections 25249.5 et seq.; and the regulations under each thereof; and any other local, state, and/or federal laws or regulations, whether currently in existence or hereafter enacted, that govern: (a) the existence, cleanup, and/or remedy of contamination on property; (b) the protection of the environment from spilled, deposited, or otherwise emplaced contamination; (c) the control of hazardous wastes; or (d) the use, generation, transport, treatment, removal, or recovery of Hazardous Substances, including building materials.

“Assignment Agreement” means the Assignment Agreement, dated as of June 1, 2022, between the Authority and the Lender relating to this Installment Purchase Contract, as amended and supplemented.

Authority” means CCWD Public Financing Authority a joint exercise of powers authority duly organized and existing under the laws of the State of California, and any successor thereto.

“Authorized Officer” means the District’s President, Vice-President, General Manager, Finance Director, Director of Administrative Services, Clerk to the Board of Directors, or any other person designated as an Authorized Officer of the District by a Certificate of the District signed by its President, Vice-President, General Manager, Finance Director or Director of Administrative Services and filed with the District.

“Bond Counsel” means Kutak Rock LLP or another firm of nationally recognized attorneys experienced in the issuance of obligations the interest on which is excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended.

“Business Day” means any day other than a Saturday, Sunday or legal holiday or a day on which banks are authorized to be closed for business in California and New York.

“Closing Date” means June 16, 2022.

“Custodian” means U.S. Bank Trust Company, National Association.

“Custodian Agreement” means that Costs of Issuance Custodian Agreement dated as of June 1, 2022, between the District and the Custodian for the payment of Delivery Costs.

“Debt Service” means, for any Fiscal Year, the sum of (1) the Installment Payments (except to the extent that interest has been fully capitalized and is invested in Federal Securities which mature at times and in such amounts as are necessary to pay the interest to which such amounts are pledged) required to be paid hereunder during such Fiscal Year, (2) the interest falling due during such Fiscal Year on all Parity Obligations (which are outstanding under the documents or agreements pursuant to which they were issued), assuming that all outstanding serial Parity Obligations are retired as scheduled and that all outstanding term Parity Obligations are redeemed from sinking fund payments as scheduled (except to the extent that such interest has been fully capitalized and is invested in Federal Securities which mature at times and in such amounts as are necessary to pay the interest to which such amounts are pledged), (3) the principal amount of all serial Parity Obligations (which are outstanding under the documents or agreements pursuant to which they were issued) falling due by their terms during such Fiscal Year, and (4) the minimum amount of term Parity Obligations (which are outstanding under the documents or agreements pursuant to which they were issued) required to be paid or called and redeemed during such Fiscal Year, together with the redemption premiums, if any, thereon; provided that, whenever interest as described herein accrues at other than a fixed rate, such interest shall be assumed to be a rate equal to the greater of (i) the actual rate on the date of calculation, or if the Parity Obligations are not yet outstanding, the initial rate (if established and binding), (ii) if the Parity Obligations have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (x) if interest on the Parity Obligations is excludable from gross income under the applicable provisions of the Tax Code, the most recently

published The Bond Buyer Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (y) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities, plus fifty (50) basis points.

“Debt Service Fund” means the fund established in Section 3.04 hereof.

“Debt Service Payments” means the payments of Debt Service.

“Default Rate” means the then applicable interest rate on the principal amount of the Installment Payments plus 3.000% per annum.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the District, the Authority or the Lender relating to the financing of the Project, including but not limited to filing costs, fees of the California Debt and Investment Advisory Commission, settlement costs, initial fees and charges of the Authority or the Lender and their counsel, financing discounts, outside legal fees and charges, financial and other professional consultant fees, and charges and fees in connection with the foregoing.

“Determination of Taxability” means (a) the occurrence of any action that, in the judgment of the District, in reliance on the advice of Bond Counsel, will adversely affect the tax-exempt status of the Installment Payments, (b) the failure to take any action that, in the judgment of the District, in reliance on the advice of Bond Counsel, is necessary to preserve the exemption from income taxation of interest on the Installment Payments, (c) a final judgment or order of a court of competent jurisdiction, or a final ruling or decision of the Internal Revenue Service, in any such case to the effect that the interest on the Installment Payments is includable for Federal income tax purposes in the gross incomes of the recipients thereof, or (d) the enactment of Federal legislation that would cause the interest on the Installment Payments to be includable for Federal income tax purposes in the gross incomes of the recipients thereof. A judgment or order of a court of competent jurisdiction or a ruling or decision of the Internal Revenue Service shall be considered final only if no appeal or action for judicial review has been filed (and is pending) and the time for filing such right of appeal or action has expired.

“District” means the Calaveras County Water District, a county water district duly organized and existing under the Constitution and laws of the State of California, and its successors and assigns.

“Due Date” means the date three (3) Business Days prior to an Installment Payment Date.

“Electronic Notice” means notice given through means of telecopy, facsimile transmission, e-mail or other similar electronic means of communication confirmed by writing or written transmission.

“Enterprise” means, collectively, the entire wastewater collection, treatment and disposal system owned or operated by the District including, but not limited to, any and all properties and assets, real and personal, tangible and intangible, of the District, now or hereafter existing, used or pertaining to the collection, disposal or reuse of wastewater, including sewage treatment plants, outfall, force mains, pumping stations, ejector stations, pipes, valves, machinery and all other appurtenances necessary, useful or convenient for the collection, treatment, purification or disposal of sewage, and any necessary lands, rights of way and other real or personal property useful in connection therewith, and all additions, extensions, expansions, improvements and betterments thereto and equipments thereof.

“Event of Default” means an event of default described in Section 7.01.

“Federal Securities” means direct obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States), or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America.

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

“General Manager” means the General Manager of the District, or any other person designated by the General Manager to act on behalf of the General Manager.

“Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures prescribed by the California State Controller or his successor for water districts in the State of California, or failing the prescription of such procedures means Generally Accepted Accounting Principles as presented and recommended by the American Institute of Certified Public Accountants or its successor, or by the National Council on Governmental Accounting or its successor, or by any other generally accepted authority on such principles.

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

“Hazardous Substances” means _____.

“Independent Certified Public Accountant” means any certified public accountant or firm of certified public accountants duly licensed and entitled to practice, and practicing as such appointed and paid by the District, and each of whom--

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

“Independent Financial Consultant” means a financial consultant qualified in the field of municipal finance, appointed and paid by the District, and who:

1. is in fact independent and not under the domination of the District or any member thereof;
2. does not have a substantial financial interest, direct or indirect, in the operations of the District; and

3. is not connected with the District as an officer or employee of the District or any member thereof, but may be regularly retained to audit the accounting records of and make reports thereon to the District.

“Installment Payments” means the Installment Payments scheduled to be paid by the District under and pursuant to this Installment Purchase Contract for the purposes and as described in Section 3.01 hereof in the amounts on the dates designated in Exhibit B to this Installment Purchase Contract.

“Installment Payment Date” means each March 1 and September 1, commencing September 1, 2022.

“Lender” means initially First Foundation Public Finance, a Delaware statutory trust and a wholly-owned subsidiary of First Foundation Bank, and thereafter any successor or assign, and thereafter any successor or assign.

“Maintenance and Operation Costs” means the reasonable and necessary costs and expenses paid or incurred by the District for maintaining and operating the Enterprise, determined in accordance with Generally Accepted Accounting Principles, including but not limited to (a) costs of acquisition of water, including all associated treatment and delivery costs, to be used by the Enterprise, (b) costs of electricity and other forms of energy supplied to the Enterprise, (c) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Enterprise in good repair and working order, (d) the reasonable administrative costs of the District attributable to the operation and maintenance of the Enterprise, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and (e) all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the issuance of any Parity Obligations or of such Parity Obligations, such as compensation, reimbursement and indemnification of the trustee for any such Parity Obligations and fees and expenses of Independent Certified Public Accountants and independent engineers, but in all cases excluding (i) debt service payable on obligations incurred by the District with respect to the Enterprise, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

“Material Adverse Effect” means an event or occurrence which adversely affects in a material manner (a) the assets, liabilities, condition (financial or otherwise), business, facilities or operations of the District, (b) the ability of the District to carry out its business in the manner conducted as of the date of this Installment Purchase Contract or to meet or perform its obligations under this Installment Purchase Contract on a timely basis, (c) the validity or enforceability of the Installment Purchase Contract, or (d) the exclusion of the interest component of the Installment Payments from gross income for federal income tax purposes or the exemption of such interest for state income tax purposes.

“Material Litigation” means actions, suits or proceedings threatened against the District or any property of the District in any court or before any arbitrator of any kind or before or by any governmental or non-governmental body, which, in any case: (a) directly or indirectly relates to the Enterprise or the enforceability of this Installment Purchase Contract; (b) involve claims equal to or in excess of \$500,000; or (c) may have a Material Adverse Effect.

“Maximum Annual Debt Service” means the largest annual sum of (i) Debt Service Payments during the period from the date of such determination through the later of (a) the final Installment

Payment Date hereunder or (b) the maturity date of Parity Obligations reflected by such Debt Service Payments.

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

“Net Revenues” means, for any period, all of the Revenues during such period less all of the Maintenance and Operation Costs during such period.

“Outstanding” (i) when used as of any particular time with reference to this Installment Purchase Contract, means all Installment Payments except Installment Payments paid or deemed to have been paid within the meaning of Article VI, and (ii) when used as of any particular time with reference to any Parity Obligation, means all debt service payments due and owing on such Parity Obligation except debt service payments paid or deemed to have been paid pursuant to the terms of such Parity Obligation.

“Parity Obligations” means all bonds, notes, loan agreements, installment sale agreements, leases or other obligations of the District, including the Outstanding Parity Obligations, payable from and secured by a pledge of and lien upon any of the Net Revenues incurred on a parity with the payment of the Installment Payments pursuant to Section 4.01 hereof.

“Parity Project” means any additions, betterments, extensions or improvements to the District’s Enterprise designated by the Board of Directors of the District as a Parity Project, the acquisition and construction of which is to be paid for with the proceeds of any Parity Obligations.

“Permitted Investments” means any investment that is a legal investment under the laws of the State for the moneys proposed to be invested therein or authorized by the District’s investment policy in effect at the time of investment.

“Project” means the additions, betterments, extensions and improvements to the District’s Enterprise as described in Exhibit A hereto, including any Alternate Project.

“Rate Stabilization Fund” means any fund established and held by the District as a fund for the stabilization of rates and charges imposed by the District with respect to the Revenue Fund, which fund is established, held and maintained in accordance with Section 3.05(c).

“Revenue Fund” means the fund maintained by the District into which it deposits Revenues.

“Revenues” means all gross income and revenue received or receivable by the District from the ownership and operation of the Enterprise, calculated in accordance with Generally Accepted Accounting Principles, including all rates, fees, charges (including connection fees), insurance proceeds and condemnation awards received by the District and all other income and revenue howsoever derived by the District from the Enterprise, including, without limitation, property taxes, interest income, and all other operating and non- operating revenue; provided, however, that (i) any specific charges levied for the express purpose of reimbursing others for all or a portion of the cost of the acquisition or construction of specific water facilities, (ii) grants that are designated by the grantor for a specific water purpose and are therefore not available for other purposes, or (iii) customers’ water related deposits or any other water related deposits subject to refund until such deposits have become

the property of the District, are not Revenues and are not subject to the lien hereof. Notwithstanding the foregoing, there shall be deducted from Revenues any amounts (of Revenues) transferred into the Rate Stabilization Fund as contemplated by Section 3.05(c) hereof, and there shall be added to Revenues any amounts transferred out of the Rate Stabilization Fund and into the Revenue Fund, as contemplated by Section 3.05(c) hereof.

“State” means the State of California.

“Taxable Rate” means [4.44%].

“Tax Code” means the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Tax Code shall be deemed to be a reference to any successor to any such section.

ARTICLE II. SALE AND PURCHASE OF THE PROJECT

Section 2.01 Sale and Purchase of the Project.

The Authority hereby agrees to cause the Project, and any additions or modifications thereto to be constructed, acquired or installed, as applicable, by the District as its agent, and the District shall enter into contracts and provide for, as agent of the Authority, the complete acquisition and construction of the Project. The District hereby agrees that it will cause the construction, acquisition and installation of the Project to be diligently performed upon satisfactory completion of design work and compliance with the California Environmental Quality Act and approval by the Board of Directors of the District, unforeseeable delays beyond the reasonable control of the District only excepted. It is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any cost of the Project and that all such costs and expenses shall be paid by the District, regardless of whether the funds deposited in the Acquisition Fund are sufficient to cover all such costs and expenses.

In consideration for the Authority’s assistance in acquiring the Project, the District agrees to sell, and hereby sells, to the Authority, and the Authority agrees to purchase, and hereby purchases, from the District, the Project in the manner and in accordance with the provisions of this Installment Purchase Contract. In consideration for the Installment Payments as set forth in Section 3.01, the Authority agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Authority, the Project at the purchase price specified below and otherwise in the manner and in accordance with the provisions of this Installment Purchase Contract. All right, title and interest in the Project shall vest in the District immediately upon execution and delivery of this Installment Purchase Contract.

The District hereby covenants to use the proceeds received from the Authority for the costs and expenses of the Acquisition of the Project. The District may change the specifications of the Project, so long as such change does not substantially alter the nature of the Project; provided, however, that the District and the Lender, as assignee of the Authority under the Assignment Agreement, in their sole discretion, may jointly designate an Alternate Project. In the event an Alternate Project is designated, the District shall certify in writing to the Lender that Acquisition Costs shall not materially increase as a result from such change. In the event Acquisition Costs shall materially increase as a

result of the designation of an Alternate Project, prior to designating such Alternate Project the District shall either deposit in the Acquisition Fund an amount sufficient to pay such increase, or shall certify in writing to the Lender that funds sufficient to pay such increase in Acquisition Costs are otherwise available to the District.

The Authority, upon the effective date hereof, agrees to cause to be deposited in the Acquisition Fund the aggregate amount of \$[_____], respecting its purchase of the Project hereunder. In the event the money so deposited as first above provided is insufficient to pay all the costs of the Acquisition of the Project, the Authority shall have no obligation whatsoever to use or provide any additional funds for the purposes described in this Article II.

All right, title and interest in each component of the Project shall vest in the District immediately upon execution and delivery of this Installment Purchase Contract. Such vesting shall occur without further action by the Authority or District and the Authority shall, if requested by the District, if necessary, to assure such automatic vesting, deliver any and all documents required to assure such vesting.

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 District may institute such action or proceeding against the Authority as the District may deem necessary to compel the observance or performance of such agreement, condition, covenant or term, or to recover damages for the nonobservance or nonperformance thereof; provided, however, that the District shall have no right to terminate this Installment Purchase Contract as a remedy to such failures. The District 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 District deems reasonably necessary in order to protect or secure its rights hereunder, and in such event the Authority agrees to cooperate fully with the District and to take all action necessary to effect the substitution of the District for the Authority in any action or proceeding if the District shall so request.

Section 2.02 Indemnification and Expenses of the Authority and the Lender.

(a) The District hereby agrees to indemnify and hold harmless the Authority and its directors, officers and employees 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 the Assignment Agreement; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder or under the Assignment Agreement by the Authority.

(b) The District shall, to the extent permitted by law, indemnify and save the Lender, and its respective officers, agents, directors and employees, harmless from and against all claims, losses, liabilities, costs, expenses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management or operation of, or from any work or thing done on, the Project or the Enterprise by the District, including injury or damages to any persons or property arising therefrom, (b) any breach or default on the part of the District in the performance of any of its obligations under this Installment Purchase Contract, or (c) any act of negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Project or the Enterprise. No indemnification is made under this Section for willful misconduct or negligence by the Lender or its officers, agents, directors or employees. The provisions of this Section shall continue in

full force and effect, notwithstanding the termination of the term of the Installment Purchase Contract for any reason.

Section 2.03 Authority not Liable.

The Authority and its directors, officers and employees shall not be liable to the District or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on, or about or relating to the Project, and in no event shall the Authority be liable for any incidental, indirect, special or consequential damage in connection herewith or arising hereunder.

Section 2.04 Disclaimer of the Authority.

The District acknowledges and agrees that the Authority makes no representation or warranty, express or implied, as to the Enterprise or the Project, except as expressly set forth in this Installment Purchase Contract. The District acknowledges that all risks relating to the Enterprise or the Project or the transactions contemplated hereby, are to be borne by the District, and the benefits of any and all implied warranties and representations of the Authority are hereby waived by the District.

Section 2.05 Acquisition Fund.

There is hereby established by the District a fund known as the "Acquisition Fund," which the District shall maintain and hold. On the Closing Date, \$[_____] shall be deposited into the Acquisition Fund. The moneys in the Acquisition Fund shall be applied to the payment of the costs of Acquisition of the Project or to reimburse the District for previous costs expended in the acquisition or construction of the Project, and of expenses incidental thereto. In addition, a portion of the amounts paid by the Lender under the Assignment Agreement shall be transferred by the Lender, at the request of the District, to the Custodian pursuant to the Custodian Agreement to pay Delivery Costs in the amount of \$_____. Any Delivery Costs in excess of \$_____ shall be paid by the District.

**ARTICLE III.
INSTALLMENT PAYMENTS, REVENUES AND ACCOUNTS**

Section 3.01 Payment of the Installment Payments.

The total principal amount of the Installment Payments owed and to be paid by the District to the Lender, as assignee of the Authority under the Assignment Agreement, for the Project is \$[_____], plus interest thereon, calculated at the rate of 3.20% per annum. The Installment Payments shall, subject to any rights of prepayment of the District provided in Article VI, be due in installments in the amounts and on the dates described in Exhibit B attached hereto.

Each Installment Payment shall be payable to the Lender in accordance with the terms hereof and at the times required by this Section 3.01 in lawful money of the United States of America. In the event the District fails to make any of the payments required to be made by it under this Section 3.01, such payment shall continue as an obligation of the District until such amount shall have been fully paid and the District agrees to pay the same with the stated interest thereon at the rate set forth in the preceding paragraph.

The obligation of the District to make the Installment Payments is absolute and unconditional, and until such time as all Installment Payments shall have been fully paid (or provision for the payment

thereof shall have been made pursuant to Article VI hereof), the District will not, under any circumstances, discontinue, abate or suspend any Installment Payments required to be made by it under this Section 3.01 when due, whether or not the Enterprise or any part thereof is operating or operable or has been completed, or whether or not the Enterprise is condemned, damaged, destroyed or seized 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 reduction whether by offset, counterclaim, defense, recoupment, abatement, suspension, deferment or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement or covenant contained herein for any cause whatsoever.

Section 3.02 Interest Component of the Installment Payments.

The Installment Payments shall bear interest from the Closing Date until the payment of the principal thereof and the prepayment premiums, if any, thereon, shall have been made or provided for in accordance with the provisions of Article VI hereof, whether at maturity, upon prepayment or otherwise. Interest accrued on the Installment Payments from the Closing Date and from each Installment Payment Date to, but not including, the next succeeding Installment Payment Date shall be paid on each such succeeding Installment Payment Date and shall be computed on the basis of a year of 360 days and twelve 30-day months. In the event of an Event of Default hereunder, the interest component of the portion of the Installment Payment shall be calculated based on the Default Rate. In the event of a Determination of Taxability, the rate of interest on the Installment Payments shall be the Taxable Rate.

Section 3.03 Establishment of Accounts.

The funds and accounts and flow of funds set forth in this Article III are hereby established and shall control to the extent inconsistent with any other terms of this Installment Purchase Contract.

Section 3.04 Pledges of Net Revenues and Other Funds; Debt Service Fund.

The District hereby irrevocably pledges all of the Net Revenues to the punctual payment of the Installment Payments and any Parity Obligations, and such Net Revenues, except as otherwise permitted herein, shall not be used for any other purposes while any of the Installment Payments are due hereunder. The pledge of Net Revenues to secure the Installment Payments and any Parity Obligations shall constitute a first lien on the Net Revenues, for the payment of such Installment Payments and such Parity Obligations in accordance with the terms hereof and thereof.

Pursuant to Section 5451 of the Government Code of the State of California, the pledge of the Net Revenues by the District for the repayment of the principal of, premium, if any, and interest components of the Installment Payments constitutes a first lien and security interest which immediately attaches to such Net Revenues, and is effective and binding against the District, the Authority, their successors, creditors and all others asserting rights therein irrespective of whether those parties have notice of the pledge, irrespective of whether such amounts are or may be deemed to be a fixture and without the need for physical delivery, recordation, filing or further act.

There is hereby established with the District a fund known as the "Debt Service Fund," which the District shall maintain and hold in trust separate and apart from other funds held by it. Within the Debt Service Fund, the District shall establish a Debt Service Account and a Redemption Account. Installment Payments made by the District shall be deposited in the Debt Service Account. Such payments shall be net of amounts already on deposit therein that are in excess of the amount required

to accumulate therein pursuant to Section 3.01 above. The District shall transfer the money contained in the Debt Service Account and the Redemption Account at the following respective times in the following respective accounts in the following order of priority in the manner hereinafter provided, each of which accounts the District hereby agrees to establish and maintain so long as any Installment Payments are due hereunder, and the money in each of such accounts shall be disbursed only for the purposes and uses hereinafter authorized:

- (i) Debt Service Account. All moneys in the Debt Service Account shall be used and withdrawn by the District solely for the purpose of paying Installment Payments and principal of and interest on any Parity Obligations on each Installment Payment Date. The District shall be entitled to receive as a credit against Installment Payments an amount equal to the amount of any balance contained in the Debt Service Account prior to the Due Date for such Installment Payments (excluding money designated or necessary for the payment of Parity Obligations).
- (ii) Redemption Account. The District, on any optional prepayment date, shall deposit in the Redemption Account moneys to accomplish any such optional prepayment. All money in the Redemption Account shall be used and withdrawn by the District solely for the purpose of paying the Installment Payment to be optionally prepaid on their respective prepayment dates.

Section 3.05 Receipt and Deposit of Revenues; Establishment and Maintenance of Accounts for Revenues; Use and Withdrawal of Revenues.

The District covenants and agrees that all Revenues, when and as received, will be received and held by the District in trust hereunder for the benefit of the Lender, as assignee of the Authority under the Assignment Agreement, and for the benefit of the holders of any Parity Obligations. All Revenues will be deposited by the District in the Revenue Fund (which the District hereby covenants and agrees to maintain so long as any Installment Payments are due hereunder) and will be accounted for through and held in trust in the Revenue Fund; provided, that the District may withdraw such amounts in the Revenue Fund as may be necessary to make refunds for amounts paid in advance for services provided by the Enterprise, which such service was not thereafter made available or provided. All Revenues held by the District shall be disbursed, allocated and applied solely to the uses and purposes hereinafter in this Article III set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

All Revenues in the Revenue Fund shall be set aside by the District or deposited by the District as follows and in the following order of priority:

- (a) Maintenance and Operation Costs of the Enterprise. In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants to pay all Maintenance and Operation Costs of the Enterprise (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs of the Enterprise, the payment of which is not then immediately required) from the moneys in the Revenue Fund as they become due and payable.
- (b) Debt Service Funds. Installment Payments payable pursuant to Section 3.01 above, and all other payments relating to principal and interest on or with respect to Parity Obligations, shall be paid in accordance with the terms hereof and of such Parity Obligations, without preference or

priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference.

(c) General Expenditures. All Revenues not required to be withdrawn pursuant to the provisions of (a) and (b) above shall be used for expenditure for any lawful purpose of the District, including payment of any rebate requirement or of any obligation subordinate to the payment of all amounts due hereunder or under Parity Obligations. The District may maintain and hold a separate fund to be known as the "Rate Stabilization Fund." From time to time the District may deposit in the Rate Stabilization Fund, from remaining Net Revenues described in this Section 3.05(c) or other available funds of the District, such amounts as the District shall determine. The District may withdraw amounts from the Rate Stabilization Fund (i) for transfer to the Revenue Fund for inclusion in Revenues for any Fiscal Year, or (ii) for any other lawful use of the District. Amounts so transferred from the Rate Stabilization Fund to the Revenue Fund in any Fiscal Year constitutes Revenues for that Fiscal Year and will be applied for the purposes of the Revenue Fund. All interest or other earnings upon deposit in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Revenues. Amounts on deposit in the Rate Stabilization Fund are not pledged to and do not secure the Installment Payments or any Parity Obligations.

Section 3.06 Investment of Funds.

Amounts on deposit in any fund or account created pursuant to this Installment Purchase Contract shall be invested in Permitted Investments which will, as nearly as practicable, mature on or before the dates when such money is anticipated to be needed for disbursement hereunder. Interest or profit received on such investments shall be deposited to the Debt Service Fund in which such investments are then held. In computing the amount in any fund or account, Permitted Investments shall be valued at market value, exclusive of accrued interest.

If at any time after investment therein a Permitted Investment ceases to meet the criteria set forth in the definition of Permitted Investments and such obligation, aggregated with other non-conforming investments, exceeds five percent (5%) of invested funds, such Permitted Investment shall be sold or liquidated.

**ARTICLE IV.
PARITY OBLIGATIONS**

Section 4.01 Parity Obligations.

(a) So long as any Installment Payments are due hereunder, the District shall not issue or incur any obligations payable from Revenues or Net Revenues senior or superior to the payment of the Installment Payments due hereunder. The District may at any time issue Parity Obligations payable from Net Revenues on a parity with the Installment Payments due hereunder to provide financing or refinancing for the Enterprise in such principal amount as shall be determined by the District. The District may issue or incur any such Parity Obligations subject to the following specific conditions, which are hereby made conditions precedent to the issuance and delivery of such Parity Obligations:

- (i) No Event of Default shall have occurred and be continuing;

(ii) The Net Revenues (calculated without taking into account any amounts transferred into the Revenue Fund from the Rate Stabilization Fund pursuant to Section 3.05(c) hereof), calculated in accordance with Generally Accepted Accounting Principles, either (i) as shown by the books of the District for the latest Fiscal Year, as verified by a certificate of an Authorized Officer of the District, or (ii) as shown by the books of the District for any more recent twelve (12) month period selected by the District, as verified by a certificate or opinion of an Independent Certified Public Accountant employed by the District, plus in either case (at the option of the District) the Additional Revenues, shall be at least equal to one hundred twenty-five percent (125%) of the amount of Maximum Annual Debt Service on all outstanding Parity Obligations and the Parity Obligations to be issued; and

(iii) Except with respect to this Installment Purchase Contract, and at the District's sole discretion, there shall be established from the proceeds of such Parity Obligations a reserve fund for the security of such Parity Obligations, in an amount equal to the lesser of (i) the maximum amount of debt service required to be paid by the District with respect to such Parity Obligations during any Fiscal Year and (ii) the maximum amount then permitted under the Tax Code, in either event as certified in writing by the District.

(b) The provisions of subsection (ii) of this Section shall not apply to any Parity Obligations if, and to the extent that (1) all of the proceeds of such Parity Obligations (other than proceeds applied to pay costs of issuing such Parity Obligations and to make the reserve fund deposit required pursuant to subsection (iii) of this Section) shall be deposited in an irrevocable escrow held in cash or invested in Federal Securities for the purpose of paying the principal of and interest and premium (if any) on such outstanding Parity Obligations, and (2) at the time of the incurring of such Parity Obligations, the District certifies in writing that maximum annual debt service on such Parity Obligations will not exceed Maximum Annual Debt Service on the outstanding Parity Obligations being refunded, and (3) the final maturity of such Parity Obligations is not later than the final maturity of the Parity Obligations being refunded.

(c) In order to maintain the parity relationship of debt service payments on all Parity Obligations permitted hereunder, the District covenants that all payments in the nature of principal and interest or reserve account replenishment with respect to any Parity Obligations, will be structured to occur semi-annually on the Installment Payment Dates and in each year as such payments are due with respect to the debt service payments on the Loan, and reserve account replenishment with respect to any Parity Obligations will be structured to occur monthly, and to otherwise structure the terms of such Parity Obligations to ensure that they are in all respects payable on a parity with the debt service payments on Parity Obligations and not prior thereto.

(d) The District may at any time execute contracts or issue bonds or other indebtedness payable from Net Revenues or the Revenue Fund payable on a subordinated basis to the payment of the Debt Service payments on Parity Obligations.

ARTICLE V.
REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 5.01 Compliance with Installment Purchase Contract.

The District shall not suffer or permit any material default by it to occur under this Installment Purchase Contract, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms hereof required to be complied with, kept, observed and performed by it.

Section 5.02 Observance of Laws and Regulations.

The District shall faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by it, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Section 5.03 Prosecution and Defense of Suits.

The District shall promptly, upon request of the Authority or the Lender, take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Project or any part thereof, whether now existing or hereafter developing, will prosecute all actions, suits or other proceedings as may be appropriate for such purpose and will indemnify and save the Authority and the Lender harmless from all cost, damage, expense or loss, including reasonable attorneys' fees, which they or any of them may incur by reason of any such cloud, defect, action, suit or other proceeding.

Section 5.04 Accounting Records and Statements.

The District shall keep proper accounting records in which complete and correct entries shall be made of all transactions made by the District relating to the receipt, deposit and disbursement of the Revenues, Net Revenues and Installment Payments, and such accounting records shall be available for inspection by the Lender or its agent duly authorized in writing on any Business Day upon reasonable notice at reasonable hours and under reasonable conditions prescribed by the District.

Section 5.05 Further Assurances.

Whenever and so often as requested to do so by the Lender, the District shall 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 Lender all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by this Installment Purchase Contract.

Section 5.06 Against Encumbrances.

The District hereby represents that there is no pledge of or lien on Net Revenues senior to the pledge and lien securing the Installment Payments. The District shall not make any pledge of or place any lien on the Net Revenues, provided that the District may at any time, or from time to time, pledge or encumber the Net Revenues in connection with the issuance or execution of Parity Obligations in accordance with Section 4.01 or other obligations permitted hereby, or subordinate to the pledge of Net Revenues herein.

Section 5.07 Against Sale or Other Disposition of Property.

The District shall not sell, lease, encumber or otherwise dispose of the Enterprise or any part thereof in excess of one-half of one percent of the book value of the Enterprise in any Fiscal Year, unless a Finance Officer certifies that such sale, lease, encumbrance or disposition will not materially adversely affect the operation of the Enterprise or the Net Revenues; provided however, any real or personal property which has become non-operative or which is not needed for the efficient and proper operation of the Enterprise, or any material or equipment which has become worn out, may be sold or exchanged at not less than the fair market value thereof and the proceeds (if any) of such sale or exchange shall be deposited in the Revenue Fund.

The District shall not enter into any agreement or lease which would impair the ability of the District to meet the covenant set forth in Section 5.16 hereof or which would otherwise impair the rights of the Lender or the operation of the Enterprise.

Section 5.08 Against Competitive Facilities.

To the extent permitted by law, the District covenants that it will not acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers and excluding any water system existing on the date of execution of this Installment Purchase Contract, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any water system competitive with the Enterprise.

Section 5.09 Reserved.

Section 5.10 Maintenance and Operation of the Enterprise; Budgets.

The District shall maintain and preserve the Enterprise in good repair and working order at all times and will operate the Enterprise in an efficient and economical manner. The District shall pay all Maintenance and Operation Costs of the Enterprise as they become due and payable.

Section 5.11 Payment of Claims.

The District shall pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or any part thereof or on any funds in the control of the District prior or superior to the lien of the Installment Payments or which might impair the security of the Installment Purchase Contract; provided the District shall not be obligated to make such payment so long as the District contests such payment in good faith.

Section 5.12 Compliance with Contracts.

The District shall comply with, keep, observe and perform all agreements, conditions, covenants and terms, expressed or implied, required to be performed by it contained in all contracts for the use of the Enterprise and all other contracts affecting or involving the Enterprise to the extent that the District is a party thereto.

Section 5.13 Insurance.

(a) The District shall procure and maintain insurance on the Enterprise with commercial insurers or through participation in a joint powers insurance authority, in such amounts, with such deductibles and against such risks (including accident to or destruction of the Enterprise) as are usually insurable in accordance with industry standards with respect to similar enterprises and consistent with the District's current coverage.

In the event of any damage to or destruction of the Enterprise caused by the perils covered by such insurance, the proceeds of such insurance shall be applied to the repair, reconstruction or replacement of the damaged or destroyed portion of the Enterprise. The District shall cause such repair, reconstruction or replacement to begin promptly after such damage or destruction shall occur and to continue and to be properly completed as expeditiously as possible, and shall pay out of the proceeds of such insurance all costs and expenses in connection with such repair, reconstruction or replacement so that the same shall be completed and the Enterprise shall be free and clear of all liens and claims, unless the District determines that such reconstruction, repair, or replacement is not necessary to the efficient or proper operation or use of the Enterprise and therefore determines not to reconstruct, repair, or replace such damaged or destroyed portion of the Enterprise. If such Net Proceeds exceed the costs of such reconstruction, repair, or replacement, then the excess Net Proceeds shall be deposited in such funds and accounts of the District as is permitted by law.

The District shall procure and maintain commercial general liability insurance covering claims against the District for bodily injury or death, or damage to property, occasioned by reason of the ownership or operation of the Enterprise, such insurance to afford protection in such amounts and against such risks as are usually covered in connection with similar enterprises.

The District shall procure and maintain workers' compensation insurance against liability for compensation under the Workers' Compensation Insurance and Safety Act of California, or any act hereafter enacted as an amendment or supplement or in lieu thereof, such insurance to cover all persons employed in connection with the Enterprise.

In lieu of obtaining insurance coverage as required by this Section, such coverage may be maintained by the District in the form of self-insurance so long as the District certifies that (i) the District has segregated amounts in a special insurance reserve meeting the requirements of this Section; (ii) an Insurance Consultant certifies annually, on or before December 1 of each year in which self-insurance is maintained, in writing that the District's general insurance reserves are actuarially sound and are adequate to provide the necessary coverage; and (iii) such reserves are held in a separate trust fund by an independent trustee. The District shall pay or cause to be paid when due the premiums for all insurance policies required hereby.

Section 5.14 Books and Accounts; Financial Statements.

The District shall keep proper books of record and accounts of the Enterprise and the Debt Service Fund all separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Enterprise and relating to the funds created by this Installment Purchase Contract. Said books shall, upon prior request, be subject to the inspection by the Lender, or its representatives authorized in writing, upon not less than five (5) Business Days' prior notice to the District.

The District shall cause the books and accounts of the Enterprise, which shall include a statement of revenues and expenditures and changes in fund balances, a balance sheet and a statement of cash flow, to be audited annually by an independent certified public accountant or firm of certified public accountants, not more than two hundred and seventy (270) days after the close of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2022. The District shall send a copy of such report and all related financial statements and notes to the Lender not more than two hundred and seventy (270) days after the close of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2022. No later than thirty (30) days after its adoption, the District shall also send to the Lender a copy of the annual budget of the Enterprise and any amendment or supplement thereto and any other financial information reasonably requested by the Lender.

The District shall further provide the following to the Lender:

- (i) IMMEDIATE NOTICE BY TELEPHONE, PROMPTLY CONFIRMED IN WRITING, OF ANY EVENT, ACTION OR FAILURE TO TAKE ANY ACTION WHICH CONSTITUTES AN EVENT OF DEFAULT OR DEFAULT HEREUNDER.
- (ii) PROMPT WRITTEN NOTICE OF ANY MATERIAL LITIGATION.
- (iii) PROMPT WRITTEN NOTICE OF ANY EVENT WHICH HAS OR IS REASONABLY ANTICIPATED TO HAVE A MATERIAL ADVERSE EFFECT.

Section 5.15 Payment of Taxes and Compliance with Governmental Regulations.

The District shall pay and discharge all taxes, assessments and other governmental charges, if any, which may hereafter be lawfully imposed upon the Enterprise or any part thereof or upon the Revenues when the same shall become due and the District shall duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Enterprise or any part thereof. However, the District shall not be required to make such payments, or to comply with any regulations or requirements, so long as the payment or validity or application thereof shall be contested in good faith.

Section 5.16 Amounts of Rates and Charges.

(a) The District shall, at all times while the Installment Payments due hereunder remains outstanding, fix, prescribe and collect rates, fees and charges in connection with the Enterprise so as to yield Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts in the order set forth below:

- (i) All Maintenance and Operation Costs of the Enterprise;

(ii) The Debt Service payments and all other payments (including payments under reimbursement agreements) with respect to all Parity Obligations as they become due and payable;

(iii) All amounts, if any, required to restore the balance in any reserve accounts established for Parity Obligations in accordance with the terms of such Parity Obligation Documents, without preference or priority; and

(iv) All payments required to meet any other obligations of the District that are charges, liens, encumbrances upon, or which are otherwise payable from the Revenues during such Fiscal Year.

(b) Furthermore, the District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Enterprise during each Fiscal Year which are sufficient to yield estimated Net Revenues which are at least equal to one hundred twenty-five percent (125%) of the aggregate amount of Debt Service on all Parity Obligations payable from Net Revenues coming due and payable during such Fiscal Year. The District may make adjustments, from time to time, in its rates, fees and charges as it deems necessary, but shall not reduce its rates, fees and charges below those in effect unless the Net Revenues resulting from such reduced rates, fees and charges shall at all times be sufficient to meet the requirements set forth in this paragraph.

(c) If the District violates the covenants set forth in subsections (a) or (b) hereof, such violation shall not, in and of itself, be a default under this Installment Purchase Contract and shall not give rise to a declaration of an Event of Default so long as (i) Net Revenues (calculated without taking into account any amounts transferred into the Revenue Fund from the Rate Stabilization Fund pursuant to subsection (d) below), are at least equal to the Maximum Annual Debt Service coming due and payable during such Fiscal Year, and (ii) within 120 days after the date such violation is discovered, the District either (y) transfers enough moneys from the Rate Stabilization Fund sufficient to yield estimated Net Revenues which are at least equal to one hundred twenty-five percent (125%) of the aggregate amount of Debt Service on all Parity Obligations payable from Net Revenues coming due and payable during such Fiscal Year in compliance with subsection (b) hereof, or (z) hires an Independent Financial Consultant to review the revenues and expenses of the Enterprise, and abides by such consultant's recommendations to revise the schedule of rates, fees, expenses and charges, and to revise any Maintenance and Operation Costs insofar as practicable, and to take such other actions as are necessary so as to produce Net Revenues to cure such violation for future compliance; provided, however, that, if the District does not, or cannot, transfer from the Rate Stabilization Fund the amount necessary to comply with subsection (b) hereof, or otherwise cure such violation within twelve (12) months after the date such violation is discovered, an Event of Default shall be deemed to have occurred under Section 7.01(b) hereof.

Section 5.17 Collection of Rates and Charges.

The District shall have in effect at all times rules and regulations requiring all users of the Enterprise to pay the assessments, rates, fees and charges applicable to the Enterprise provided or made available to such users. Such rules and regulations shall also provide for the billing thereof and for a due date and a delinquency date for each bill.

Section 5.18 Eminent Domain Proceeds.

If all or any part of the Enterprise shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If (1) the District certifies (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the Enterprise proposed to be acquired by the District from any Net Proceeds, and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements, and (2) on the basis of such certificate, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive); then the District shall promptly proceed with the acquisition of such additions, betterments, extensions or improvements substantially in accordance with such certification and such Net Proceeds shall be applied for the payment of the costs of such acquisition, and any balance of such Net Proceeds not required by the District for such purpose shall be deposited in such funds and accounts of the District as is permitted by law.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied to prepay the Installment Payments, and any Parity Obligations, on a pro rata basis in the manner provided herein and in the instruments authorizing such Parity Obligations.

Section 5.19 Notification of Material Adverse Effect.

The District shall timely inform the Lender of any Material Adverse Effect upon learning of the existence of such an effect.

Section 5.20 Tax Covenants.

The District shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, the interest with respect to the Installment Payments to become includable in gross income for federal income tax purposes. To that end, the District hereby makes the following specific covenants:

(a) The District hereby covenants that it shall not make or permit any use of the proceeds of this Installment Purchase Contract that may cause the Installment Purchase Contract to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

(b) The District covenants that the proceeds of the Installment Purchase Contract will not be used as to cause the proceeds of the Installment Purchase Contract to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(c) The District covenants not to take any action or permit or suffer any action to be taken if the result of the same would be to cause the Installment Purchase Contract to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

In furtherance of the covenants stated in this Section, the District shall comply with the requirements of the Tax Certificate executed in connection with this Installment Purchase Contract.

Section 5.21 Further Representations, Covenants and Warranties of the District.

The District represents, covenants and warrants to the Lender as follows:

(a) The District is a duly organized and validly existing irrigation district of the State of California.

(b) The Constitution and the laws of the State of California authorize the District to enter into the Installment Purchase Contract and to enter into the transactions contemplated thereby and to carry out its obligations under each of the aforesaid agreements, and the District has duly authorized and executed each of the aforesaid agreements in accordance with the laws of the State of California.

(c) The District has duly authorized and executed this Installment Purchase Contract in accordance with the laws of the State of California.

(d) The District is empowered to set rates and charges for services provided by the Enterprise provided to the users of the Enterprise without review or approval by any state or local governmental agency.

(e) This Installment Purchase Contract and the pledge of Net Revenues is a first lien and pledge on Net Revenues.

(f) Neither the execution and delivery of the Installment Purchase Contract nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the District is now a party or by which the District is bound, or constitutes a default under either of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the District.

(g) No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Installment Payments or the consummation of the other transactions effected or contemplated herein or hereby. The District gives no representation or warranty with regard to compliance with Blue Sky or similar securities requirements.

(h) The District does not enjoy any rights of immunity on the grounds of sovereign immunity in respect of its obligations under the Installment Purchase Contract or otherwise with respect to the Installment Payments. To the extent the District has or hereafter may acquire under any applicable law any rights to immunity from legal proceedings on the grounds of sovereignty, the District hereby waives, to the extent permitted by law, such rights to immunity for itself in respect of its obligations arising under or related to the Installment Purchase Contract or otherwise with respect to the Installment Payments.

(i) The statement of financial position of the Enterprise as of June 30, 2021, and the related statement of activities and statement of cash flows and changes in financial position for the year then ended and the auditors' reports with respect thereto, copies of which have heretofore been furnished to the Lender, are complete and correct and fairly present the financial condition, changes in financial position and results of operations of the Enterprise at such date and for such period, and were prepared in accordance with generally accepted accounting principles. Since the most current date of the information, financial or otherwise, supplied by the District to the Lender:

1. there has been no change in the assets, liabilities, financial position or results of operations of the Enterprise that might reasonably be anticipated to cause a Material Adverse Effect;
2. the Enterprise has not incurred any obligations or liabilities which might reasonably be anticipated to cause a Material Adverse Effect; and
3. the Enterprise has not: (A) incurred any material indebtedness, other than the Installment Payments or as previously disclosed to the Lender, and trade accounts payable arising in the ordinary course of the District's business and not past due; or (B) guaranteed the indebtedness of any other person.

(j) All information, reports and other papers and data furnished by the District to the Lender were, at the time that the same were so furnished, complete and accurate in all material respects and insofar as necessary to give the Lender a true and accurate knowledge of the subject matter and were provided in expectation of the Lender's reliance thereon in entering into the transactions contemplated by this Installment Purchase Contract. No fact is known to the District which has had or, so far as the District can now reasonably foresee, may in the future have a Material Adverse Effect, which has not been set forth in the financial statements previously furnished to the Lender or in other such information, reports, papers and data or otherwise disclosed in writing to the Lender prior to the date hereof. Any financial, budget and other projections furnished to the Lender by the District or its or their agents were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of the conditions existing at the time of delivery of such financial, budget or other projections, and represented, and as of the date of this representation, represent the District's best estimate of the Enterprise's future financial performance. No document furnished nor any representation, warranty or other written statement made to the Lender in connection with the negotiation, preparation or execution of this Installment Purchase Contract contains or will contain any untrue statement of a material fact or omits or will omit to state (as of the date made or furnished) any material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which they were or will be made, not misleading.

(k) The District has structured fees, estimated revenues and/or taken other lawful actions necessary to ensure that the pledge of and lien on Revenues are sufficient to pay all Installment Payments when due and payable, and such moneys have been and will continue to be applied in the funds and accounts as required herein and towards payment of all Installment Payments when due and payable.

(l) The District is not listed on the Specially Designated Nationals and Blocked Person List or other similar lists maintained by the U.S. Department of the Treasury's Office of Foreign Assets Control, and any successor thereto, the Secretary of the Treasury, or included in any Executive Orders, that prohibits or limits the Lender from making any advance or extension of credit to the District or from otherwise conducting business with the District.

(m) The District is in compliance with all applicable laws, except for noncompliance that, singly or in the aggregate, has not caused and could not reasonably be expected to cause a Material Adverse Effect or an adverse effect on the District's ability to perform its obligations hereunder.

(n) The District has reviewed the effect of Applicable Environmental Laws on the business, operations and properties of the District, and has identified and evaluated associated liabilities and costs (including, without limitation, any capital or operating expenditures required for cleanup or closure of properties presently or previously owned or operated, any capital or operating expenditures required to achieve or maintain compliance with environmental protection standards imposed by law or as a condition of any license, permit or contract, and related constraints on operating activities, including any periodic or permanent shutdown of any facility or reduction in the level of or change in the nature of operations conducted there at and any actual or potential liabilities to third parties, including employees, and any related costs and expenses). On the basis of this review, the District has reasonably concluded that it has not failed to comply with any Applicable Environmental Laws in a manner which may reasonably be expected to have a Material Adverse Effect.

(o) To the best of its knowledge, the District has never non-appropriated or defaulted under any of its payment or performance obligations or covenants, either under any financing lease of the same general nature as this Installment Purchase Contract, or under any of its bonds, notes, or other debt obligations. In addition, no Event of Default or default hereunder has occurred and is continuing or exists.

(p) The District does not enjoy any rights of immunity on the grounds of sovereign immunity in respect of its obligations under this Installment Purchase Contract. To the extent that the District has or hereafter may acquire under any applicable law any right to immunity from set-off or legal proceedings on the grounds of sovereignty, the District hereby waives, to the fullest extent permitted by law, such rights to immunity for itself in respect of its obligations arising under or related to this Installment Purchase Contract to which it is a party; provided that the Lender shall comply with the California Tort Claims Act (California Government Code Sections 810-996.6).

(q) Other than the Series 2014 Wastewater Installment Sale Agreement, dated as of April 15, 2014 between the District and Umpqua Bank, there are no other debts of the District that are Parity Obligations.

Section 5.22 Representations, Covenants and Warranties of the Authority.

The Authority represents, covenants and warrants to the District as follows:

(a) The Authority is 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 Installment Purchase Contract and to carry out and consummate all transactions contemplated by this Installment Purchase Contract and by proper action has duly authorized the execution and delivery and due performance of this Installment Purchase Contract.

(b) The execution and delivery of this Installment Purchase Contract and the consummation of the transactions herein contemplated shall 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) Neither the Authority, nor the Lender as assignee of the Authority, shall assign this Installment Purchase Contract or its right to receive Installment Payments from the District, or its duties and obligations under the Installment Purchase Contract to any other person, firm or corporation, except to affiliates of the Authority or affiliates of the Lender or to banks, insurance companies or other financial institutions or their affiliates, including participation arrangements with such entities; provided, (i) no such assignment shall be made that would cause there to be more than 15 such assignees or any interest in the Installment Payments of less than \$100,000 and (ii) such assignee shall deliver a letter of representations to the District in a form addressed to and acceptable to the District and in substantially the same form delivered by the Lender in connection with the execution of this Installment Purchase Contract.

Section 5.23 Representations, Covenants and Warranties of the District and the Authority.

Each of the District and the Authority represent, warrant and covenant that: (i) the transaction contemplated herein and in the Assignment Agreement is an arm's length commercial transaction among the District, the Authority and the Lender and its affiliates, (ii) in connection with such transaction, the Lender and its affiliates are acting solely as a principal and not as an advisor including, without limitation, a "Municipal Advisor" as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules"), an agent or a fiduciary of the District or the Authority, (iii) the Lender and its affiliates are relying on the Bank exemption in the Municipal Advisor Rules, (iv) the Lender and its affiliates have not provided any advice or assumed any advisory or fiduciary responsibility in favor of the District or the Authority with respect to the transaction contemplated hereby or by the Assignment Agreement and the discussions, undertakings and procedures leading thereto (whether or not the Lender, or any affiliate of the Lender, has provided other services or advised, or is currently providing other services or advising the District on other matters), (v) the Lender and its affiliates have financial and other interests that differ from those of the District or the Authority, and (vi) each of the District and the Authority has consulted with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent it deemed appropriate.

**ARTICLE VI.
PREPAYMENT OF INSTALLMENT PAYMENTS**

Section 6.01 Prepayment.

(a) The District may prepay the unpaid principal balance of the Installment Payments in whole or in part, on any Installment Payment Date described below, by paying a prepayment price equal to the principal amount of the Installment Payments to be prepaid, plus accrued interest to the date of prepayment, with the repayment premium, if any as follows:

<u>Prepayment Date</u>	<u>Prepayment Premium</u>
Any Installment Payment Date from September 1, 2022 to September 1, 2024	3%
Any Installment Payment Date from March 1, 2025 to September 1, 2026	2%
Any Installment Payment Date from March 1, 2027 to September 1, 2028	1%
Any Installment Payment Date from March 1, 2029 and thereafter	0%

(b) The District may or shall, as the case may be, prepay on any date from the Net Proceeds of insurance or condemnation awards, as provided herein, all or any part, in integral multiples of \$5,000, of the principal amount of the unpaid Installment Payments, pro-rata among the remaining Installments Payments, at a prepayment price equal to the sum of the principal amount prepaid plus accrued and unpaid interest thereon to the date of prepayment, without premium.

In the event that a portion of the Installment Payments shall have been prepaid by the District pursuant to subsection (b) above, the total amount of all future payments set forth in the schedules attached hereto as Exhibit B shall be reduced by the aggregate amount of Installment Payments so prepaid, as the case may be, as agreed to in writing by the Lender. The Lender shall provide the District a revised schedule of Installment Payments.

Notwithstanding any such prepayment, the District shall not be relieved of its obligations hereunder, including its obligations under Article III hereof, until the entire principal amount of the unpaid Installment Payments together with the interest accrued thereon, if any, and together with the ordinary and extraordinary fees, costs and expenses of the Lender, shall have been fully paid and the Installment Payments are no longer due hereunder (or provision for payment thereof shall have been made pursuant to Section 6.03 hereof).

Section 6.02 Method of Prepayment.

Before making any prepayment pursuant to Section 6.01(b), the District shall, give written notice to the Lender specifying the date on which the prepayment shall be made, which date shall be not less than thirty (30) days from the date such notice is given.

Section 6.03 Security Deposit.

Notwithstanding any other provision of this Installment Purchase Contract, the District may secure the payment of (i) all or a portion of the Installment Payments by a deposit with the Lender or,

at the Lender's sole option, a bank or trust company acceptable to the Lender, as escrow holder under an escrow deposit and trust agreement, of either (i) cash in an amount which is sufficient to pay such unpaid Installment Payments, including the principal and interest components thereof, in accordance with the Installment Payment schedule set forth in Exhibit B attached hereto, or (ii) non-callable Federal Securities or pre-refunded non-callable municipal obligations rated "AA" and "Aa" by S&P and Moody's, respectively, together with cash if required, in such amount as shall, without re-investment, in the opinion of an independent certified public accountant (which opinion shall be addressed to the Lender), together with interest to accrue thereon, be fully sufficient to pay such unpaid Installment Payments on their payment dates so that such Installment Payments shall be defeased; provided, that prior to any such deposit or defeasance, the District must provide an opinion of nationally recognized bond counsel addressed to the Lender to the effect that such deposit and defeasance shall not cause the interest component of the Installment Payments to be included in gross income for federal income tax purposes. In the event of any shortfall, the District shall deposit from legally available funds such amounts as is necessary to make up such shortfall. In all cases, deposits of cash or Federal Securities made to secure the Installment Payments pursuant to this paragraph shall be kept in segregated escrow accounts or escrow subaccounts and such deposits shall not be commingled for any reason.

In the event of deposits pursuant to this Section 6.03 sufficient to fully defease all of the Installment Payments, and provided that all other amounts payable by the District hereunder have been paid in full, all obligations of the District under this Installment Purchase Contract shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all Installment Payments from the deposits made by District pursuant to this Section 6.03 and the obligation to pay amounts due the Lender, as assignee of the Authority. Said deposits shall be deemed to be and each of the deposits shall constitute a separate special fund that may be used solely for the payment of the Installment Payments in accordance with the provisions of this Installment Purchase Contract, and pending such application shall be held in trust and pledged to and for the sole benefit of the Lender and any assignee or transferee of the Lender. The District hereby grants to the Lender, as assignee of the Authority, a first priority security interest in any amounts so deposited.

ARTICLE VII. EVENTS OF DEFAULT AND REMEDIES

Section 7.01 Events of Default and Events of Mandatory Acceleration; Acceleration of Maturities.

If one or more of the following Events of Default shall happen:

- (a) default shall be made in the due and punctual payment by the District of any Installment Payment when and as the same shall become due and payable;
- (b) default shall be made by the District in the performance of any of the representations, agreements or covenants contained herein required to be performed by it, and such default shall have continued for a period of thirty (30) days after the District shall have been given notice in writing of such default by the Lender;
- (c) any financial statement or certificate furnished to the Authority or the Lender in connection with the execution of this Installment Purchase Contract, or any representation or warranty

made by the District shall prove to be incorrect, false or misleading in any material respect when furnished or made;

(d) the District shall file a petition seeking arrangement or reorganization under 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 the consent of the District 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 District or of the whole or any substantial part of its property; or

(e) an event of default shall have occurred with respect to any Parity Obligations;

then and in each and every such case during the continuance of such Event of Default the Authority or the Lender as its assignee may, by notice in writing to the District declare all of the principal amount of the unpaid Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding.

This provision, however, is subject to the condition that, except with respect to an Event of Default under subsection (d) above, if at any time after such principal amount of the unpaid Installment Payments and the accrued interest thereon shall have been so declared immediately due and payable and before the acceleration date or the date of any judgment or decree for the payment of the money due shall have been obtained or entered:

(1) the District shall deposit with the Lender a sum sufficient to pay (x) all delinquent Installment Payments then-due and owing and causing an Event of Default under subsection (a) above and the accrued interest thereon, with any interest due on such overdue installments, and (y) the reasonable expenses of the Lender incurred as the result of such Event of Default, and

(2) any and all other defaults known to the Lender (other than in the payment of such overdue principal amount of the unpaid Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Lender or provision deemed by the Lender to be adequate shall have been made therefor, then and in every such case the Lender, by written notice to the District, may rescind and annul such declaration of immediate payment of all of the principal amount of the unpaid Installment Payments and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 7.02 Application of Funds Upon Default.

All moneys and investments in the funds and accounts held hereunder (other than the Rebate Fund, if any) upon the date of the declaration of an Event of Default as provided in Section 7.01, shall be applied to the payment of Installment Payments in accordance with Sections 3.04, 3.05 and 5.20 hereof and all Revenues thereafter received shall be applied as follows:

(a) Unless the principal of all Installment Payments shall have become or shall have been declared due and payable:

First: To the payment to the persons entitled thereto of the interest portion of all Installments Payments, with interest on overdue installments, if lawful, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably according to the amounts due on such installment, to the persons entitled thereto without any discrimination or privilege; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any of the Installment Payments which shall have become due, with interest at their rate from the respective dates upon which they became due, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Installment Payments due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, to the persons entitled thereto without any discrimination or privilege.

(b) If all of the Installment Payments shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the Installment Payments, with interest on overdue interest and principal, as aforesaid, without preference or priority over interest or of interest over principal or of any installment of interest over any other installment of interest, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

Section 7.03 Other Remedies of the Authority.

The Authority or the Lender, as assignee thereof, as applicable, may--

(a) by mandamus or other action or proceeding or suit at law or in equity enforce its rights against the District, or any board member, officer or employee thereof, and compel the District or any such board member, officer or employee to perform and carry out its or his duties under applicable law and the agreements and covenants contained herein required to be performed by it or him;

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

(c) by suit in equity upon the happening of an Event of Default require the District and its board members, officers and employees to account as the trustee of an express trust; or

(d) by suit in equity, to seek the appointment of a receiver or other third party to operate the Enterprise and collect the Revenues.

Section 7.04 Non-Waiver.

Nothing in this Article VII or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Installment Payments to the Lender at the respective due dates or upon prepayment from the Revenues, or, except as expressly provided herein, shall affect or impair the right of the Authority or the Lender, as assignee 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 Lender 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 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 Lender by applicable law or by this Article VII may be enforced and exercised from time to time and as often as shall be deemed expedient.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely, the parties 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 Remedies Not Exclusive.

No remedy herein conferred upon or reserved 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 any other law.

Section 7.06 Lender Exercise of Remedies.

The rights and remedies provided to the Authority under this Article VII have been assigned by the Authority to the Lender pursuant to the Assignment Agreement and shall be exercised by solely by the Lender in its discretion.

**ARTICLE VIII.
MISCELLANEOUS**

Section 8.01 Liability of District Limited.

Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the Installment Payments or for the performance of any agreements or covenants contained herein required to be performed by it. The District may, however, but shall not be required to, 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 District for such purpose.

The obligation of the District to make the Installment Payments and the other amounts due hereunder is a special obligation of the District payable solely the Net Revenues and does not constitute a debt or pledge of the faith and credit of the District or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Section 8.02 Benefits of Installment Purchase Contract Limited to Parties.

Except as provided in Section 8.03, nothing contained herein, express or implied, is intended to give to any person other than the District or the Lender 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 District or the Lender shall be for the sole and exclusive benefit of the other party.

Section 8.03 Successor Is Deemed Included In All References to Predecessor.

Whenever the District or the Authority is named or referred to herein, such reference shall be deemed to include the successor and assigns to the powers, duties and functions that are presently vested in the District or the Lender, and all agreements and covenants required hereby to be performed by or on behalf of the District or the Authority shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 8.04 Waiver of Personal Liability.

No board member, officer or employee of the District or the Authority shall be individually or personally liable for the payment of the Installment Payments, but nothing contained herein shall relieve any board member, officer or employee of the District or the Authority from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 8.05 Article and Section Headings, Gender and References.

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

Section 8.06 Partial Invalidity.

If any one or more of the agreements or covenants or portions thereof contained herein required to be performed by or on the part of the District or the Authority shall be contrary to the 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 District and the Authority hereby declare that they would have executed this Installment Purchase 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 8.07 Assignment.

(a) The District hereby consents to the Authority's assignment of this Installment Purchase Contract to the Lender pursuant to the Assignment Agreement.

(b) The Lender has the right at any time to assign, transfer, or convey this Installment Purchase Contract or any interest therein or portion thereof, but no such assignment, transfer or conveyance shall be effective as against the District unless and until the Lender has delivered to the District written notice thereof that discloses the name and address of the assignee or

the Loan Servicer (as hereafter provided and defined) and such assignment, transfer or conveyance shall be made only to (i) an affiliate of the Lender or (ii) banks, insurance companies or other financial institutions or their affiliates. Nothing herein limits the right of the Lender or its assignees to sell or assign participation interests in this Installment Purchase Contract to one or more entities listed in (i) or (ii), provided that any participation, custodial or similar agreement under which multiple ownership interests in this Installment Purchase Contract are created shall provide the method by which the owners of such interests shall establish the rights and duties of a single entity, owner, servicer or other fiduciary or agent acting on behalf of all of the assignees (herein referred to as the "Loan Servicer") to act on their behalf with respect to the rights and interests of the Lender under this Installment Purchase Contract, including with respect to the exercise of rights and remedies of the Lender on behalf of such owners upon the occurrence of an event of default under this Installment Purchase Contract.

Section 8.08 California Law.

This Installment Purchase Contract shall be construed and governed in accordance with the laws of the State of California.

Section 8.09 Notices.

All written notices to be given hereunder shall be given by certified 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 District: Calaveras County Water District
120 Toma Court (overnight delivery)
P.O. Box 846 (postal delivery)
San Andreas, California 95249
Attention: Director of Administrative Services

If to the Authority: CCWD Public Financing Authority
120 Toma Court (overnight delivery)
P.O. Box 846 (postal delivery)
San Andreas, California 95249
Attention: Executive Director

If to the Lender: First Foundation Public Finance
2233 Douglas Blvd., Suite 300
Roseville, California 95661
Attention: Trevor Mael

The parties hereto may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Unless otherwise requested by the parties, any notice required to be given hereunder in writing may be given by any form of Electronic Notice capable of making a written record.

Section 8.10 Effective Date.

This Installment Purchase Contract shall become effective upon its execution and delivery and shall terminate when all Installment Payments shall have been fully paid (or provision for the payment thereof shall have been made to the written satisfaction of the Lender pursuant to Article VI hereof).

Section 8.11 Execution in Counterparts.

This Installment Purchase 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.

Section 8.12 Amendments.

This Installment Purchase Contract may be amended in writing as may be mutually agreed by the District and the Lender in a signed writing. Any amendment made in violation of this Section 8.12 shall be a nullity and void.

Section 8.13 Third-Party Beneficiary.

The Lender shall be a third-party beneficiary of this Installment Purchase Contract.

Section 8.14 Expenses.

The fees and disbursements of Bond Counsel, the fees and disbursements of the financial advisor to the District, the cost of preparing the documents, fees of the counsel to the Lender and other miscellaneous expenses of the District incurred in connection with the execution and delivery of the Installment Purchase Contract, including CDIAC fees, shall all be the obligation of the District. The Lender shall have no responsibility for any expenses associated with the issuance of the Installment Purchase Contract, including, but not limited to, the expenses identified above as the obligation of the District.

Section 8.15 Restrictions on Agreement.

The District and the Lender understand that this Installment Purchase Contract shall not be, and the District and the Lender shall not cause this Installment Purchase Contract to be, (a) assigned a rating by any credit rating agency, (b) registered with The Depository Trust Company or any other securities depository, (c) offered pursuant to any type of offering document or official statement, (d) assigned a DTC-registered CUSIP number by Standard & Poor's CUSIP Service or (e) listed on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website.

Section 8.16 Website Disclosure.

If the District elects or is required to post this Installment Purchase Contract and related documentation on a national public market repository, the District may do so with certain information redacted pursuant to this Section. With respect to any such posting, the District shall provide such documentation to the Lender for review with reasonable advance notice prior to any posting deadline imposed by applicable law and shall consider in good faith reasonable redaction requests of the Lender Sensitive Data (defined below) that are provided within a reasonable period prior to such posting deadline. The District shall redact such "Bank Sensitive Data" as directed by the Lender. For the

purpose of this Section, “Bank Sensitive Data” means signatures/names, account numbers, wire transfer and payment instructions and any other data that could be reasonably construed as sensitive information.

Section 8.17 Judicial Reference.

TO THE EXTENT PERMITTED BY LAW, THE AUTHORITY, THE DISTRICT AND THE LENDER HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INSTALLMENT PURCHASE CONTRACT, THE ASSIGNMENT AGREEMENT OR ANY OF THE RELATED DOCUMENTS OR THE TRANSACTION CONTEMPLATED HEREBY OR THEREBY. IF AND TO THE EXTENT THAT THE FOREGOING WAIVER OF THE RIGHT TO A JURY TRIAL IS UNENFORCEABLE FOR ANY REASON IN SUCH FORUM, THE AUTHORITY, THE DISTRICT AND THE LENDER HEREBY CONSENT TO THE ADJUDICATION OF ANY AND ALL CLAIMS PURSUANT TO JUDICIAL REFERENCE AS PROVIDED IN CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638, AND THE JUDICIAL REFEREE SHALL BE EMPOWERED TO HEAR AND DETERMINE ANY AND ALL ISSUES IN SUCH REFERENCE WHETHER FACT OR LAW. THE AUTHORITY, THE DISTRICT AND THE LENDER REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND CONSENT AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS AND CONSENTS TO JUDICIAL REFERENCE FOLLOWING THE OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL OF ITS CHOICE ON SUCH MATTERS. IN THE EVENT OF LITIGATION, A COPY OF THIS INSTALLMENT PURCHASE CONTRACT MAY BE FILED AS A WRITTEN CONSENT TO JUDICIAL REFERENCE UNDER CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638 AS PROVIDED HEREIN.

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

CALAVERAS COUNTY WATER DISTRICT

By: _____
General Manager

CCWD PUBLIC FINANCING AUTHORITY

By: _____
Executive Director

EXHIBIT A

DESCRIPTION OF THE PROJECT

General Description of the Arnold Secondary Clarifier & WWTP Improvements Project (CIP #15095)

The “Arnold Secondary Clarifier & WWTP Improvements Project” is located at the Calaveras County Water District’s Arnold Wastewater Treatment Plant located in the community of Arnold, California. The Arnold Secondary Clarifier & WWTP Improvements Project consists of the following work:

1. Demolition and abandonment of facilities to be replaced;
2. New secondary clarifier (to supplement existing clarifier);
3. New yard piping;
4. New Return Activated Sludge and Waste Activated Sludge (RAS/WAS) pump station;
5. New aerobic digestors;
6. New electrical, utility power supply, instrumentation, and PLC/SCADA controls;
7. New generators;
8. General site improvements; and
9. Other related improvements to provide a fully functional system.

General Description of the Copper Cove Lift Stations Project (CIP #15076 & #15080)

The “Copper Cove Lift Stations Project” is located at the Calaveras County Water District’s Copper Cove sewer collection and conveyance system located in the communities of the Copper Cove subdivision and the Lake Tullock Shores subdivision in Copperopolis, California. The forcemain will be located on O’Byrnes Ferry Road and Connors Estates Drive. The Copper Cove Lift Stations Project consists of the following work:

1. Demolition and replacement of Lift Stations 6, 8, 15 & 18;
2. Lift Stations 12 & 13 force main bypass consisting of approximately 5,000 linear feet of 6-in PVC forcemain and 900 linear feet of 4-in PVC forcemain;
3. New pumps, valves, meter and bypass connection vaults, wet well, flow meters, pressure transmitters, site piping, site work, slabs, hatches, ladders, paving, site restoration and all appurtenant work;
4. New pump controls, electrical, and instrumentation upgrades;
5. New PG&E electrical service upgrades;
6. New generators;
7. General site improvements; and
8. Other related improvements to provide a fully functional system.

EXHIBIT B

INSTALLMENT PAYMENT SCHEDULE

1. The principal amount of Installment Payments to be made by the District hereunder is \$[_____].

2. The Installment Payments of principal and interest are payable in the amounts and on the Installment Payment Dates as follows:

<i>Installment Payment Date</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest*</i>	<i>Total</i>
<i>Third Business Day Prior To:</i>			\$

TOTAL	\$	\$	\$
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* Assuming No Event of Default or Event of Taxability.

Agenda Item

DATE: May 25, 2022
TO: Public Finance Authority Board of Directors
FROM: Michael Minkler, General Manager
SUBJECT: Discussion/Action regarding Authorizing the Execution and Delivery of Installment Purchase Contracts and Assignment Agreements Related the Issuance of Tax-Exempt Bonds to Finance Various Water and Sewer Capital Improvements

RECOMMENDED ACTION

Motion _____ / _____ adopting Resolution No. 2022 - ____ A Resolution of the Calaveras County Water Public Financing Authority Authorizing the Execution and Delivery of Installment Purchase Contracts and Assignment Agreements and Approving the Execution and Delivery of Certain Documents in Connections therewith and Certain Other Matters.

SUMMARY

On April 13, 2022, staff presented to the Board of Directors of the Calaveras County Water District (“District”) the results of the bid solicitation associated with the bond financing of a certain water and sewer capital projects. The District’s Board provided the General Manager approval to execute two, 20-year private placement loans:

- **Water Fund - Webster Bank:** The 20-year loan @ 2.94% is expected to generate approximately \$17,832,000 in loan proceeds, with \$1.2 million annual debt service requirement.
- **Sewer Fund - First Foundation Bank:** The 20-year loan @ 3.20% is expected to generate \$11,155,000 in bond proceeds, with an annual debt service of approximately \$772,000.

On April 13, 2022 the District’s Board also approved a Reimbursement Resolution to finance capital improvements completed with the proceeds of the tax-exempt loans. As a result, the District will be able to reimburse itself for project-related expenditures made within 60 days (February 13) of April 13, 2022.

Since the District previously formed a Joint Powers Financing Authority, the CCWD Public Financing Authority, to facilitate the sale a prior bond issue, the District will not be required to utilize the CSDA Financing Corporation and thus save approximately in \$7,500 in issuance costs.

CONCLUSION

It is requested that the Board of the Public Finance Authority (“PFA”) to authorizing the execution and delivery of installment purchase contracts and assignment agreements and approve the execution and delivery of certain documents in connections with the two private placement loan transactions: a 20-year loan with Webster Bank at 2.94% to finance \$17.8 million in Water Capital Improvements, backed by a pledge of Water Fund Net Revenues; and a 20-year loan with First Foundation Bank to finance \$11.1 million in Sewer Capital Improvements, backed by a pledge of Wastewater Fund Net Revenues.

FINANCIAL CONSIDERATIONS

The cost of issuance associated with this refinancing will be paid from the proceeds of the private placement loans. The cost of issuance for each transaction is approximately \$100,000.

Attachment: Resolution 2022- ____ Approving the Execution and Delivery of Installment Purchase Contracts and Assignment Agreements and Approving the Execution and Delivery of Certain Documents in Connections therewith and Certain Other Matters.

RESOLUTION NO. 2022-PFA-01

RESOLUTION OF THE BOARD OF DIRECTORS OF THE CCWD PUBLIC FINANCING AUTHORITY

AUTHORIZING THE EXECUTION AND DELIVERY OF INSTALLMENT PURCHASE CONTRACTS AND ASSIGNMENT AGREEMENTS AND APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH AND CERTAIN OTHER MATTERS

WHEREAS, the CCWD Public Financing Authority is a joint exercise of power authority duly organized and existing under the laws of the State of California (the “Authority”) and the Authority is authorized to assist the Calaveras County Water District (the “District”) in the financing of the construction, acquisition, and improvement of the District’s water and wastewater facilities and property; and

WHEREAS, the District proposes financing certain improvements to the District’s water system as generally described in Exhibit A-1 (the “Water Project”) and proposes financing certain improvements to the District’s wastewater system, primarily consisting of the “Arnold Secondary Clarifier & WWTP Improvements Project” and the “Copper Cove Lift Stations Project” as generally described in Exhibit A-2 (the “Wastewater Project” and together with the Water Project, respectively the “2022 Project”) both on a private placement basis; and

WHEREAS, the District desires to obtain funds to finance the 2022 Project; and

WHEREAS, to provide funds necessary to finance the Water Project, the District desires that the Authority purchase the Water Project from the District which the District will then repurchase from the Authority for certain installment payments to be made by the District pursuant to such Installment Purchase Contract, by and between the District and the Authority (such Installment Purchase Contract, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to respectively herein as the “Water Installment Purchase Contract”); and

WHEREAS, to provide funds necessary to finance the Wastewater Project, the District desires that the Authority purchase the Wastewater Project from the District which the District will then repurchase from the Authority for certain installment payments to be made by the District pursuant to such Installment Purchase Contract, by and between the District and the Authority (such Installment Purchase Contract, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution, being referred to respectively herein as the “Wastewater Installment Purchase Contract” and together with the Water Installment Purchase Contract, respectively, the “Installment Purchase Contracts”); and

WHEREAS, the Authority intends to assign without recourse certain of its rights under and pursuant to the Water Installment Purchase Contract relative to the Water Project to Webster Bank, National Association (“Webster”), pursuant to an Assignment Agreement, between Webster and the Authority (the “Water Assignment Agreement”); and

WHEREAS, the Authority intends to assign without recourse certain of its rights under and pursuant to the Wastewater Installment Purchase Contract relative to the Wastewater

Project to First Foundation Public Finance, a Delaware statutory trust and a wholly-owned subsidiary of First Foundation Bank (the “First Foundation”), pursuant to an Assignment Agreement, between the First Foundation and the Authority (the “Wastewater Assignment Agreement” and together with the Water Assignment Agreement, respectively, the “Assignment Agreements”); and

WHEREAS, there are on file with the Secretary of the Board of Directors of the Authority (the “Board”):

- (a) A form of Water Installment Purchase Contract;
- (b) A form of Water Assignment Agreement;
- (c) A form of Wastewater Installment Purchase Contract; and
- (d) A form of Wastewater Assignment Agreement;

WHEREAS, the Authority has determined that it is necessary and desirable to enter into the respective Installment Purchase Contracts and the respective Assignment Agreements; and

NOW THEREFORE, the Board of Directors of the Authority hereby finds, determines, declares and resolves as follows:

SECTION 1. All of the recitals herein contained are true and correct and the board so finds.

SECTION 2. The respective Installment Purchase Contracts are hereby approved, substantially in the forms presented to this Board and on file with the Secretary, with such revisions, amendments and completions as shall be approved by the Chair, Vice Chair, Executive Director and Secretary of the Authority, or the Chairs’ designee (each a “Responsible Officer”), such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 3. The respective Assignment Agreements are hereby approved, substantially in the forms presented to this Board and on file with the Secretary, with such revisions, amendments and completions as shall be approved by a Responsible Officer, such approval to be conclusively evidenced by the execution and delivery thereof.

SECTION 4. The Responsible Officers, and each of them acting singly, and any other officer of the Authority, are each hereby authorized and directed to execute and deliver any and all documents, certificates and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the respective Installment Purchase Contracts and the respective Assignment Agreements.

SECTION 5. All actions heretofore taken by the officers and employees of the Authority with respect to or related to any of the agreements or documents referenced in this resolution, are hereby approved, confirmed and ratified.

SECTION 6. This Resolution shall take effect immediately.

ADOPTED, SIGNED AND APPROVED this 25th day of May 2022, by the following vote:

**AYES:
NOES:
ABSTAIN:
ABSENT:**

**CCWD PUBLIC FINANCING
AUTHORITY**

By: _____
Cindy Secada, Chair

ATTEST:

By: _____
Kate Jesus, Secretary

[Signature Page to Resolution of the Board of Directors of the CCWD Public Financing Authority]

EXHIBIT A-1

General Description of the Water Project

The Water Project generally consists of the following work:

1. Copper Cove Tank B & Clearwell (CIP #11083C)
2. Copper Cove Tank B Pump Station Renovation (CIP #11111)
3. Jenny Lind A-B Transmission Pipeline (CIP #11088)
4. Lake Tulloch Water Line Crossing (CIP #11104)
5. Copper Cove Zone B-C Transmission Pipeline and Pump Station (CIP #11122)

EXHIBIT A-2

General Description of the Copper Cove Lift Stations Project (CIP #15076 & #15080)

The “Copper Cove Lift Stations Project” is located at the Calaveras County Water District’s Copper Cove sewer collection and conveyance system located in the communities of the Copper Cove subdivision and the Lake Tullock Shores subdivision in Copperopolis, California. The forcemain will be located on O’Byrnes Ferry Road and Conners Estates Drive. The Copper Cove Lift Stations Project consists of the following work:

1. Demolition and replacement of Lift Stations 6, 8, 15 & 18;
2. Lift Stations 12 & 13 force main bypass consisting of approximately 5,000 linear feet of 6-in PVC forcemain and 900 linear feet of 4-in PVC forcemain;
3. New pumps, valves, meter and bypass connection vaults, wet well, flow meters, pressure transmitters, site piping, site work, slabs, hatches, ladders, paving, site restoration and all appurtenant work;
4. New pump controls, electrical, and instrumentation upgrades;
5. New PG&E electrical service upgrades;
6. New generators;
7. General site improvements; and
8. Other related improvements to provide a fully functional system.

General Description of the Arnold Secondary Clarifier & WWTP Improvements Project (CIP #15095)

The “Arnold Secondary Clarifier & WWTP Improvements Project” is located at the Calaveras County Water District’s Arnold Wastewater Treatment Plant located in the community of Arnold, California. The Arnold Secondary Clarifier & WWTP Improvements Project consists of the following work:

1. Demolition and abandonment of facilities to be replaced;
2. New secondary clarifier (to supplement existing clarifier);
3. New yard piping;
4. New Return Activated Sludge and Waste Activated Sludge (RAS/WAS) pump station;
5. New aerobic digestors;
6. New electrical, utility power supply, instrumentation, and PLC/SCADA controls;
7. New generators;
8. General site improvements; and
9. Other related improvements to provide a fully functional system.

INSTALLMENT PURCHASE CONTRACT

between the

CALAVERAS COUNTY WATER DISTRICT

and

CCWD PUBLIC FINANCING AUTHORITY

Dated as of June 1, 2022

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EXHIBIT A – DESCRIPTION OF PROJECT
EXHIBIT B – INSTALLMENT PAYMENT SCHEDULE

INSTALLMENT PURCHASE CONTRACT

This INSTALLMENT PURCHASE CONTRACT, dated as of June 1, 2022 (the “Installment Purchase Contract”), between the CALAVERAS COUNTY WATER DISTRICT, a county water district duly organized and validly existing under the laws of the State of California (the “District”), and CCWD Public Financing Authority, a joint exercise of powers authority duly organized and validly existing under and by virtue of the laws of the State of California (the “Authority”);

WITNESSETH:

WHEREAS, the District is authorized by the laws of the State of California to acquire certain property for its water system and to finance and refinance the acquisition and construction of such facilities through the execution of installment purchase contracts; and

WHEREAS, the District proposes to finance the acquisition of certain real property of benefit to the District’s water system as generally described in Exhibit A attached hereto and incorporated herein (the “Project”); and

WHEREAS, the Authority has been formed for the purpose of, among other things, assisting the District in financing facilities and property useful to them and the Authority is authorized to assist the District in the financing, construction, acquisition, and improvement of the District’s facilities and property; and

WHEREAS, the Authority has agreed to assist the District in financing the Project; and

WHEREAS, the District and the Authority have duly authorized the execution of this Installment Purchase Contract; 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 entering into of this Installment Purchase 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 this Installment Purchase Contract;

NOW, THEREFORE, IN CONSIDERATION OF THE PROMISES 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 1.01 shall for all purposes hereof, and of any amendment hereof, and of any opinion or report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein.

“Acquisition,” “Acquire” or “Acquired” means, with respect to the Project, the acquisition or perfection of an ownership or capacity interest in the Project, or the construction, refinancing or ownership of the Project.

“Acquisition Costs” with respect to the Project means the contract price paid or to be paid for the Acquisition of the Project.

“Acquisition Fund” means the fund established and held by the District pursuant to Section 2.05 hereof.

“Act” means the County Water District Law of the State of California, being Sections 30000 et seq. of the Water Code of the State of California, and all laws amendatory thereof or supplemental thereto.

“Additional Revenues” means, with respect to the issuance of any Parity Obligations, an allowance for Net Revenues (i) arising from any increase in the charges made for service from the Enterprise, adopted prior to the incurring of such Parity Obligations and effective within eighteen (18) months following the date of incurring such Parity Obligations, in an amount equal to the total amount by which the Net Revenues of the Enterprise would have been increased if such increase in charges had been in effect during the whole of the most recent completed Fiscal Year or during any more recent twelve (12) month period selected by the District, and (ii) arising from any increase in service connections to the Enterprise, prior to the incurring of such Parity Obligations, in an amount equal to the total amount by which the Net Revenues for the Enterprise would have been increased if such connections had been in existence during the whole of the most recent complete Fiscal Year or during any more recent twelve (12) month period selected by the District, all as shown by the certificate or opinion of an Independent Financial Consultant.

“Alternate Project” means an alternate project designated by the District pursuant to Section 2.01.

“Assignment Agreement” means the Assignment Agreement, dated as of June 1, 2022, between the Authority and the Lender relating to this Installment Purchase Contract.

“Authority” means CCWD Public Financing Authority a joint exercise of powers authority duly organized and existing under the laws of the State of California, and any successor thereto.

“Authorized Officer” means the District’s President, Vice-President, General Manager, Finance Director, Director of Administrative Services, Clerk to the Board of Directors, or any other person designated as an Authorized Officer of the District by a Certificate of the District signed by its President, Vice-President, General Manager, Finance Director or Director of Administrative Services and filed with the District.

“Bond Counsel” means Kutak Rock LLP or another firm of nationally recognized attorneys experienced in the issuance of obligations the interest on which is excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended.

“Business Day” means any day other than a Saturday, Sunday or legal holiday or a day on which banks are authorized to be closed for business in California and New York.

“Closing Date” means June 1, 2022.

“Debt Service” means, for any Fiscal Year, the sum of (1) the Installment Payments (except to the extent that interest has been fully capitalized and is invested in Federal Securities which mature at times and in such amounts as are necessary to pay the interest to which such amounts are pledged) required to be paid hereunder during such Fiscal Year, (2) the interest falling due during such Fiscal Year on all Parity Obligations (which are outstanding under the documents or agreements pursuant to which they were issued), assuming that all outstanding serial Parity Obligations are retired as scheduled and that all outstanding term Parity Obligations are redeemed from sinking fund payments as scheduled (except to the extent that such interest has been fully capitalized and is invested in Federal Securities which mature at times and in such amounts as are necessary to pay the interest to which such amounts are pledged), (3) the principal amount of all serial Parity Obligations (which are outstanding under the documents or agreements pursuant to which they were issued) falling due by their terms during such Fiscal Year, and (4) the minimum amount of term Parity Obligations (which are outstanding under the documents or agreements pursuant to which they were issued) required to be paid or called and redeemed during such Fiscal Year, together with the redemption premiums, if any, thereon; provided that, whenever interest as described herein accrues at other than a fixed rate, such interest shall be assumed to be a rate equal to the greater of (i) the actual rate on the date of calculation, or if the Parity Obligations are not yet outstanding, the initial rate (if established and binding), (ii) if the Parity Obligations have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (x) if interest on the Parity Obligations is excludable from gross income under the applicable provisions of the Tax Code, the most recently published The Bond Buyer Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (y) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities, plus fifty (50) basis points.

“Debt Service Fund” means the fund established in Section 3.04 hereof.

“Debt Service Payments” means the payments of Debt Service.

“Default Rate” means the then applicable interest rate on the principal amount of the Installment Payments plus 3.00% per annum.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the District, the Authority or the Lender relating to the financing of the Project, including but not limited to filing costs, fees of the California Debt and Investment Advisory Commission, settlement costs, initial fees and charges of the Authority and its counsel, financing discounts, outside legal fees and charges, financial and other professional consultant fees, and charges and fees in connection with the foregoing.

“Determination of Taxability” means (a) the occurrence of any action that, in the judgment of the District, in reliance on the advice of Bond Counsel, will adversely affect the tax-exempt status of the Installment Payments, (b) the failure to take any action that, in the judgment of the District, in reliance on the advice of Bond Counsel, is necessary to preserve the exemption from income taxation of interest on the Installment Payments, (c) a final judgment or order of a court of competent jurisdiction, or a final ruling or decision of the Internal Revenue Service, in any such case to the effect that the interest on the Installment Payments is includable for Federal income tax purposes in the gross incomes of the recipients thereof, or (d) the enactment of Federal legislation that would cause the interest on the Installment Payments to be includable for Federal income tax purposes in the gross incomes of the recipients thereof. A judgment or order of a court of competent jurisdiction or a ruling or decision of the Internal Revenue Service shall be considered final only if no appeal or action for

judicial review has been filed (and is pending) and the time for filing such right of appeal or action has expired.

“District” means the Calaveras County Water District, a county water district duly organized and existing under the Constitution and laws of the State of California, and its successors and assigns.

“Due Date” means the date three (3) Business Days prior to an Installment Payment Date.

“Electronic Notice” means notice given through means of telecopy, facsimile transmission, e-mail or other similar electronic means of communication confirmed by writing or written transmission.

“Enterprise” means, collectively, the entire water collection, storage, treatment, transmission and distribution system now owned or operated by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be a part of the Enterprise, including, but not limited to, any and all properties and assets, real and personal, tangible and intangible, of the District, now or hereafter existing, used or pertaining to the collection, storage, treatment, transmission and distribution system, including all contractual rights to water supply and transmission, as well as all pipes, valves, machinery and all other appurtenances necessary, useful or convenient for the collection, storage, treatment, transmission and distribution of water, and any necessary lands, rights of way and other real or personal property useful in connection therewith, and all additions, extensions, expansions, improvements and betterments thereto and equipments thereof.

“Event of Default” means an event of default described in Section 7.01.

“Federal Securities” means direct obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States), or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America.

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

“Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures prescribed by the California State Controller or his successor for water districts in the State of California, or failing the prescription of such procedures means Generally Accepted Accounting Principles as presented and recommended by the American Institute of Certified Public Accountants or its successor, or by the National Council on Governmental Accounting or its successor, or by any other generally accepted authority on such principles.

“General Manager” means the General Manager of the District, or any other person designated by the General Manager to act on behalf of the General Manager.

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

“Independent Certified Public Accountant” means any certified public accountant or firm of certified public accountants duly licensed and entitled to practice, and practicing as such appointed and paid by the District, and each of whom--

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

“Independent Financial Consultant” means a financial consultant qualified in the field of municipal finance, appointed and paid by the District, and who:

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

“Installment Payments” means the Installment Payments scheduled to be paid by the District under and pursuant to this Installment Purchase Contract for the purposes and as described in Section 3.01 hereof in the amounts on the dates designated in Exhibit B to this Installment Purchase Contract.

“Installment Payment Date” means each March 1 and September 1, commencing September 1, 2022.

“Lender” means initially Webster Bank, National Association, and thereafter any successor or assign.

“Maintenance and Operation Costs” means the reasonable and necessary costs and expenses paid or incurred by the District for maintaining and operating the Enterprise, determined in accordance with Generally Accepted Accounting Principles, including but not limited to (a) costs of acquisition of water, including all associated treatment and delivery costs, to be used by the Enterprise, (b) costs of electricity and other forms of energy supplied to the Enterprise, (c) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Enterprise in good repair and working order, (d) the reasonable administrative costs of the District attributable to the operation and maintenance of the Enterprise, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and (e) all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the issuance of any Parity Obligations or of such Parity Obligations, such as compensation, reimbursement and indemnification of the trustee for any such Parity Obligations and fees and expenses of Independent Certified Public Accountants and independent engineers, but in all cases excluding (i) debt service payable on obligations incurred by the District with respect to the Enterprise,

(ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

“Material Adverse Effect” means an event or occurrence which adversely affects in a material manner (a) the assets, liabilities, condition (financial or otherwise), business, facilities or operations of the District, (b) the ability of the District to carry out its business in the manner conducted as of the date of this Installment Purchase Contract or to meet or perform its obligations under this Installment Purchase Contract on a timely basis, (c) the validity or enforceability of the Installment Purchase Contract, or (d) the exclusion of the interest component of the Installment Payments from gross income for federal income tax purposes or the exemption of such interest for state income tax purposes.

“Maximum Annual Debt Service” means the largest annual sum of (i) Debt Service Payments during the period from the date of such determination through the later of (a) the final Installment Payment Date hereunder or (b) the maturity date of Parity Obligations reflected by such Debt Service Payments.

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

“Net Revenues” means, for any period, all of the Revenues during such period less all of the Maintenance and Operation Costs during such period.

“Outstanding” (i) when used as of any particular time with reference to this Installment Purchase Contract, means all Installment Payments except Installment Payments paid or deemed to have been paid within the meaning of Article VI, and (ii) when used as of any particular time with reference to any Parity Obligation, means all debt service payments due and owing on such Parity Obligation except debt service payments paid or deemed to have been paid pursuant to the terms of such Parity Obligation.

“Parity Obligations” means all bonds, notes, loan agreements, installment sale agreements, leases or other obligations of the District payable from and secured by a pledge of and lien upon any of the Net Revenues incurred on a parity with the payment of the Installment Payments pursuant to Section 4.01 hereof.

“Parity Project” means any additions, betterments, extensions or improvements to the District’s Enterprise designated by the Board of Directors of the District as a Parity Project, the acquisition and construction of which is to be paid for with the proceeds of any Parity Obligations.

“Permitted Investments” means any investment that is a legal investment under the laws of the State for the moneys proposed to be invested therein or authorized by the District’s investment policy in effect at the time of investment.

“Project” means the additions, betterments, extensions and improvements to the District’s Enterprise as described in Exhibit A hereto, including any Alternate Project.

“Rate Stabilization Fund” means any fund established and held by the District as a fund for the stabilization of rates and charges imposed by the District with respect to the Revenue Fund, which fund is established, held and maintained in accordance with Section 3.05(c).

“Revenue Fund” means the fund maintained by the District into which it deposits Revenues.

“Revenues” means all gross income and revenue received or receivable by the District from the ownership and operation of the Enterprise, calculated in accordance with Generally Accepted Accounting Principles, including all rates, fees, charges (including connection fees), insurance proceeds and condemnation awards received by the District and all other income and revenue howsoever derived by the District from the Enterprise, including, without limitation, property taxes, interest income, and all other operating and non-operating revenue; provided, however, that (i) any specific charges levied for the express purpose of reimbursing others for all or a portion of the cost of the acquisition or construction of specific water facilities, (ii) grants that are designated by the grantor for a specific water purpose and are therefore not available for other purposes, or (iii) customers’ water related deposits or any other water related deposits subject to refund until such deposits have become the property of the District, are not Revenues and are not subject to the lien hereof. Notwithstanding the foregoing, there shall be deducted from Revenues any amounts (of Revenues) transferred into the Rate Stabilization Fund as contemplated by Section 3.05(c) hereof, and there shall be added to Revenues any amounts transferred out of the Rate Stabilization Fund and into the Revenue Fund, as contemplated by Section 3.05(c) hereof.

“State” means the State of California.

“Taxable Rate” means an interest rate sufficient such that the total interest to be paid to the Lender on any Payment Date would, after such interest was reduced by the amount of any U.S. federal, state and local income tax (including any interest or penalties) actually imposed thereon, equal the amount of interest due on the then unpaid principal amount of the Installment Payments; provided, however, that in no event shall the Taxable Rate exceed 12% per annum.

“Tax Code” means the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Tax Code shall be deemed to be a reference to any successor to any such section.

ARTICLE II. SALE AND PURCHASE OF THE PROJECT

Section 2.01 Sale and Purchase of the Project.

The Authority hereby agrees to cause the Project, and any additions or modifications thereto to be constructed, acquired or installed, as applicable, by the District as its agent, and the District shall enter into contracts and provide for, as agent of the Authority, the complete acquisition and construction of the Project. The District hereby agrees that it will cause the construction, acquisition and installation of the Project to be diligently performed upon satisfactory completion of design work and compliance with the California Environmental Quality Act and approval by the Board of Directors of the District, unforeseeable delays beyond the reasonable control of the District only excepted. It is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any cost of the Project and that all such costs and expenses shall be paid by the District, regardless of whether the funds deposited in the Acquisition Fund are sufficient to cover all such costs and expenses.

In consideration for the Authority's assistance in acquiring the Project, the District agrees to sell, and hereby sells, to the Authority, and the Authority agrees to purchase, and hereby purchases, from the District, the Project in the manner and in accordance with the provisions of this Installment Purchase Contract. In consideration for the Installment Payments as set forth in Section 3.01, the Authority agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Authority, the Project at the purchase price specified below and otherwise in the manner and in accordance with the provisions of this Installment Purchase Contract. All right, title and interest in the Project shall vest in the District immediately upon execution and delivery of this Installment Purchase Contract.

The District hereby covenants to use the proceeds received from the Authority for the costs and expenses of the Acquisition of the Project. The District may change the specifications of the Project, so long as such change does not substantially alter the nature of the Project; provided, however, that the District and the Lender, as assignee of the Authority under the Assignment Agreement, in their sole discretion, may jointly designate an Alternate Project. In the event an Alternate Project is designated, the District shall certify in writing to the Lender that Acquisition Costs shall not materially increase as a result from such change. In the event Acquisition Costs shall materially increase as a result of the designation of an Alternate Project, prior to designating such Alternate Project the District shall either deposit in the Acquisition Fund an amount sufficient to pay such increase, or shall certify in writing to the Lender that funds sufficient to pay such increase in Acquisition Costs are otherwise available to the District.

The Authority, upon the effective date hereof, agrees to cause to be deposited in the Acquisition Fund the aggregate amount of \$[_____], respecting its purchase of the Project hereunder. In the event the money so deposited as first above provided is insufficient to pay all the costs of the Acquisition of the Project, the Authority shall have no obligation whatsoever to use or provide any additional funds for the purposes described in this Article II.

All right, title and interest in each component of the Project shall vest in the District immediately upon execution and delivery of this Installment Purchase Contract. Such vesting shall occur without further action by the Authority or District and the Authority shall, if requested by the District, if necessary, to assure such automatic vesting, deliver any and all documents required to assure such vesting.

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 District may institute such action or proceeding against the Authority as the District may deem necessary to compel the observance or performance of such agreement, condition, covenant or term, or to recover damages for the nonobservance or nonperformance thereof; provided, however, that the District shall have no right to terminate this Installment Purchase Contract as a remedy to such failures. The District 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 District deems reasonably necessary in order to protect or secure its rights hereunder, and in such event the Authority agrees to cooperate fully with the District and to take all action necessary to effect the substitution of the District for the Authority in any action or proceeding if the District shall so request.

Section 2.02 Indemnification and Expenses of the Authority and the Lender.

(a) The District hereby agrees to indemnify and hold harmless the Authority and its directors, officers and employees 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 the Assignment Agreement; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder or under the Assignment Agreement by the Authority.

(b) The District shall, to the extent permitted by law, indemnify and save the Lender, and its respective officers, agents, directors and employees, harmless from and against all claims, losses, liabilities, costs, expenses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management or operation of, or from any work or thing done on, the Project or the Enterprise by the District, including injury or damages to any persons or property arising therefrom, (b) any breach or default on the part of the District in the performance of any of its obligations under this Installment Purchase Contract, or (c) any act of negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Project or the Enterprise. No indemnification is made under this Section for willful misconduct or negligence by the Lender or its officers, agents, directors or employees. The provisions of this Section shall continue in full force and effect, notwithstanding the termination of the term of the Installment Purchase Contract for any reason.

Section 2.03 Authority not Liable.

The Authority and its directors, officers and employees shall not be liable to the District or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on, or about or relating to the Project, and in no event shall the Authority be liable for any incidental, indirect, special or consequential damage in connection herewith or arising hereunder.

Section 2.04 Disclaimer of the Authority.

The District acknowledges and agrees that the Authority makes no representation or warranty, express or implied, as to the Enterprise or the Project, except as expressly set forth in this Installment Purchase Contract. The District acknowledges that all risks relating to the Enterprise or the Project or the transactions contemplated hereby, are to be borne by the District, and the benefits of any and all implied warranties and representations of the Authority are hereby waived by the District.

Section 2.05 Acquisition Fund.

There is hereby established by the District a fund known as the "Acquisition Fund," which the District shall maintain and hold. On the Closing Date, \$[_____] shall be deposited into the Acquisition Fund. The moneys in the Acquisition Fund shall be applied to the payment of the costs of Acquisition of the Project or to reimburse the District for previous costs expended in the acquisition or construction of the Project, and of expenses incidental thereto. A portion of the amount paid by the Lender under the Assignment Agreement shall applied by the Lender to pay Delivery Costs in the amount of \$[_____] on the Closing Date.

ARTICLE III.
INSTALLMENT PAYMENTS, REVENUES AND ACCOUNTS

Section 3.01 Payment of the Installment Payments.

The total principal amount of the Installment Payments owed and to be paid by the District to the Lender, as assignee of the Authority under the Assignment Agreement, for the Project is \$[____], plus interest thereon, calculated at the rate of 2.94% per annum. The Installment Payments shall, subject to any rights of prepayment of the District provided in Article VI, be due in installments in the amounts and on the dates described in Exhibit B attached hereto.

Each Installment Payment shall be payable to the Lender in accordance with the terms hereof and at the times required by this Section 3.01 in lawful money of the United States of America. In the event the District fails to make any of the payments required to be made by it under this Section 3.01, such payment shall continue as an obligation of the District until such amount shall have been fully paid and the District agrees to pay the same with the stated interest thereon at the rate set forth in the preceding paragraph.

So long as this Installment Purchase Contract is held by the Lender, all Installment Payments paid hereunder shall be made by wire transfer using the wire instructions provided in writing by the Lender to the District. If no wire instructions are so provided, Installment Payments shall be mailed to the notice address for the Lender set forth in Section 8.09.

The obligation of the District to make the Installment Payments is absolute and unconditional, and until such time as all Installment Payments shall have been fully paid (or provision for the payment thereof shall have been made pursuant to Article VI hereof), the District will not, under any circumstances, discontinue, abate or suspend any Installment Payments required to be made by it under this Section 3.01 when due, whether or not the Enterprise or any part thereof is operating or operable or has been completed, or whether or not the Enterprise is condemned, damaged, destroyed or seized 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 reduction whether by offset, counterclaim, defense, recoupment, abatement, suspension, deferment or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement or covenant contained herein for any cause whatsoever.

Section 3.02 Interest Component of the Installment Payments.

The Installment Payments shall bear interest from the Closing Date until the payment of the principal thereof and the prepayment premiums, if any, thereon, shall have been made or provided for in accordance with the provisions of Article VI hereof, whether at maturity, upon prepayment or otherwise. Interest accrued on the Installment Payments from the Closing Date and from each Installment Payment Date to, but not including, the next succeeding Installment Payment Date shall be paid on each such succeeding Installment Payment Date and shall be computed on the basis of a year of 360 days and twelve 30-day months. In the event of an Event of Default hereunder, the interest component of the portion of the Installment Payment shall be calculated based on the Default Rate. In the event of a Determination of Taxability, the rate of interest on the Installment Payments shall be the Taxable Rate.

Section 3.03 Establishment of Accounts.

The funds and accounts and flow of funds set forth in this Article III are hereby established and shall control to the extent inconsistent with any other terms of this Installment Purchase Contract.

Section 3.04 Pledges of Net Revenues and Other Funds; Debt Service Fund.

The District hereby irrevocably pledges all of the Net Revenues to the punctual payment of the Installment Payments and any Parity Obligations, and such Net Revenues, except as otherwise permitted herein, shall not be used for any other purposes while any of the Installment Payments are due hereunder. The pledge of Net Revenues to secure the Installment Payments and any Parity Obligations shall constitute a first lien on the Net Revenues, for the payment of such Installment Payments and such Parity Obligations in accordance with the terms hereof and thereof.

Pursuant to Section 5451 of the Government Code of the State of California, the pledge of the Net Revenues by the District for the repayment of the principal of, premium, if any, and interest components of the Installment Payments constitutes a first lien and security interest which immediately attaches to such Net Revenues, and is effective and binding against the District, the Authority, their successors, creditors and all others asserting rights therein irrespective of whether those parties have notice of the pledge, irrespective of whether such amounts are or may be deemed to be a fixture and without the need for physical delivery, recordation, filing or further act.

There is hereby established with the District a fund known as the "Debt Service Fund," which the District shall maintain and hold in trust separate and apart from other funds held by it. Within the Debt Service Fund, the District shall establish a Debt Service Account and a Redemption Account. Installment Payments made by the District shall be deposited in the Debt Service Account. Such payments shall be net of amounts already on deposit therein that are in excess of the amount required to accumulate therein pursuant to Section 3.01 above. The District shall transfer the money contained in the Debt Service Account and the Redemption Account at the following respective times in the following respective accounts in the following order of priority in the manner hereinafter provided, each of which accounts the District hereby agrees to establish and maintain so long as any Installment Payments are due hereunder, and the money in each of such accounts shall be disbursed only for the purposes and uses hereinafter authorized:

(i) Debt Service Account. All moneys in the Debt Service Account shall be used and withdrawn by the District solely for the purpose of paying Installment Payments and principal of and interest on any Parity Obligations on each Installment Payment Date. The District shall be entitled to receive as a credit against Installment Payments an amount equal to the amount of any balance contained in the Debt Service Account prior to the Due Date for such Installment Payments (excluding money designated or necessary for the payment of Parity Obligations).

(ii) Redemption Account. The District, on any optional prepayment date, shall deposit in the Redemption Account moneys to accomplish any such optional prepayment. All money in the Redemption Account shall be used and withdrawn by the District solely for the purpose of paying the Installment Payment to be optionally prepaid on their respective prepayment dates.

Section 3.05 Receipt and Deposit of Revenues; Establishment and Maintenance of Accounts for Revenues; Use and Withdrawal of Revenues.

The District covenants and agrees that all Revenues, when and as received, will be received and held by the District in trust hereunder for the benefit of the Lender, as assignee of the Authority under the Assignment Agreement, and for the benefit of the holders of any Parity Obligations. All Revenues will be deposited by the District in the Revenue Fund (which the District hereby covenants and agrees to maintain so long as any Installment Payments are due hereunder) and will be accounted for through and held in trust in the Revenue Fund; provided, that the District may withdraw such amounts in the Revenue Fund as may be necessary to make refunds for amounts paid in advance for services provided by the Enterprise, which such service was not thereafter made available or provided. All Revenues held by the District shall be disbursed, allocated and applied solely to the uses and purposes hereinafter in this Article III set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

All Revenues in the Revenue Fund shall be set aside by the District or deposited by the District as follows and in the following order of priority:

(a) Maintenance and Operation Costs of the Enterprise. In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants to pay all Maintenance and Operation Costs of the Enterprise (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs of the Enterprise, the payment of which is not then immediately required) from the moneys in the Revenue Fund as they become due and payable.

(b) Debt Service Funds. Installment Payments payable pursuant to Section 3.01 above, and all other payments relating to principal and interest on or with respect to Parity Obligations, shall be paid in accordance with the terms hereof and of such Parity Obligations, without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference.

(c) General Expenditures. All Revenues not required to be withdrawn pursuant to the provisions of (a) and (b) above shall be used for expenditure for any lawful purpose of the District, including payment of any rebate requirement or of any obligation subordinate to the payment of all amounts due hereunder or under Parity Obligations. The District may maintain and hold a separate fund to be known as the "Rate Stabilization Fund." From time to time the District may deposit in the Rate Stabilization Fund, from remaining Net Revenues described in this Section 3.05(c) or other available funds of the District, such amounts as the District shall determine. The District may withdraw amounts from the Rate Stabilization Fund (i) for transfer to the Revenue Fund for inclusion in Revenues for any Fiscal Year, or (ii) for any other lawful use of the District. Amounts so transferred from the Rate Stabilization Fund to the Revenue Fund in any Fiscal Year constitutes Revenues for that Fiscal Year and will be applied for the purposes of the Revenue Fund. All interest or other earnings upon deposit in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Revenues. Amounts on deposit in the Rate Stabilization Fund are not pledged to and do not secure the Installment Payments or any Parity Obligations.

Section 3.06 Investment of Funds.

Amounts on deposit in any fund or account created pursuant to this Installment Purchase Contract shall be invested in Permitted Investments which will, as nearly as practicable, mature on or before the dates when such money is anticipated to be needed for disbursement hereunder. Interest or profit received on such investments shall be deposited to the Debt Service Fund in which such investments are then held. In computing the amount in any fund or account, Permitted Investments shall be valued at market value, exclusive of accrued interest.

If at any time after investment therein a Permitted Investment ceases to meet the criteria set forth in the definition of Permitted Investments and such obligation, aggregated with other non-conforming investments, exceeds five percent (5%) of invested funds, such Permitted Investment shall be sold or liquidated.

**ARTICLE IV.
PARITY OBLIGATIONS**

Section 4.01 Parity Obligations.

(a) So long as any Installment Payments are due hereunder, the District shall not issue or incur any obligations payable from Revenues or Net Revenues senior or superior to the payment of the Installment Payments due hereunder. The District may at any time issue Parity Obligations payable from Net Revenues on a parity with the Installment Payments due hereunder to provide financing or refinancing for the Enterprise in such principal amount as shall be determined by the District. The District may issue or incur any such Parity Obligations subject to the following specific conditions, which are hereby made conditions precedent to the issuance and delivery of such Parity Obligations:

(i) No Event of Default shall have occurred and be continuing;

(ii) The Net Revenues (calculated without taking into account any amounts transferred into the Revenue Fund from the Rate Stabilization Fund pursuant to Section 3.05(c) hereof), calculated in accordance with Generally Accepted Accounting Principles, either (i) as shown by the books of the District for the latest Fiscal Year, as verified by a certificate of an Authorized Officer of the District, or (ii) as shown by the books of the District for any more recent twelve (12) month period selected by the District, as verified by a certificate or opinion of an Independent Certified Public Accountant employed by the District, plus in either case (at the option of the District) the Additional Revenues, shall be at least equal to one hundred twenty-five percent (125%) of the amount of Maximum Annual Debt Service on all outstanding Parity Obligations and the Parity Obligations to be issued; and

(iii) Except with respect to this Installment Purchase Contract, and at the District's sole discretion, there shall be established from the proceeds of such Parity Obligations a reserve fund for the security of such Parity Obligations, in an amount equal to the lesser of (i) the maximum amount of debt service required to be paid by the District with respect to such Parity Obligations during any Fiscal Year and (ii) the maximum amount then permitted under the Tax Code, in either event as certified in writing by the District.

(b) The provisions of subsection (ii) of this Section shall not apply to any Parity Obligations if, and to the extent that (1) all of the proceeds of such Parity Obligations (other than proceeds applied to pay costs of issuing such Parity Obligations and to make the reserve fund deposit required pursuant to subsection (iii) of this Section) shall be deposited in an irrevocable escrow held in cash or invested in Federal Securities for the purpose of paying the principal of and interest and premium (if any) on such outstanding Parity Obligations, and (2) at the time of the incurring of such Parity Obligations, the District certifies in writing that maximum annual debt service on such Parity Obligations will not exceed Maximum Annual Debt Service on the outstanding Parity Obligations being refunded, and (3) the final maturity of such Parity Obligations is not later than the final maturity of the Parity Obligations being refunded.

(c) In order to maintain the parity relationship of debt service payments on all Parity Obligations permitted hereunder, the District covenants that all payments in the nature of principal and interest or reserve account replenishment with respect to any Parity Obligations, will be structured to occur semi-annually on the Installment Payment Dates and in each year as such payments are due with respect to the debt service payments on the Loan, and reserve account replenishment with respect to any Parity Obligations will be structured to occur monthly, and to otherwise structure the terms of such Parity Obligations to ensure that they are in all respects payable on a parity with the debt service payments on Parity Obligations and not prior thereto.

(d) The District may at any time execute contracts or issue bonds or other indebtedness payable from Net Revenues or the Revenue Fund payable on a subordinated basis to the payment of the Debt Service payments on Parity Obligations.

ARTICLE V. REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 5.01 Compliance with Installment Purchase Contract.

The District will not suffer or permit any material default by it to occur under this Installment Purchase Contract, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms hereof required to be complied with, kept, observed and performed by it.

Section 5.02 Observance of Laws and Regulations.

The District will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by it, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Section 5.03 Prosecution and Defense of Suits.

The District will promptly, upon request of the Authority or the Lender, take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to

the Project or any part thereof, whether now existing or hereafter developing, will prosecute all actions, suits or other proceedings as may be appropriate for such purpose and will indemnify and save the Authority and the Lender harmless from all cost, damage, expense or loss, including reasonable attorneys' fees, which they or any of them may incur by reason of any such cloud, defect, action, suit or other proceeding.

Section 5.04 Accounting Records and Statements.

The District will keep proper accounting records in which complete and correct entries shall be made of all transactions made by the District relating to the receipt, deposit and disbursement of the Revenues, Net Revenues and Installment Payments, and such accounting records shall be available for inspection by the Lender or its agent duly authorized in writing on any Business Day upon reasonable notice at reasonable hours and under reasonable conditions prescribed by the District.

Section 5.05 Further Assurances.

Whenever and so often as requested to do so by the Lender, the District 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 Lender all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by this Installment Purchase Contract.

Section 5.06 Against Encumbrances.

The District hereby represents that there is no pledge of or lien on Net Revenues senior to the pledge and lien securing the Installment Payments. The District will not make any pledge of or place any lien on the Net Revenues, provided that the District may at any time, or from time to time, pledge or encumber the Net Revenues in connection with the issuance or execution of Parity Obligations in accordance with Section 4.01 or other obligations permitted hereby, or subordinate to the pledge of Net Revenues herein.

Section 5.07 Against Sale or Other Disposition of Property.

The District will not sell, lease, encumber or otherwise dispose of the Enterprise or any part thereof in excess of one-half of one percent of the book value of the Enterprise in any Fiscal Year, unless a Finance Officer certifies that such sale, lease, encumbrance or disposition will not materially adversely affect the operation of the Enterprise or the Net Revenues; provided however, any real or personal property which has become non-operative or which is not needed for the efficient and proper operation of the Enterprise, or any material or equipment which has become worn out, may be sold or exchanged at not less than the fair market value thereof and the proceeds (if any) of such sale or exchange shall be deposited in the Revenue Fund.

The District will not enter into any agreement or lease which would impair the ability of the District to meet the covenant set forth in Section 5.16 hereof or which would otherwise impair the rights of the Lender or the operation of the Enterprise.

Section 5.08 Against Competitive Facilities.

To the extent permitted by law, the District covenants that it will not acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers and excluding any water system existing on the date of execution of this Installment Purchase Contract, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any water system competitive with the Enterprise.

Section 5.09 Reserved.

Section 5.10 Maintenance and Operation of the Enterprise; Budgets.

The District will maintain and preserve the Enterprise in good repair and working order at all times and will operate the Enterprise in an efficient and economical manner. The District will pay all Maintenance and Operation Costs of the Enterprise as they become due and payable.

Section 5.11 Payment of Claims.

The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or any part thereof or on any funds in the control of the District prior or superior to the lien of the Installment Payments or which might impair the security of the Installment Purchase Contract; provided the District shall not be obligated to make such payment so long as the District contests such payment in good faith.

Section 5.12 Compliance with Contracts.

The District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, expressed or implied, required to be performed by it contained in all contracts for the use of the Enterprise and all other contracts affecting or involving the Enterprise to the extent that the District is a party thereto.

Section 5.13 Insurance.

(a) The District will procure and maintain insurance on the Enterprise with commercial insurers or through participation in a joint powers insurance authority, in such amounts, with such deductibles and against such risks (including accident to or destruction of the Enterprise) as are usually insurable in accordance with industry standards with respect to similar enterprises and consistent with the District's current coverage.

In the event of any damage to or destruction of the Enterprise caused by the perils covered by such insurance, the proceeds of such insurance shall be applied to the repair, reconstruction or replacement of the damaged or destroyed portion of the Enterprise. The District shall cause such repair, reconstruction or replacement to begin promptly after such damage or destruction shall occur and to continue and to be properly completed as expeditiously as possible, and shall pay out of the proceeds of such insurance all costs and expenses in connection with such repair, reconstruction or replacement so that the same shall be completed and the Enterprise shall be free and clear of all liens and claims, unless the District determines that such reconstruction, repair, or replacement is not necessary to the efficient or proper operation or use of the Enterprise and therefore determines not to reconstruct, repair,

or replace such damaged or destroyed portion of the Enterprise. If such Net Proceeds exceed the costs of such reconstruction, repair, or replacement, then the excess Net Proceeds shall be deposited in such funds and accounts of the District as is permitted by law.

The District will procure and maintain commercial general liability insurance covering claims against the District for bodily injury or death, or damage to property, occasioned by reason of the ownership or operation of the Enterprise, such insurance to afford protection in such amounts and against such risks as are usually covered in connection with similar enterprises.

The District will procure and maintain workers' compensation insurance against liability for compensation under the Workers' Compensation Insurance and Safety Act of California, or any act hereafter enacted as an amendment or supplement or in lieu thereof, such insurance to cover all persons employed in connection with the Enterprise.

In lieu of obtaining insurance coverage as required by this Section, such coverage may be maintained by the District in the form of self-insurance so long as the District certifies that (i) the District has segregated amounts in a special insurance reserve meeting the requirements of this Section; (ii) an Insurance Consultant certifies annually, on or before December 1 of each year in which self-insurance is maintained, in writing that the District's general insurance reserves are actuarially sound and are adequate to provide the necessary coverage; and (iii) such reserves are held in a separate trust fund by an independent trustee. The District shall pay or cause to be paid when due the premiums for all insurance policies required hereby.

Section 5.14 Books and Accounts; Financial Statements.

The District shall keep proper books of record and accounts of the Enterprise and the Debt Service Fund all separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Enterprise and relating to the funds created by this Installment Purchase Contract. Said books shall, upon prior request, be subject to the inspection by the Lender, or its representatives authorized in writing, upon not less than five (5) Business Days' prior notice to the District.

The District shall cause the books and accounts of the Enterprise, which shall include a statement of revenues and expenditures and changes in fund balances, a balance sheet and a statement of cash flow, to be audited annually by an independent certified public accountant or firm of certified public accountants, not more than two hundred and seventy (270) days after the close of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2022. The District shall send a copy of such report and all related financial statements and notes to the Lender not more than two hundred and seventy (270) days after the close of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2022. In the event that the audited financial statements are not available within 270 days after the close of each Fiscal Year, the District will furnish unaudited financial statements to the Lender in the manner described in this paragraph within such period, and will then supply the audited financial statements immediately upon the availability thereof. No later than thirty (30) days after its adoption, the District shall also send to the Lender a copy of the annual budget of the Enterprise and any amendment or supplement thereto and any other financial information reasonably requested by the Lender. The District also agrees to provide the Lender not more than two hundred and seventy (270) days after the close of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2022, a debt service coverage calculation for the Enterprise and all obligations payable from the Net Revenues thereof, with such calculation to be prepared by a certified public accountant.

Section 5.15 Payment of Taxes and Compliance with Governmental Regulations.

The District will pay and discharge all taxes, assessments and other governmental charges, if any, which may hereafter be lawfully imposed upon the Enterprise or any part thereof or upon the Revenues when the same shall become due and the District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Enterprise or any part thereof. However, the District shall not be required to make such payments, or to comply with any regulations or requirements, so long as the payment or validity or application thereof shall be contested in good faith.

Section 5.16 Amounts of Rates and Charges.

(a) The District will, at all times while the Installment Payments due hereunder remains outstanding, fix, prescribe and collect rates, fees and charges in connection with the Enterprise so as to yield Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts in the order set forth below:

(i) All Maintenance and Operation Costs of the Enterprise;

(ii) The Debt Service payments and all other payments (including payments under reimbursement agreements) with respect to all Parity Obligations as they become due and payable;

(iii) All amounts, if any, required to restore the balance in any reserve accounts established for Parity Obligations in accordance with the terms of such Parity Obligation Documents, without preference or priority; and

(iv) All payments required to meet any other obligations of the District that are charges, liens, encumbrances upon, or which are otherwise payable from the Revenues during such Fiscal Year.

(a) Furthermore, the District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Enterprise during each Fiscal Year which are sufficient to yield estimated Net Revenues which are at least equal to one hundred twenty-five percent (125%) of the aggregate amount of Debt Service on all Parity Obligations payable from Net Revenues coming due and payable during such Fiscal Year. The District may make adjustments, from time to time, in its rates, fees and charges as it deems necessary, but shall not reduce its rates, fees and charges below those in effect unless the Net Revenues resulting from such reduced rates, fees and charges shall at all times be sufficient to meet the requirements set forth in this paragraph.

(b) If the District violates the covenants set forth in subsections (a) or (b) hereof, such violation shall not, in and of itself, be a default under this Agreement and shall not give rise to a declaration of an Event of Default so long as (i) Net Revenues (calculated without taking into account any amounts transferred into the Revenue Fund from the Rate Stabilization Fund pursuant to subsection (d) below), are at least equal to the Maximum Annual Debt Service coming due and payable during such Fiscal Year, and (ii) within 120 days after the date such violation is discovered, the District either (y) transfers enough moneys from the Rate Stabilization Fund sufficient to yield estimated Net Revenues which are at least equal to one hundred twenty-five percent (125%) of the aggregate amount of Debt Service on all Parity Obligations payable from Net Revenues coming due and payable during

such Fiscal Year in compliance with subsection (b) hereof, or (z) hires an Independent Financial Consultant to review the revenues and expenses of the Enterprise, and abides by such consultant's recommendations to revise the schedule of rates, fees, expenses and charges, and to revise any Maintenance and Operation Costs insofar as practicable, and to take such other actions as are necessary so as to produce Net Revenues to cure such violation for future compliance; provided, however, that, if the District does not, or cannot, transfer from the Rate Stabilization Fund the amount necessary to comply with subsection (b) hereof, or otherwise cure such violation within twelve (12) months after the date such violation is discovered, an Event of Default shall be deemed to have occurred under Section 7.01(b) hereof.

Section 5.17 Collection of Rates and Charges.

The District will have in effect at all times rules and regulations requiring all users of the Enterprise to pay the assessments, rates, fees and charges applicable to the Enterprise provided or made available to such users. Such rules and regulations shall also provide for the billing thereof and for a due date and a delinquency date for each bill.

Section 5.18 Eminent Domain Proceeds.

If all or any part of the Enterprise shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If (1) the District certifies (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the Enterprise proposed to be acquired by the District from any Net Proceeds, and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements, and (2) on the basis of such certificate, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive); then the District shall promptly proceed with the acquisition of such additions, betterments, extensions or improvements substantially in accordance with such certification and such Net Proceeds shall be applied for the payment of the costs of such acquisition, and any balance of such Net Proceeds not required by the District for such purpose shall be deposited in such funds and accounts of the District as is permitted by law.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied to prepay the Installment Payments, and any Parity Obligations, on a pro rata basis in the manner provided herein and in the instruments authorizing such Parity Obligations.

Section 5.19 Notification of Material Adverse Effect.

The District shall timely inform the Lender of any Material Adverse Effect upon learning of the existence of such an effect.

Section 5.20 Tax Covenants.

The District shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, the interest with

respect to the Installment Payments to become includable in gross income for federal income tax purposes. To that end, the District hereby makes the following specific covenants:

(a) The District hereby covenants that it shall not make or permit any use of the proceeds of this Installment Purchase Contract that may cause the Installment Purchase Contract to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

(b) The District covenants that the proceeds of the Installment Purchase Contract will not be used as to cause the proceeds of the Installment Purchase Contract to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(c) The District covenants not to take any action or permit or suffer any action to be taken if the result of the same would be to cause the Installment Purchase Contract to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

In furtherance of the covenants stated in this Section, the District shall comply with the requirements of the Tax Certificate executed in connection with this Installment Purchase Contract.

Section 5.21 Further Representations, Covenants and Warranties of the District.

The District represents, covenants and warrants to the Lender as follows:

(a) The District is a duly organized and validly existing irrigation district of the State of California.

(b) The Constitution and the laws of the State of California authorize the District to enter into the Installment Purchase Contract and to enter into the transactions contemplated thereby and to carry out its obligations under each of the aforesaid agreements, and the District has duly authorized and executed each of the aforesaid agreements in accordance with the laws of the State of California.

(c) The District has duly authorized and executed this Installment Purchase Contract in accordance with the laws of the State of California.

(d) The District is empowered to set rates and charges for services provided by the Enterprise provided to the users of the Enterprise without review or approval by any state or local governmental agency.

(e) This Installment Purchase Contract and the pledge of Net Revenues is a first lien and pledge on Net Revenues.

(f) Neither the execution and delivery of the Installment Purchase Contract nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the District is now a party or by which the District is bound, or constitutes a default under either of the foregoing, or

results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the District.

(g) No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Installment Payments or the consummation of the other transactions effected or contemplated herein or hereby. The District gives no representation or warranty with regard to compliance with Blue Sky or similar securities requirements.

(h) The District does not enjoy any rights of immunity on the grounds of sovereign immunity in respect of its obligations under the Installment Purchase Contract or otherwise with respect to the Installment Payments. To the extent the District has or hereafter may acquire under any applicable law any rights to immunity from legal proceedings on the grounds of sovereignty, the District hereby waives, to the extent permitted by law, such rights to immunity for itself in respect of its obligations arising under or related to the Installment Purchase Contract or otherwise with respect to the Installment Payments.

Section 5.22 Representations, Covenants and Warranties of the Authority.

The Authority represents, covenants and warrants to the District as follows:

(a) The Authority is 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 Installment Purchase Contract and to carry out and consummate all transactions contemplated by this Installment Purchase Contract and by proper action has duly authorized the execution and delivery and due performance of this Installment Purchase Contract.

(b) The execution and delivery of this Installment Purchase Contract 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) Neither the Authority, nor the Lender as assignee of the Authority, will assign this Installment Purchase Contract or its right to receive Installment Payments from the District, or its duties and obligations under the Installment Purchase Contract to any other person, firm or corporation, except to affiliates of the Authority or affiliates of the Lender or to banks, insurance companies or other financial institutions or their affiliates, including participation arrangements with such entities; provided, (i) no such assignment shall be made that would cause there to be more than 15 such assignees or any interest in the Installment Payments of less than \$100,000 and (ii) such assignee shall deliver a letter of representations to the District in a form addressed to and acceptable to the District and in substantially the same form delivered by the Lender in connection with the execution of this Installment Purchase Contract.

Section 5.23 Representations, Covenants and Warranties of the District and the Authority.

Each of the District and the Authority represent, warrant and covenant that: (i) the transaction contemplated herein and in the Assignment Agreement is an arm’s length commercial transaction among the District, the Authority and the Lender and its affiliates, (ii) in connection with such transaction, the Lender and its affiliates are acting solely as a principal and not as an advisor including, without limitation, a “Municipal Advisor” as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the “Municipal Advisor Rules”), an agent or a fiduciary of the District or the Authority, (iii) the Lender and its affiliates are relying on the Bank exemption in the Municipal Advisor Rules, (iv) the Lender and its affiliates have not provided any advice or assumed any advisory or fiduciary responsibility in favor of the District or the Authority with respect to the transaction contemplated hereby or by the Assignment Agreement and the discussions, undertakings and procedures leading thereto (whether or not the Lender, or any affiliate of the Lender, has provided other services or advised, or is currently providing other services or advising the District on other matters), (v) the Lender and its affiliates have financial and other interests that differ from those of the District or the Authority, and (vi) each of the District and the Authority has consulted with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent it deemed appropriate.

**ARTICLE VI.
PREPAYMENT OF INSTALLMENT PAYMENTS**

Section 6.01 Prepayment.

(a) The District may prepay the unpaid principal balance of the Installment Payments in whole, but not in part, on any Installment Payment Date commencing on September 1, 2024, described below, by paying a prepayment price equal to the principal amount of the Installment Payments to be prepaid, plus accrued interest to the date of prepayment, with the prepayment premium, if any as follows:

<u>Prepayment Date</u>	<u>Prepayment Premium</u>
Any Installment Payment Date from September 1, 2024 to September 1, 2026	2%
Any Installment Payment Date from March 1, 2027 to September 1, 2029	1%
Any Installment Payment Date from March 1, 2030 and thereafter	0%

(b) The District may or shall, as the case may be, prepay on any date from the Net Proceeds of insurance or condemnation awards, as provided herein, all or any part, in integral multiples of \$5,000, of the principal amount of the unpaid Installment Payments, in inverse order of the remaining Installments Payments, at a prepayment price equal to the sum of the principal amount prepaid plus accrued and unpaid interest thereon to the date of prepayment, without premium.

In the event that a portion of the Installment Payments shall have been prepaid by the District pursuant to subsection (b) above, the total amount of all future payments set forth in the schedules attached hereto as Exhibit B shall be reduced by the aggregate amount of Installment Payments so

prepaid, as the case may be, as agreed to in writing by the Lender. The Lender shall provide the District a revised schedule of Installment Payments.

Notwithstanding any such prepayment, the District shall not be relieved of its obligations hereunder, including its obligations under Article III hereof, until the entire principal amount of the unpaid Installment Payments together with the interest accrued thereon, if any, and together with the ordinary and extraordinary fees, costs and expenses of the Lender, shall have been fully paid and the Installment Payments are no longer due hereunder (or provision for payment thereof shall have been made pursuant to Section 6.03 hereof).

Section 6.02 Method of Prepayment.

Before making any prepayment pursuant to Section 6.01(b), the District shall, give written notice to the Lender specifying the date on which the prepayment will be made, which date shall be not less than thirty (30) days from the date such notice is given.

Section 6.03 Security Deposit.

Notwithstanding any other provision of this Installment Purchase Contract, the District may secure the payment of (i) all or a portion of the Installment Payments by a deposit with the Lender or, at the Lender's sole option, a bank or trust company acceptable to the Lender, as escrow holder under an escrow deposit and trust agreement, of either (i) cash in an amount which is sufficient to pay such unpaid Installment Payments, including the principal and interest components thereof, in accordance with the Installment Payment schedule set forth in Exhibit B attached hereto, or (ii) non-callable Federal Securities or pre-refunded non-callable municipal obligations rated "AA" and "Aa" by S&P and Moody's, respectively, together with cash if required, in such amount as will, without re-investment, in the opinion of an independent certified public accountant (which opinion shall be addressed to the Lender), together with interest to accrue thereon, be fully sufficient to pay such unpaid Installment Payments on their payment dates so that such Installment Payments shall be defeased; provided, that prior to any such deposit or defeasance, the District must provide an opinion of nationally recognized bond counsel addressed to the Lender to the effect that such deposit and defeasance will not cause the interest component of the Installment Payments to be included in gross income for federal income tax purposes. In the event of any shortfall, the District shall deposit from legally available funds such amounts as is necessary to make up such shortfall. In all cases, deposits of cash or Federal Securities made to secure the Installment Payments pursuant to this paragraph shall be kept in segregated escrow accounts or escrow subaccounts and such deposits shall not be commingled for any reason.

In the event of deposits pursuant to this Section 6.03 sufficient to fully defease all of the Installment Payments, and provided that all other amounts payable by the District hereunder have been paid in full, all obligations of the District under this Installment Purchase Contract shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all Installment Payments from the deposits made by District pursuant to this Section 6.03 and the obligation to pay amounts due the Lender, as assignee of the Authority. Said deposits shall be deemed to be and each of the deposits shall constitute a separate special fund that may be used solely for the payment of the Installment Payments in accordance with the provisions of this Installment Purchase Contract, and pending such application shall be held in trust and pledged to and for the sole benefit of the Lender and any assignee or transferee of the Lender. The District hereby grants to the Lender, as assignee of the Authority, a first priority security interest in any amounts so deposited.

**ARTICLE VII.
EVENTS OF DEFAULT AND REMEDIES**

Section 7.01 Events of Default and Events of Mandatory Acceleration; Acceleration of Maturities.

If one or more of the following Events of Default shall happen:

- (a) default shall be made in the due and punctual payment by the District of any Installment Payment when and as the same shall become due and payable;
- (b) default shall be made by the District in the performance of any of the agreements or covenants contained herein required to be performed by it, and such default shall have continued for a period of thirty (30) days after the District shall have been given notice in writing of such default by the Lender;
- (c) any financial statement or certificate furnished to the Authority or the Lender in connection with the execution of this Installment Purchase Contract, or any representation or warranty made by the District shall prove to be incorrect, false or misleading in any material respect when furnished or made;
- (d) the District shall file a petition seeking arrangement or reorganization under 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 the consent of the District 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 District or of the whole or any substantial part of its property; or
- (e) an event of default shall have occurred with respect to any Parity Obligations;

then and in each and every such case during the continuance of such Event of Default the Authority or the Lender as its assignee may, by notice in writing to the District declare all of the principal amount of the unpaid Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding.

This provision, however, is subject to the condition that, except with respect to an Event of Default under subsection (d) above, if at any time after such principal amount of the unpaid Installment Payments and the accrued interest thereon shall have been so declared immediately due and payable and before the acceleration date or the date of any judgment or decree for the payment of the money due shall have been obtained or entered:

- (1) the District shall deposit with the Lender a sum sufficient to pay (x) all delinquent Installment Payments then-due and owing and causing an Event of Default under subsection (a) above and the accrued interest thereon, with any interest due on such overdue installments, and (y) the reasonable expenses of the Lender incurred as the result of such Event of Default, and

(2) any and all other defaults known to the Lender (other than in the payment of such overdue principal amount of the unpaid Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Lender or provision deemed by the Lender to be adequate shall have been made therefor, then and in every such case the Lender, by written notice to the District, may rescind and annul such declaration of immediate payment of all of the principal amount of the unpaid Installment Payments and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 7.02 Application of Funds Upon Default.

All moneys and investments in the funds and accounts held hereunder (other than the Rebate Fund, if any) upon the date of the declaration of an Event of Default as provided in Section 7.01, shall be applied to the payment of Installment Payments in accordance with Sections 3.04, 3.05 and 5.20 hereof and all Revenues thereafter received shall be applied as follows:

(a) Unless the principal of all Installment Payments shall have become or shall have been declared due and payable:

First: To the payment to the persons entitled thereto of the interest portion of all Installments Payments, with interest on overdue installments, if lawful, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably according to the amounts due on such installment, to the persons entitled thereto without any discrimination or privilege; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any of the Installment Payments which shall have become due, with interest at their rate from the respective dates upon which they became due, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Installment Payments due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, to the persons entitled thereto without any discrimination or privilege.

(b) If all of the Installment Payments shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the Installment Payments, with interest on overdue interest and principal, as aforesaid, without preference or priority over interest or of interest over principal or of any installment of interest over any other installment of interest, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

Section 7.03 Other Remedies of the Authority.

The Authority or the Lender, as assignee thereof, as applicable, may--

(a) by mandamus or other action or proceeding or suit at law or in equity enforce its rights against the District, or any board member, officer or employee thereof, and compel the District or any such board member, officer or employee to perform and carry out its or his duties under applicable law and the agreements and covenants contained herein required to be performed by it or him;

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

(c) by suit in equity upon the happening of an Event of Default require the District and its board members, officers and employees to account as the trustee of an express trust; or

(d) by suit in equity, to seek the appointment of a receiver or other third party to operate the Enterprise and collect the Revenues.

Section 7.04 Non-Waiver.

Nothing in this Article VII or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Installment Payments to the Lender at the respective due dates or upon prepayment from the Revenues, or, except as expressly provided herein, shall affect or impair the right of the Authority or the Lender, as assignee 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 Lender 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 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 Lender by applicable law or by this Article VII may be enforced and exercised from time to time and as often as shall be deemed expedient.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely, the parties 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 Remedies Not Exclusive.

No remedy herein conferred upon or reserved 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 any other law. If any remedial action is discontinued or abandoned, the Lender shall be restored to its former position.

Section 7.06 Lender Exercise of Remedies.

The rights and remedies provided to the Authority under this Article VII have been assigned by the Authority to the Lender pursuant to the Assignment Agreement and shall be exercised by solely by the Lender in its discretion.

**ARTICLE VIII.
MISCELLANEOUS**

Section 8.01 Liability of District Limited.

Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the Installment Payments or for the performance of any agreements or covenants contained herein required to be performed by it. The District may, however, but shall not be required to, 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 District for such purpose.

The obligation of the District to make the Installment Payments and the other amounts due hereunder is a special obligation of the District payable solely from the Net Revenues and does not constitute a debt or pledge of the faith and credit of the District or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Section 8.02 Benefits of Installment Purchase Contract Limited to Parties.

Except as provided in Section 8.03, nothing contained herein, express or implied, is intended to give to any person other than the District or the Lender 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 District or the Lender shall be for the sole and exclusive benefit of the other party.

Section 8.03 Successor Is Deemed Included In All References to Predecessor.

Whenever the District or the Authority is named or referred to herein, such reference shall be deemed to include the successor and assigns to the powers, duties and functions that are presently vested in the District or the Lender, and all agreements and covenants required hereby to be performed by or on behalf of the District or the Authority shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 8.04 Waiver of Personal Liability.

No board member, officer or employee of the District or the Authority shall be individually or personally liable for the payment of the Installment Payments, but nothing contained herein shall relieve any board member, officer or employee of the District or the Authority from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 8.05 Article and Section Headings, Gender and References.

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

Section 8.06 Partial Invalidity.

If any one or more of the agreements or covenants or portions thereof contained herein required to be performed by or on the part of the District or the Authority shall be contrary to the 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 District and the Authority hereby declare that they would have executed this Installment Purchase 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 8.07 Assignment.

(a) The District hereby consents to the Authority's assignment of this Installment Purchase Contract to the Lender pursuant to the Assignment Agreement.

(b) The Lender has the right at any time to assign, transfer, or convey this Installment Purchase Contract or any interest therein or portion thereof, but no such assignment, transfer or conveyance shall be effective as against the District unless and until the Lender has delivered to the District written notice thereof that discloses the name and address of the assignee or the Loan Servicer (as hereafter provided and defined) and such assignment, transfer or conveyance shall be made only to (i) an affiliate of the Lender or (ii) banks, insurance companies or other financial institutions or their affiliates. Nothing herein limits the right of the Lender or its assignees to sell or assign participation interests in this Installment Purchase Contract to one or more entities listed in (i) or (ii), provided that any participation, custodial or similar agreement under which multiple ownership interests in this Installment Purchase Contract are created shall provide the method by which the owners of such interests shall establish the rights and duties of a single entity, owner, servicer or other fiduciary or agent acting on behalf of all of the assignees (herein referred to as the "Loan Servicer") to act on their behalf with respect to the rights and interests of the Lender under this Installment Purchase Contract, including with respect to the exercise of rights and remedies of the Lender on behalf of such owners upon the occurrence of an event of default under this Installment Purchase Contract.

Section 8.08 California Law.

This Installment Purchase Contract shall be construed and governed in accordance with the laws of the State of California.

Section 8.09 Notices.

All written notices to be given hereunder shall be given by certified 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 District: Calaveras County Water District
120 Toma Court (overnight delivery)
P.O. Box 846 (postal delivery)
San Andreas, California 95249
Attention: Director of Administrative Services

If to the Authority: CCWD Public Financing Authority
120 Toma Court (overnight delivery)
P.O. Box 846 (postal delivery)
San Andreas, California 95249
Attention: Executive Director

If to the Lender: Webster Bank, National Association
500 Seventh Avenue, 3rd Floor
New York, NY 10018
Attention: Public Sector Finance

The parties hereto may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Unless otherwise requested by the parties, any notice required to be given hereunder in writing may be given by any form of Electronic Notice capable of making a written record.

Section 8.10 Effective Date.

This Installment Purchase Contract shall become effective upon its execution and delivery and shall terminate when all Installment Payments shall have been fully paid (or provision for the payment thereof shall have been made to the written satisfaction of the Lender pursuant to Article VI hereof).

Section 8.11 Execution in Counterparts.

This Installment Purchase 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.

Section 8.12 Amendments.

This Installment Purchase Contract may be amended in writing as may be mutually agreed by the District and the Lender in a signed writing. Any amendment made in violation of this Section 8.12 shall be a nullity and void.

Section 8.13 Third-Party Beneficiary.

The Lender shall be a third-party beneficiary of this Installment Purchase Contract.

Section 8.14 Expenses.

The fees and disbursements of Bond Counsel, the fees and disbursements of the financial advisor to the District, the cost of preparing the documents, and other miscellaneous expenses of the District incurred in connection with the execution and delivery of the Installment Purchase Contract, including CDIAC fees, shall all be the obligation of the District. The Lender shall have no

responsibility for any expenses associated with the issuance of the Installment Purchase Contract, including, but not limited to, the expenses identified above as the obligation of the District.

Section 8.15 Restrictions on Agreement.

The District and the Lender understand that this Installment Purchase Contract shall not be, and the District and the Lender shall not cause this Installment Purchase Contract to be, (a) assigned a rating by any credit rating agency, (b) registered with The Depository Trust Company or any other securities depository, (c) offered pursuant to any type of offering document or official statement, (d) assigned a DTC-registered CUSIP number by Standard & Poor's CUSIP Service or (e) listed on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website.

Section 8.16 Website Disclosure.

If the District elects or is required to post this Installment Purchase Contract and related documentation on a national public market repository, the District may do so with certain information redacted pursuant to this Section. With respect to any such posting, the District shall provide such documentation to the Lender for review with reasonable advance notice prior to any posting deadline imposed by applicable law and shall consider in good faith reasonable redaction requests of the Lender Sensitive Data (defined below) that are provided within a reasonable period prior to such posting deadline. The District shall redact such "Bank Sensitive Data" as directed by the Lender. For the purpose of this Section, "Bank Sensitive Data" means signatures/names, account numbers, wire transfer and payment instructions and any other data that could be reasonably construed as sensitive information.

Section 8.17 Judicial Reference.

TO THE EXTENT PERMITTED BY LAW, THE AUTHORITY, THE DISTRICT AND THE LENDER HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INSTALLMENT PURCHASE CONTRACT, THE ASSIGNMENT AGREEMENT OR ANY OF THE RELATED DOCUMENTS OR THE TRANSACTION CONTEMPLATED HEREBY OR THEREBY. IF AND TO THE EXTENT THAT THE FOREGOING WAIVER OF THE RIGHT TO A JURY TRIAL IS UNENFORCEABLE FOR ANY REASON IN SUCH FORUM, THE AUTHORITY, THE DISTRICT AND THE LENDER HEREBY CONSENT TO THE ADJUDICATION OF ANY AND ALL CLAIMS PURSUANT TO JUDICIAL REFERENCE AS PROVIDED IN CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638, AND THE JUDICIAL REFEREE SHALL BE EMPOWERED TO HEAR AND DETERMINE ANY AND ALL ISSUES IN SUCH REFERENCE WHETHER FACT OR LAW. THE AUTHORITY, THE DISTRICT AND THE LENDER REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND CONSENT AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS AND CONSENTS TO JUDICIAL REFERENCE FOLLOWING THE OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL OF ITS CHOICE ON SUCH MATTERS. IN THE EVENT OF LITIGATION, A COPY OF THIS INSTALLMENT PURCHASE CONTRACT MAY BE FILED AS A WRITTEN CONSENT TO JUDICIAL REFERENCE UNDER CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638 AS PROVIDED HEREIN.

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

CALAVERAS COUNTY WATER DISTRICT

By: _____
General Manager

CCWD PUBLIC FINANCING AUTHORITY

By: _____
Executive Director

EXHIBIT A

DESCRIPTION OF THE PROJECT

The Project generally consists of the following work:

1. Copper Cove Tank B & Clearwell (CIP #11083C)
2. Copper Cove Tank B Pump Station Renovation (CIP #11111)
3. Jenny Lind A-B Transmission Pipeline (CIP #11088)
4. Lake Tulloch Water Line Crossing (CIP #11104)
5. Copper Cove Zone B-C Transmission Pipeline and Pump Station (CIP #11122)

EXHIBIT B

INSTALLMENT PAYMENT SCHEDULE

1. The principal amount of Installment Payments to be made by the District hereunder is \$[____].00.

2. The Installment Payments of principal and interest are payable in the amounts and on the Installment Payment Dates as follows:

<i>Installment Payment Date</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest*</i>	<i>Total</i>
-------------------------------------	---	---	--------------

Third Business Day Prior To:

\$

TOTAL	\$	\$	\$
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* Assuming No Event of Default or Event of Taxability.

ASSIGNMENT AGREEMENT

This **ASSIGNMENT AGREEMENT**, dated as of June 1, 2022 (as amended and supplemented, this “Assignment Agreement”), is made by and between CCWD Public Financing Authority, a joint exercise of powers authority duly organized and validly existing under and by virtue of the laws of the State of California (the “Authority”) and Webster Bank, National Association, a national banking association organized and existing under the laws of the United States of America (including its successors and assigns, the “Assignee”);

WITNESSETH:

WHEREAS, the Authority desires to assign to the Assignee without recourse all of its rights under the Installment Purchase Contract, dated as of June 1, 2022 (the “Installment Purchase Contract”), between the Authority and the Calaveras County Water District, a county water district duly organized and validly existing under the laws of the State of California (the “District”), including all of its rights to receive Installment Payments scheduled to be paid by the District under and pursuant to the Installment Purchase Contract;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Installment Purchase Contract.

Section 2. Assignment. The Authority, for good and valuable consideration, hereby assigns and transfers to the Assignee, effective on the Closing Date, without recourse all of the Authority’s rights, title and interest in and to the Installment Purchase Contract, including without limitation (a) the right to receive and collect all of the Installment Payments from the District, (b) the right to receive and collect any proceeds of any insurance maintained thereunder and of any condemnation award rendered with respect to the Project, (c) the right to exercise such rights and remedies conferred on the Authority pursuant to the Installment Purchase Contract as may be necessary or convenient (i) to enforce payment of the Installment Payments, or (ii) otherwise to protect the interests of the Assignee in the Event of a Default by District under the Installment Purchase Contract; and (d) the right to take all actions and give all consents under the Installment Purchase Contract. The assignment made under this Section is absolute and irrevocable, and without recourse to the Authority.

The above assignment is intended to be an absolute and unconditional assignment to the Assignee and is not intended as a loan by the Assignee to the Authority. Accordingly, in the event of bankruptcy of the Authority, the Project shall not be part of the Authority’s estate. However, if the above assignment is deemed to be a loan by the Assignee to the Authority, then the Authority shall be deemed to have granted to the Assignee, and hereby grants to the Assignee, a continuing first priority security interest in the Project and all proceeds thereof as collateral security for all obligations of the Authority hereunder and all obligations of the District under the Installment Purchase Contract and this Assignment Agreement shall be deemed a security agreement with respect to such loan.

Section 3. Acceptance of Assignment. The Assignee hereby accepts the assignment and transfer of such of the Authority's rights, title, and interest in and to the Installment Purchase Contract as are assigned and transferred to it pursuant to the terms of this Assignment Agreement.

Section 4. Deposit and Application of Funds. In consideration of the assignment made hereunder by the Authority to the Assignee, the Assignee hereby agrees to provide on the Closing Date the amount of \$[_____] towards the prepayment in full of the Installment Purchase Contract. Of such amount, \$_____ shall be deposited into the Acquisition Fund established and held by the District pursuant to the Installment Purchase Contract and \$_____ shall be applied by the Assignee to pay Delivery Costs.

Section 5. Representations and Warranties of the Authority. The Authority hereby represents and warrants to the Assignee that, as of the Closing Date:

(a) No modifications, amendments or changes have been made to the Installment Purchase Contract.

(b) The Installment Purchase Contract is valid, binding and enforceable and in full force and effect, and neither the District nor the Authority is in default thereunder.

(c) It has not previously assigned any right, title or interest the Authority has in the Installment Purchase Contract to any other party and no other party has any superior right, title or interest than such right, title and interest being assigned to the Assignee pursuant to this Assignment Agreement.

(d) It does not have any defenses, set-off rights, claims or other demands of any kind that can be asserted to reduce, eliminate or contravene the rights being assigned to the Assignee pursuant to this Assignment Agreement.

(e) It has the right to assign the Installment Purchase Contract to the Assignee as set forth herein.

(f) The undersigned officer of the Authority has the requisite power and authority to enter into this Assignment Agreement.

(g) The Authority agrees that it (1) shall not have any right to amend, modify, compromise, release, terminate or permit prepayment of the Installment Purchase Contract without the consent of the Assignee, and (2) shall not take any action that may impair the payment of Installment Payments or the validity or enforceability of the Installment Purchase Contract.

(h) If the Authority receives any Installment Payments, then the Authority shall receive such payments in trust for the Assignee and shall immediately deliver the same to the Assignee in the form received, duly endorsed by the Authority for deposit by the Assignee.

Section 6. No Additional Rights or Duties. This Assignment Agreement shall not impose any duties, obligations or responsibilities upon the Authority or the Assignee beyond those expressly provided in the Installment Purchase Contract or as otherwise set forth herein.

Section 7. Further Assurances. The Authority will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Assignment Agreement, and for the better assuring and confirming to the Assignee the rights and obligations intended to be conveyed pursuant hereto.

Section 8. Counterparts. This Assignment Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

Section 9. Law Governing. This Assignment Agreement is made in the State of California under the Constitution and laws of the State of California and is to be so construed.

Section 10. Notices. All notices under this Assignment Agreement shall be in accordance with the Installment Purchase Contract.

Section 11. Successors and Assigns. This Assignment Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. Whenever in this Assignment Agreement any party is named or referred to, such reference shall be deemed to include such party's successors and assigns and all covenants and agreements contained in this Assignment Agreement by or on behalf of any party hereto shall bind and inure to the benefit of such party's successors and assigns whether so expressed or not.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this Assignment Agreement as of the date first above written.

CCWD PUBLIC FINANCING AUTHORITY

By: _____
Executive Director

WEBSTER BANK, NATIONAL ASSOCIATION

By: _____
Kevin C. King
Senior Managing Director

[Signature Page to Assignment Agreement]

INSTALLMENT PURCHASE CONTRACT

between the

CALAVERAS COUNTY WATER DISTRICT

and

CCWD PUBLIC FINANCING AUTHORITY

Dated as of June 1, 2022

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EXHIBIT A – DESCRIPTION OF PROJECT

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INSTALLMENT PURCHASE CONTRACT

This INSTALLMENT PURCHASE CONTRACT, dated as of June 1, 2022 (as amended and supplemented, the “Installment Purchase Contract”), between the CALAVERAS COUNTY WATER DISTRICT, a county water district duly organized and validly existing under the laws of the State of California (the “District”), and CCWD PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority duly organized and validly existing under and by virtue of the laws of the State of California (the “Authority”);

WITNESSETH:

WHEREAS, the District is authorized by the laws of the State of California to acquire certain property for its wastewater system and to finance and refinance the acquisition and construction of such facilities through the execution of installment purchase contracts; and

WHEREAS, the District proposes to finance the acquisition of certain real property of benefit to the District’s wastewater system, primarily consisting of the “Arnold Secondary Clarifier & WWTP Improvements Project” and the “Copper Cove Lift Stations Project,” as generally described in Exhibit A attached hereto and incorporated herein (collectively, the “Project”); and

WHEREAS, the Authority has been formed for the purpose of, among other things, assisting the District in financing facilities and property useful to them and the Authority is authorized to assist the District in the financing, construction, acquisition, and improvement of the District’s facilities and property; and

WHEREAS, the Authority has agreed to assist the District in financing the Project; and

WHEREAS, the District and the Authority have duly authorized the execution of this Installment Purchase Contract; 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 entering into of this Installment Purchase 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 this Installment Purchase Contract;

NOW, THEREFORE, IN CONSIDERATION OF THE PROMISES 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 1.01 shall for all purposes hereof, and of any amendment hereof, and of any opinion or report or other document

mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein.

“Acquisition,” “Acquire” or “Acquired” means, with respect to the Project, the acquisition or perfection of an ownership or capacity interest in the Project, or the construction, refinancing or ownership of the Project.

“Acquisition Costs” with respect to the Project means the contract price paid or to be paid for the Acquisition of the Project.

“Acquisition Fund” means the fund established and held by the District pursuant to Section 2.05 hereof.

“Act” means the County Water District Law of the State of California, being Sections 30000 et seq. of the Water Code of the State of California, and all laws amendatory thereof or supplemental thereto.

“Additional Revenues” means, with respect to the issuance of any Parity Obligations, an allowance for Net Revenues (i) arising from any increase in the charges made for service from the Enterprise, adopted prior to the incurring of such Parity Obligations and effective within eighteen (18) months following the date of incurring such Parity Obligations, in an amount equal to the total amount by which the Net Revenues of the Enterprise would have been increased if such increase in charges had been in effect during the whole of the most recent completed Fiscal Year or during any more recent twelve (12) month period selected by the District, and (ii) arising from any increase in service connections to the Enterprise, prior to the incurring of such Parity Obligations, in an amount equal to the total amount by which the Net Revenues for the Enterprise would have been increased if such connections had been in existence during the whole of the most recent complete Fiscal Year or during any more recent twelve (12) month period selected by the District, all as shown by the certificate or opinion of an Independent Financial Consultant.

“Alternate Project” means an alternate project designated by the District pursuant to Section 2.01.

“Applicable Environmental Laws” means and shall include, but shall not be limited to, the Comprehensive Environmental Response, Compensation, and Liability Act (“CERCLA”), 42 USC Sections 9601 et seq.; the Resource Conservation and Recovery Act (“RCRA”), 42 USC Sections 6901 et seq.; the Federal Water Pollution Control Act, 33 USC Sections 1251 et seq.; the Clean Air Act, 42 USC Sections 7401 et seq.; the California Hazardous Waste Control Law (“HWCL”), California Health & Safety Code Sections 25100 et seq.; the Hazardous Substance Account Act (“HSAA”), California Health & Safety Code Sections 25300 et seq.; the Porter- Cologne Water Quality Control Act (the “Porter-Cologne Act”), California Water Code Sections 1300 et seq.; the Air Resources Act, California Health & Safety Code Sections 3900 et seq.; the Safe Drinking Water & Toxic Enforcement Act, California Health & Safety Code Sections 25249.5 et seq.; and the regulations under each thereof; and any other local, state, and/or federal laws or regulations, whether currently in existence or hereafter enacted, that govern: (a) the existence, cleanup, and/or remedy of contamination on property; (b) the protection of the environment from spilled, deposited, or otherwise emplaced contamination; (c) the control of hazardous wastes; or (d) the use, generation, transport, treatment, removal, or recovery of Hazardous Substances, including building materials.

“Assignment Agreement” means the Assignment Agreement, dated as of June 1, 2022, between the Authority and the Lender relating to this Installment Purchase Contract, as amended and supplemented.

Authority” means CCWD Public Financing Authority a joint exercise of powers authority duly organized and existing under the laws of the State of California, and any successor thereto.

“Authorized Officer” means the District’s President, Vice-President, General Manager, Finance Director, Director of Administrative Services, Clerk to the Board of Directors, or any other person designated as an Authorized Officer of the District by a Certificate of the District signed by its President, Vice-President, General Manager, Finance Director or Director of Administrative Services and filed with the District.

“Bond Counsel” means Kutak Rock LLP or another firm of nationally recognized attorneys experienced in the issuance of obligations the interest on which is excludable from gross income under Section 103 of the Internal Revenue Code of 1986, as amended.

“Business Day” means any day other than a Saturday, Sunday or legal holiday or a day on which banks are authorized to be closed for business in California and New York.

“Closing Date” means June 16, 2022.

“Custodian” means U.S. Bank Trust Company, National Association.

“Custodian Agreement” means that Costs of Issuance Custodian Agreement dated as of June 1, 2022, between the District and the Custodian for the payment of Delivery Costs.

“Debt Service” means, for any Fiscal Year, the sum of (1) the Installment Payments (except to the extent that interest has been fully capitalized and is invested in Federal Securities which mature at times and in such amounts as are necessary to pay the interest to which such amounts are pledged) required to be paid hereunder during such Fiscal Year, (2) the interest falling due during such Fiscal Year on all Parity Obligations (which are outstanding under the documents or agreements pursuant to which they were issued), assuming that all outstanding serial Parity Obligations are retired as scheduled and that all outstanding term Parity Obligations are redeemed from sinking fund payments as scheduled (except to the extent that such interest has been fully capitalized and is invested in Federal Securities which mature at times and in such amounts as are necessary to pay the interest to which such amounts are pledged), (3) the principal amount of all serial Parity Obligations (which are outstanding under the documents or agreements pursuant to which they were issued) falling due by their terms during such Fiscal Year, and (4) the minimum amount of term Parity Obligations (which are outstanding under the documents or agreements pursuant to which they were issued) required to be paid or called and redeemed during such Fiscal Year, together with the redemption premiums, if any, thereon; provided that, whenever interest as described herein accrues at other than a fixed rate, such interest shall be assumed to be a rate equal to the greater of (i) the actual rate on the date of calculation, or if the Parity Obligations are not yet outstanding, the initial rate (if established and binding), (ii) if the Parity Obligations have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (x) if interest on the Parity Obligations is excludable from gross income under the applicable provisions of the Tax Code, the most recently

published The Bond Buyer Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (y) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities, plus fifty (50) basis points.

“Debt Service Fund” means the fund established in Section 3.04 hereof.

“Debt Service Payments” means the payments of Debt Service.

“Default Rate” means the then applicable interest rate on the principal amount of the Installment Payments plus 3.000% per annum.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the District, the Authority or the Lender relating to the financing of the Project, including but not limited to filing costs, fees of the California Debt and Investment Advisory Commission, settlement costs, initial fees and charges of the Authority or the Lender and their counsel, financing discounts, outside legal fees and charges, financial and other professional consultant fees, and charges and fees in connection with the foregoing.

“Determination of Taxability” means (a) the occurrence of any action that, in the judgment of the District, in reliance on the advice of Bond Counsel, will adversely affect the tax-exempt status of the Installment Payments, (b) the failure to take any action that, in the judgment of the District, in reliance on the advice of Bond Counsel, is necessary to preserve the exemption from income taxation of interest on the Installment Payments, (c) a final judgment or order of a court of competent jurisdiction, or a final ruling or decision of the Internal Revenue Service, in any such case to the effect that the interest on the Installment Payments is includable for Federal income tax purposes in the gross incomes of the recipients thereof, or (d) the enactment of Federal legislation that would cause the interest on the Installment Payments to be includable for Federal income tax purposes in the gross incomes of the recipients thereof. A judgment or order of a court of competent jurisdiction or a ruling or decision of the Internal Revenue Service shall be considered final only if no appeal or action for judicial review has been filed (and is pending) and the time for filing such right of appeal or action has expired.

“District” means the Calaveras County Water District, a county water district duly organized and existing under the Constitution and laws of the State of California, and its successors and assigns.

“Due Date” means the date three (3) Business Days prior to an Installment Payment Date.

“Electronic Notice” means notice given through means of telecopy, facsimile transmission, e-mail or other similar electronic means of communication confirmed by writing or written transmission.

“Enterprise” means, collectively, the entire wastewater collection, treatment and disposal system owned or operated by the District including, but not limited to, any and all properties and assets, real and personal, tangible and intangible, of the District, now or hereafter existing, used or pertaining to the collection, disposal or reuse of wastewater, including sewage treatment plants, outfall, force mains, pumping stations, ejector stations, pipes, valves, machinery and all other appurtenances necessary, useful or convenient for the collection, treatment, purification or disposal of sewage, and any necessary lands, rights of way and other real or personal property useful in connection therewith, and all additions, extensions, expansions, improvements and betterments thereto and equipments thereof.

“Event of Default” means an event of default described in Section 7.01.

“Federal Securities” means direct obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States), or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America.

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

“General Manager” means the General Manager of the District, or any other person designated by the General Manager to act on behalf of the General Manager.

“Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures prescribed by the California State Controller or his successor for water districts in the State of California, or failing the prescription of such procedures means Generally Accepted Accounting Principles as presented and recommended by the American Institute of Certified Public Accountants or its successor, or by the National Council on Governmental Accounting or its successor, or by any other generally accepted authority on such principles.

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

“Hazardous Substances” means _____.

“Independent Certified Public Accountant” means any certified public accountant or firm of certified public accountants duly licensed and entitled to practice, and practicing as such appointed and paid by the District, and each of whom--

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

“Independent Financial Consultant” means a financial consultant qualified in the field of municipal finance, appointed and paid by the District, and who:

1. is in fact independent and not under the domination of the District or any member thereof;
2. does not have a substantial financial interest, direct or indirect, in the operations of the District; and

3. is not connected with the District as an officer or employee of the District or any member thereof, but may be regularly retained to audit the accounting records of and make reports thereon to the District.

“Installment Payments” means the Installment Payments scheduled to be paid by the District under and pursuant to this Installment Purchase Contract for the purposes and as described in Section 3.01 hereof in the amounts on the dates designated in Exhibit B to this Installment Purchase Contract.

“Installment Payment Date” means each March 1 and September 1, commencing September 1, 2022.

“Lender” means initially First Foundation Public Finance, a Delaware statutory trust and a wholly-owned subsidiary of First Foundation Bank, and thereafter any successor or assign, and thereafter any successor or assign.

“Maintenance and Operation Costs” means the reasonable and necessary costs and expenses paid or incurred by the District for maintaining and operating the Enterprise, determined in accordance with Generally Accepted Accounting Principles, including but not limited to (a) costs of acquisition of water, including all associated treatment and delivery costs, to be used by the Enterprise, (b) costs of electricity and other forms of energy supplied to the Enterprise, (c) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Enterprise in good repair and working order, (d) the reasonable administrative costs of the District attributable to the operation and maintenance of the Enterprise, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and (e) all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the issuance of any Parity Obligations or of such Parity Obligations, such as compensation, reimbursement and indemnification of the trustee for any such Parity Obligations and fees and expenses of Independent Certified Public Accountants and independent engineers, but in all cases excluding (i) debt service payable on obligations incurred by the District with respect to the Enterprise, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

“Material Adverse Effect” means an event or occurrence which adversely affects in a material manner (a) the assets, liabilities, condition (financial or otherwise), business, facilities or operations of the District, (b) the ability of the District to carry out its business in the manner conducted as of the date of this Installment Purchase Contract or to meet or perform its obligations under this Installment Purchase Contract on a timely basis, (c) the validity or enforceability of the Installment Purchase Contract, or (d) the exclusion of the interest component of the Installment Payments from gross income for federal income tax purposes or the exemption of such interest for state income tax purposes.

“Material Litigation” means actions, suits or proceedings threatened against the District or any property of the District in any court or before any arbitrator of any kind or before or by any governmental or non-governmental body, which, in any case: (a) directly or indirectly relates to the Enterprise or the enforceability of this Installment Purchase Contract; (b) involve claims equal to or in excess of \$500,000; or (c) may have a Material Adverse Effect.

“Maximum Annual Debt Service” means the largest annual sum of (i) Debt Service Payments during the period from the date of such determination through the later of (a) the final Installment

Payment Date hereunder or (b) the maturity date of Parity Obligations reflected by such Debt Service Payments.

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

“Net Revenues” means, for any period, all of the Revenues during such period less all of the Maintenance and Operation Costs during such period.

“Outstanding” (i) when used as of any particular time with reference to this Installment Purchase Contract, means all Installment Payments except Installment Payments paid or deemed to have been paid within the meaning of Article VI, and (ii) when used as of any particular time with reference to any Parity Obligation, means all debt service payments due and owing on such Parity Obligation except debt service payments paid or deemed to have been paid pursuant to the terms of such Parity Obligation.

“Parity Obligations” means all bonds, notes, loan agreements, installment sale agreements, leases or other obligations of the District, including the Outstanding Parity Obligations, payable from and secured by a pledge of and lien upon any of the Net Revenues incurred on a parity with the payment of the Installment Payments pursuant to Section 4.01 hereof.

“Parity Project” means any additions, betterments, extensions or improvements to the District’s Enterprise designated by the Board of Directors of the District as a Parity Project, the acquisition and construction of which is to be paid for with the proceeds of any Parity Obligations.

“Permitted Investments” means any investment that is a legal investment under the laws of the State for the moneys proposed to be invested therein or authorized by the District’s investment policy in effect at the time of investment.

“Project” means the additions, betterments, extensions and improvements to the District’s Enterprise as described in Exhibit A hereto, including any Alternate Project.

“Rate Stabilization Fund” means any fund established and held by the District as a fund for the stabilization of rates and charges imposed by the District with respect to the Revenue Fund, which fund is established, held and maintained in accordance with Section 3.05(c).

“Revenue Fund” means the fund maintained by the District into which it deposits Revenues.

“Revenues” means all gross income and revenue received or receivable by the District from the ownership and operation of the Enterprise, calculated in accordance with Generally Accepted Accounting Principles, including all rates, fees, charges (including connection fees), insurance proceeds and condemnation awards received by the District and all other income and revenue howsoever derived by the District from the Enterprise, including, without limitation, property taxes, interest income, and all other operating and non- operating revenue; provided, however, that (i) any specific charges levied for the express purpose of reimbursing others for all or a portion of the cost of the acquisition or construction of specific water facilities, (ii) grants that are designated by the grantor for a specific water purpose and are therefore not available for other purposes, or (iii) customers’ water related deposits or any other water related deposits subject to refund until such deposits have become

the property of the District, are not Revenues and are not subject to the lien hereof. Notwithstanding the foregoing, there shall be deducted from Revenues any amounts (of Revenues) transferred into the Rate Stabilization Fund as contemplated by Section 3.05(c) hereof, and there shall be added to Revenues any amounts transferred out of the Rate Stabilization Fund and into the Revenue Fund, as contemplated by Section 3.05(c) hereof.

“State” means the State of California.

“Taxable Rate” means [4.44%].

“Tax Code” means the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Tax Code shall be deemed to be a reference to any successor to any such section.

ARTICLE II. SALE AND PURCHASE OF THE PROJECT

Section 2.01 Sale and Purchase of the Project.

The Authority hereby agrees to cause the Project, and any additions or modifications thereto to be constructed, acquired or installed, as applicable, by the District as its agent, and the District shall enter into contracts and provide for, as agent of the Authority, the complete acquisition and construction of the Project. The District hereby agrees that it will cause the construction, acquisition and installation of the Project to be diligently performed upon satisfactory completion of design work and compliance with the California Environmental Quality Act and approval by the Board of Directors of the District, unforeseeable delays beyond the reasonable control of the District only excepted. It is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any cost of the Project and that all such costs and expenses shall be paid by the District, regardless of whether the funds deposited in the Acquisition Fund are sufficient to cover all such costs and expenses.

In consideration for the Authority’s assistance in acquiring the Project, the District agrees to sell, and hereby sells, to the Authority, and the Authority agrees to purchase, and hereby purchases, from the District, the Project in the manner and in accordance with the provisions of this Installment Purchase Contract. In consideration for the Installment Payments as set forth in Section 3.01, the Authority agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Authority, the Project at the purchase price specified below and otherwise in the manner and in accordance with the provisions of this Installment Purchase Contract. All right, title and interest in the Project shall vest in the District immediately upon execution and delivery of this Installment Purchase Contract.

The District hereby covenants to use the proceeds received from the Authority for the costs and expenses of the Acquisition of the Project. The District may change the specifications of the Project, so long as such change does not substantially alter the nature of the Project; provided, however, that the District and the Lender, as assignee of the Authority under the Assignment Agreement, in their sole discretion, may jointly designate an Alternate Project. In the event an Alternate Project is designated, the District shall certify in writing to the Lender that Acquisition Costs shall not materially increase as a result from such change. In the event Acquisition Costs shall materially increase as a

result of the designation of an Alternate Project, prior to designating such Alternate Project the District shall either deposit in the Acquisition Fund an amount sufficient to pay such increase, or shall certify in writing to the Lender that funds sufficient to pay such increase in Acquisition Costs are otherwise available to the District.

The Authority, upon the effective date hereof, agrees to cause to be deposited in the Acquisition Fund the aggregate amount of \$[_____], respecting its purchase of the Project hereunder. In the event the money so deposited as first above provided is insufficient to pay all the costs of the Acquisition of the Project, the Authority shall have no obligation whatsoever to use or provide any additional funds for the purposes described in this Article II.

All right, title and interest in each component of the Project shall vest in the District immediately upon execution and delivery of this Installment Purchase Contract. Such vesting shall occur without further action by the Authority or District and the Authority shall, if requested by the District, if necessary, to assure such automatic vesting, deliver any and all documents required to assure such vesting.

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 District may institute such action or proceeding against the Authority as the District may deem necessary to compel the observance or performance of such agreement, condition, covenant or term, or to recover damages for the nonobservance or nonperformance thereof; provided, however, that the District shall have no right to terminate this Installment Purchase Contract as a remedy to such failures. The District 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 District deems reasonably necessary in order to protect or secure its rights hereunder, and in such event the Authority agrees to cooperate fully with the District and to take all action necessary to effect the substitution of the District for the Authority in any action or proceeding if the District shall so request.

Section 2.02 Indemnification and Expenses of the Authority and the Lender.

(a) The District hereby agrees to indemnify and hold harmless the Authority and its directors, officers and employees 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 the Assignment Agreement; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder or under the Assignment Agreement by the Authority.

(b) The District shall, to the extent permitted by law, indemnify and save the Lender, and its respective officers, agents, directors and employees, harmless from and against all claims, losses, liabilities, costs, expenses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management or operation of, or from any work or thing done on, the Project or the Enterprise by the District, including injury or damages to any persons or property arising therefrom, (b) any breach or default on the part of the District in the performance of any of its obligations under this Installment Purchase Contract, or (c) any act of negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Project or the Enterprise. No indemnification is made under this Section for willful misconduct or negligence by the Lender or its officers, agents, directors or employees. The provisions of this Section shall continue in

full force and effect, notwithstanding the termination of the term of the Installment Purchase Contract for any reason.

Section 2.03 Authority not Liable.

The Authority and its directors, officers and employees shall not be liable to the District or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on, or about or relating to the Project, and in no event shall the Authority be liable for any incidental, indirect, special or consequential damage in connection herewith or arising hereunder.

Section 2.04 Disclaimer of the Authority.

The District acknowledges and agrees that the Authority makes no representation or warranty, express or implied, as to the Enterprise or the Project, except as expressly set forth in this Installment Purchase Contract. The District acknowledges that all risks relating to the Enterprise or the Project or the transactions contemplated hereby, are to be borne by the District, and the benefits of any and all implied warranties and representations of the Authority are hereby waived by the District.

Section 2.05 Acquisition Fund.

There is hereby established by the District a fund known as the "Acquisition Fund," which the District shall maintain and hold. On the Closing Date, \$[_____] shall be deposited into the Acquisition Fund. The moneys in the Acquisition Fund shall be applied to the payment of the costs of Acquisition of the Project or to reimburse the District for previous costs expended in the acquisition or construction of the Project, and of expenses incidental thereto. In addition, a portion of the amounts paid by the Lender under the Assignment Agreement shall be transferred by the Lender, at the request of the District, to the Custodian pursuant to the Custodian Agreement to pay Delivery Costs in the amount of \$_____. Any Delivery Costs in excess of \$_____ shall be paid by the District.

**ARTICLE III.
INSTALLMENT PAYMENTS, REVENUES AND ACCOUNTS**

Section 3.01 Payment of the Installment Payments.

The total principal amount of the Installment Payments owed and to be paid by the District to the Lender, as assignee of the Authority under the Assignment Agreement, for the Project is \$[_____] plus interest thereon, calculated at the rate of 3.20% per annum. The Installment Payments shall, subject to any rights of prepayment of the District provided in Article VI, be due in installments in the amounts and on the dates described in Exhibit B attached hereto.

Each Installment Payment shall be payable to the Lender in accordance with the terms hereof and at the times required by this Section 3.01 in lawful money of the United States of America. In the event the District fails to make any of the payments required to be made by it under this Section 3.01, such payment shall continue as an obligation of the District until such amount shall have been fully paid and the District agrees to pay the same with the stated interest thereon at the rate set forth in the preceding paragraph.

The obligation of the District to make the Installment Payments is absolute and unconditional, and until such time as all Installment Payments shall have been fully paid (or provision for the payment

thereof shall have been made pursuant to Article VI hereof), the District will not, under any circumstances, discontinue, abate or suspend any Installment Payments required to be made by it under this Section 3.01 when due, whether or not the Enterprise or any part thereof is operating or operable or has been completed, or whether or not the Enterprise is condemned, damaged, destroyed or seized 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 reduction whether by offset, counterclaim, defense, recoupment, abatement, suspension, deferment or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement or covenant contained herein for any cause whatsoever.

Section 3.02 Interest Component of the Installment Payments.

The Installment Payments shall bear interest from the Closing Date until the payment of the principal thereof and the prepayment premiums, if any, thereon, shall have been made or provided for in accordance with the provisions of Article VI hereof, whether at maturity, upon prepayment or otherwise. Interest accrued on the Installment Payments from the Closing Date and from each Installment Payment Date to, but not including, the next succeeding Installment Payment Date shall be paid on each such succeeding Installment Payment Date and shall be computed on the basis of a year of 360 days and twelve 30-day months. In the event of an Event of Default hereunder, the interest component of the portion of the Installment Payment shall be calculated based on the Default Rate. In the event of a Determination of Taxability, the rate of interest on the Installment Payments shall be the Taxable Rate.

Section 3.03 Establishment of Accounts.

The funds and accounts and flow of funds set forth in this Article III are hereby established and shall control to the extent inconsistent with any other terms of this Installment Purchase Contract.

Section 3.04 Pledges of Net Revenues and Other Funds; Debt Service Fund.

The District hereby irrevocably pledges all of the Net Revenues to the punctual payment of the Installment Payments and any Parity Obligations, and such Net Revenues, except as otherwise permitted herein, shall not be used for any other purposes while any of the Installment Payments are due hereunder. The pledge of Net Revenues to secure the Installment Payments and any Parity Obligations shall constitute a first lien on the Net Revenues, for the payment of such Installment Payments and such Parity Obligations in accordance with the terms hereof and thereof.

Pursuant to Section 5451 of the Government Code of the State of California, the pledge of the Net Revenues by the District for the repayment of the principal of, premium, if any, and interest components of the Installment Payments constitutes a first lien and security interest which immediately attaches to such Net Revenues, and is effective and binding against the District, the Authority, their successors, creditors and all others asserting rights therein irrespective of whether those parties have notice of the pledge, irrespective of whether such amounts are or may be deemed to be a fixture and without the need for physical delivery, recordation, filing or further act.

There is hereby established with the District a fund known as the "Debt Service Fund," which the District shall maintain and hold in trust separate and apart from other funds held by it. Within the Debt Service Fund, the District shall establish a Debt Service Account and a Redemption Account. Installment Payments made by the District shall be deposited in the Debt Service Account. Such payments shall be net of amounts already on deposit therein that are in excess of the amount required

to accumulate therein pursuant to Section 3.01 above. The District shall transfer the money contained in the Debt Service Account and the Redemption Account at the following respective times in the following respective accounts in the following order of priority in the manner hereinafter provided, each of which accounts the District hereby agrees to establish and maintain so long as any Installment Payments are due hereunder, and the money in each of such accounts shall be disbursed only for the purposes and uses hereinafter authorized:

- (i) Debt Service Account. All moneys in the Debt Service Account shall be used and withdrawn by the District solely for the purpose of paying Installment Payments and principal of and interest on any Parity Obligations on each Installment Payment Date. The District shall be entitled to receive as a credit against Installment Payments an amount equal to the amount of any balance contained in the Debt Service Account prior to the Due Date for such Installment Payments (excluding money designated or necessary for the payment of Parity Obligations).
- (ii) Redemption Account. The District, on any optional prepayment date, shall deposit in the Redemption Account moneys to accomplish any such optional prepayment. All money in the Redemption Account shall be used and withdrawn by the District solely for the purpose of paying the Installment Payment to be optionally prepaid on their respective prepayment dates.

Section 3.05 Receipt and Deposit of Revenues; Establishment and Maintenance of Accounts for Revenues; Use and Withdrawal of Revenues.

The District covenants and agrees that all Revenues, when and as received, will be received and held by the District in trust hereunder for the benefit of the Lender, as assignee of the Authority under the Assignment Agreement, and for the benefit of the holders of any Parity Obligations. All Revenues will be deposited by the District in the Revenue Fund (which the District hereby covenants and agrees to maintain so long as any Installment Payments are due hereunder) and will be accounted for through and held in trust in the Revenue Fund; provided, that the District may withdraw such amounts in the Revenue Fund as may be necessary to make refunds for amounts paid in advance for services provided by the Enterprise, which such service was not thereafter made available or provided. All Revenues held by the District shall be disbursed, allocated and applied solely to the uses and purposes hereinafter in this Article III set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

All Revenues in the Revenue Fund shall be set aside by the District or deposited by the District as follows and in the following order of priority:

- (a) Maintenance and Operation Costs of the Enterprise. In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants to pay all Maintenance and Operation Costs of the Enterprise (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs of the Enterprise, the payment of which is not then immediately required) from the moneys in the Revenue Fund as they become due and payable.
- (b) Debt Service Funds. Installment Payments payable pursuant to Section 3.01 above, and all other payments relating to principal and interest on or with respect to Parity Obligations, shall be paid in accordance with the terms hereof and of such Parity Obligations, without preference or

priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference.

(c) General Expenditures. All Revenues not required to be withdrawn pursuant to the provisions of (a) and (b) above shall be used for expenditure for any lawful purpose of the District, including payment of any rebate requirement or of any obligation subordinate to the payment of all amounts due hereunder or under Parity Obligations. The District may maintain and hold a separate fund to be known as the "Rate Stabilization Fund." From time to time the District may deposit in the Rate Stabilization Fund, from remaining Net Revenues described in this Section 3.05(c) or other available funds of the District, such amounts as the District shall determine. The District may withdraw amounts from the Rate Stabilization Fund (i) for transfer to the Revenue Fund for inclusion in Revenues for any Fiscal Year, or (ii) for any other lawful use of the District. Amounts so transferred from the Rate Stabilization Fund to the Revenue Fund in any Fiscal Year constitutes Revenues for that Fiscal Year and will be applied for the purposes of the Revenue Fund. All interest or other earnings upon deposit in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Revenues. Amounts on deposit in the Rate Stabilization Fund are not pledged to and do not secure the Installment Payments or any Parity Obligations.

Section 3.06 Investment of Funds.

Amounts on deposit in any fund or account created pursuant to this Installment Purchase Contract shall be invested in Permitted Investments which will, as nearly as practicable, mature on or before the dates when such money is anticipated to be needed for disbursement hereunder. Interest or profit received on such investments shall be deposited to the Debt Service Fund in which such investments are then held. In computing the amount in any fund or account, Permitted Investments shall be valued at market value, exclusive of accrued interest.

If at any time after investment therein a Permitted Investment ceases to meet the criteria set forth in the definition of Permitted Investments and such obligation, aggregated with other non-conforming investments, exceeds five percent (5%) of invested funds, such Permitted Investment shall be sold or liquidated.

**ARTICLE IV.
PARITY OBLIGATIONS**

Section 4.01 Parity Obligations.

(a) So long as any Installment Payments are due hereunder, the District shall not issue or incur any obligations payable from Revenues or Net Revenues senior or superior to the payment of the Installment Payments due hereunder. The District may at any time issue Parity Obligations payable from Net Revenues on a parity with the Installment Payments due hereunder to provide financing or refinancing for the Enterprise in such principal amount as shall be determined by the District. The District may issue or incur any such Parity Obligations subject to the following specific conditions, which are hereby made conditions precedent to the issuance and delivery of such Parity Obligations:

- (i) No Event of Default shall have occurred and be continuing;

(ii) The Net Revenues (calculated without taking into account any amounts transferred into the Revenue Fund from the Rate Stabilization Fund pursuant to Section 3.05(c) hereof), calculated in accordance with Generally Accepted Accounting Principles, either (i) as shown by the books of the District for the latest Fiscal Year, as verified by a certificate of an Authorized Officer of the District, or (ii) as shown by the books of the District for any more recent twelve (12) month period selected by the District, as verified by a certificate or opinion of an Independent Certified Public Accountant employed by the District, plus in either case (at the option of the District) the Additional Revenues, shall be at least equal to one hundred twenty-five percent (125%) of the amount of Maximum Annual Debt Service on all outstanding Parity Obligations and the Parity Obligations to be issued; and

(iii) Except with respect to this Installment Purchase Contract, and at the District's sole discretion, there shall be established from the proceeds of such Parity Obligations a reserve fund for the security of such Parity Obligations, in an amount equal to the lesser of (i) the maximum amount of debt service required to be paid by the District with respect to such Parity Obligations during any Fiscal Year and (ii) the maximum amount then permitted under the Tax Code, in either event as certified in writing by the District.

(b) The provisions of subsection (ii) of this Section shall not apply to any Parity Obligations if, and to the extent that (1) all of the proceeds of such Parity Obligations (other than proceeds applied to pay costs of issuing such Parity Obligations and to make the reserve fund deposit required pursuant to subsection (iii) of this Section) shall be deposited in an irrevocable escrow held in cash or invested in Federal Securities for the purpose of paying the principal of and interest and premium (if any) on such outstanding Parity Obligations, and (2) at the time of the incurring of such Parity Obligations, the District certifies in writing that maximum annual debt service on such Parity Obligations will not exceed Maximum Annual Debt Service on the outstanding Parity Obligations being refunded, and (3) the final maturity of such Parity Obligations is not later than the final maturity of the Parity Obligations being refunded.

(c) In order to maintain the parity relationship of debt service payments on all Parity Obligations permitted hereunder, the District covenants that all payments in the nature of principal and interest or reserve account replenishment with respect to any Parity Obligations, will be structured to occur semi-annually on the Installment Payment Dates and in each year as such payments are due with respect to the debt service payments on the Loan, and reserve account replenishment with respect to any Parity Obligations will be structured to occur monthly, and to otherwise structure the terms of such Parity Obligations to ensure that they are in all respects payable on a parity with the debt service payments on Parity Obligations and not prior thereto.

(d) The District may at any time execute contracts or issue bonds or other indebtedness payable from Net Revenues or the Revenue Fund payable on a subordinated basis to the payment of the Debt Service payments on Parity Obligations.

ARTICLE V.
REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 5.01 Compliance with Installment Purchase Contract.

The District shall not suffer or permit any material default by it to occur under this Installment Purchase Contract, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms hereof required to be complied with, kept, observed and performed by it.

Section 5.02 Observance of Laws and Regulations.

The District shall faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by it, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Section 5.03 Prosecution and Defense of Suits.

The District shall promptly, upon request of the Authority or the Lender, take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Project or any part thereof, whether now existing or hereafter developing, will prosecute all actions, suits or other proceedings as may be appropriate for such purpose and will indemnify and save the Authority and the Lender harmless from all cost, damage, expense or loss, including reasonable attorneys' fees, which they or any of them may incur by reason of any such cloud, defect, action, suit or other proceeding.

Section 5.04 Accounting Records and Statements.

The District shall keep proper accounting records in which complete and correct entries shall be made of all transactions made by the District relating to the receipt, deposit and disbursement of the Revenues, Net Revenues and Installment Payments, and such accounting records shall be available for inspection by the Lender or its agent duly authorized in writing on any Business Day upon reasonable notice at reasonable hours and under reasonable conditions prescribed by the District.

Section 5.05 Further Assurances.

Whenever and so often as requested to do so by the Lender, the District shall 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 Lender all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by this Installment Purchase Contract.

Section 5.06 Against Encumbrances.

The District hereby represents that there is no pledge of or lien on Net Revenues senior to the pledge and lien securing the Installment Payments. The District shall not make any pledge of or place any lien on the Net Revenues, provided that the District may at any time, or from time to time, pledge or encumber the Net Revenues in connection with the issuance or execution of Parity Obligations in accordance with Section 4.01 or other obligations permitted hereby, or subordinate to the pledge of Net Revenues herein.

Section 5.07 Against Sale or Other Disposition of Property.

The District shall not sell, lease, encumber or otherwise dispose of the Enterprise or any part thereof in excess of one-half of one percent of the book value of the Enterprise in any Fiscal Year, unless a Finance Officer certifies that such sale, lease, encumbrance or disposition will not materially adversely affect the operation of the Enterprise or the Net Revenues; provided however, any real or personal property which has become non-operative or which is not needed for the efficient and proper operation of the Enterprise, or any material or equipment which has become worn out, may be sold or exchanged at not less than the fair market value thereof and the proceeds (if any) of such sale or exchange shall be deposited in the Revenue Fund.

The District shall not enter into any agreement or lease which would impair the ability of the District to meet the covenant set forth in Section 5.16 hereof or which would otherwise impair the rights of the Lender or the operation of the Enterprise.

Section 5.08 Against Competitive Facilities.

To the extent permitted by law, the District covenants that it will not acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers and excluding any water system existing on the date of execution of this Installment Purchase Contract, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any water system competitive with the Enterprise.

Section 5.09 Reserved.

Section 5.10 Maintenance and Operation of the Enterprise; Budgets.

The District shall maintain and preserve the Enterprise in good repair and working order at all times and will operate the Enterprise in an efficient and economical manner. The District shall pay all Maintenance and Operation Costs of the Enterprise as they become due and payable.

Section 5.11 Payment of Claims.

The District shall pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or any part thereof or on any funds in the control of the District prior or superior to the lien of the Installment Payments or which might impair the security of the Installment Purchase Contract; provided the District shall not be obligated to make such payment so long as the District contests such payment in good faith.

Section 5.12 Compliance with Contracts.

The District shall comply with, keep, observe and perform all agreements, conditions, covenants and terms, expressed or implied, required to be performed by it contained in all contracts for the use of the Enterprise and all other contracts affecting or involving the Enterprise to the extent that the District is a party thereto.

Section 5.13 Insurance.

(a) The District shall procure and maintain insurance on the Enterprise with commercial insurers or through participation in a joint powers insurance authority, in such amounts, with such deductibles and against such risks (including accident to or destruction of the Enterprise) as are usually insurable in accordance with industry standards with respect to similar enterprises and consistent with the District's current coverage.

In the event of any damage to or destruction of the Enterprise caused by the perils covered by such insurance, the proceeds of such insurance shall be applied to the repair, reconstruction or replacement of the damaged or destroyed portion of the Enterprise. The District shall cause such repair, reconstruction or replacement to begin promptly after such damage or destruction shall occur and to continue and to be properly completed as expeditiously as possible, and shall pay out of the proceeds of such insurance all costs and expenses in connection with such repair, reconstruction or replacement so that the same shall be completed and the Enterprise shall be free and clear of all liens and claims, unless the District determines that such reconstruction, repair, or replacement is not necessary to the efficient or proper operation or use of the Enterprise and therefore determines not to reconstruct, repair, or replace such damaged or destroyed portion of the Enterprise. If such Net Proceeds exceed the costs of such reconstruction, repair, or replacement, then the excess Net Proceeds shall be deposited in such funds and accounts of the District as is permitted by law.

The District shall procure and maintain commercial general liability insurance covering claims against the District for bodily injury or death, or damage to property, occasioned by reason of the ownership or operation of the Enterprise, such insurance to afford protection in such amounts and against such risks as are usually covered in connection with similar enterprises.

The District shall procure and maintain workers' compensation insurance against liability for compensation under the Workers' Compensation Insurance and Safety Act of California, or any act hereafter enacted as an amendment or supplement or in lieu thereof, such insurance to cover all persons employed in connection with the Enterprise.

In lieu of obtaining insurance coverage as required by this Section, such coverage may be maintained by the District in the form of self-insurance so long as the District certifies that (i) the District has segregated amounts in a special insurance reserve meeting the requirements of this Section; (ii) an Insurance Consultant certifies annually, on or before December 1 of each year in which self-insurance is maintained, in writing that the District's general insurance reserves are actuarially sound and are adequate to provide the necessary coverage; and (iii) such reserves are held in a separate trust fund by an independent trustee. The District shall pay or cause to be paid when due the premiums for all insurance policies required hereby.

Section 5.14 Books and Accounts; Financial Statements.

The District shall keep proper books of record and accounts of the Enterprise and the Debt Service Fund all separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Enterprise and relating to the funds created by this Installment Purchase Contract. Said books shall, upon prior request, be subject to the inspection by the Lender, or its representatives authorized in writing, upon not less than five (5) Business Days' prior notice to the District.

The District shall cause the books and accounts of the Enterprise, which shall include a statement of revenues and expenditures and changes in fund balances, a balance sheet and a statement of cash flow, to be audited annually by an independent certified public accountant or firm of certified public accountants, not more than two hundred and seventy (270) days after the close of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2022. The District shall send a copy of such report and all related financial statements and notes to the Lender not more than two hundred and seventy (270) days after the close of each Fiscal Year, commencing with the Fiscal Year ending June 30, 2022. No later than thirty (30) days after its adoption, the District shall also send to the Lender a copy of the annual budget of the Enterprise and any amendment or supplement thereto and any other financial information reasonably requested by the Lender.

The District shall further provide the following to the Lender:

- (i) IMMEDIATE NOTICE BY TELEPHONE, PROMPTLY CONFIRMED IN WRITING, OF ANY EVENT, ACTION OR FAILURE TO TAKE ANY ACTION WHICH CONSTITUTES AN EVENT OF DEFAULT OR DEFAULT HEREUNDER.
- (ii) PROMPT WRITTEN NOTICE OF ANY MATERIAL LITIGATION.
- (iii) PROMPT WRITTEN NOTICE OF ANY EVENT WHICH HAS OR IS REASONABLY ANTICIPATED TO HAVE A MATERIAL ADVERSE EFFECT.

Section 5.15 Payment of Taxes and Compliance with Governmental Regulations.

The District shall pay and discharge all taxes, assessments and other governmental charges, if any, which may hereafter be lawfully imposed upon the Enterprise or any part thereof or upon the Revenues when the same shall become due and the District shall duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Enterprise or any part thereof. However, the District shall not be required to make such payments, or to comply with any regulations or requirements, so long as the payment or validity or application thereof shall be contested in good faith.

Section 5.16 Amounts of Rates and Charges.

(a) The District shall, at all times while the Installment Payments due hereunder remains outstanding, fix, prescribe and collect rates, fees and charges in connection with the Enterprise so as to yield Revenues at least sufficient, after making reasonable allowances for contingencies and errors in the estimates, to pay the following amounts in the order set forth below:

- (i) All Maintenance and Operation Costs of the Enterprise;

(ii) The Debt Service payments and all other payments (including payments under reimbursement agreements) with respect to all Parity Obligations as they become due and payable;

(iii) All amounts, if any, required to restore the balance in any reserve accounts established for Parity Obligations in accordance with the terms of such Parity Obligation Documents, without preference or priority; and

(iv) All payments required to meet any other obligations of the District that are charges, liens, encumbrances upon, or which are otherwise payable from the Revenues during such Fiscal Year.

(b) Furthermore, the District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Enterprise during each Fiscal Year which are sufficient to yield estimated Net Revenues which are at least equal to one hundred twenty-five percent (125%) of the aggregate amount of Debt Service on all Parity Obligations payable from Net Revenues coming due and payable during such Fiscal Year. The District may make adjustments, from time to time, in its rates, fees and charges as it deems necessary, but shall not reduce its rates, fees and charges below those in effect unless the Net Revenues resulting from such reduced rates, fees and charges shall at all times be sufficient to meet the requirements set forth in this paragraph.

(c) If the District violates the covenants set forth in subsections (a) or (b) hereof, such violation shall not, in and of itself, be a default under this Installment Purchase Contract and shall not give rise to a declaration of an Event of Default so long as (i) Net Revenues (calculated without taking into account any amounts transferred into the Revenue Fund from the Rate Stabilization Fund pursuant to subsection (d) below), are at least equal to the Maximum Annual Debt Service coming due and payable during such Fiscal Year, and (ii) within 120 days after the date such violation is discovered, the District either (y) transfers enough moneys from the Rate Stabilization Fund sufficient to yield estimated Net Revenues which are at least equal to one hundred twenty-five percent (125%) of the aggregate amount of Debt Service on all Parity Obligations payable from Net Revenues coming due and payable during such Fiscal Year in compliance with subsection (b) hereof, or (z) hires an Independent Financial Consultant to review the revenues and expenses of the Enterprise, and abides by such consultant's recommendations to revise the schedule of rates, fees, expenses and charges, and to revise any Maintenance and Operation Costs insofar as practicable, and to take such other actions as are necessary so as to produce Net Revenues to cure such violation for future compliance; provided, however, that, if the District does not, or cannot, transfer from the Rate Stabilization Fund the amount necessary to comply with subsection (b) hereof, or otherwise cure such violation within twelve (12) months after the date such violation is discovered, an Event of Default shall be deemed to have occurred under Section 7.01(b) hereof.

Section 5.17 Collection of Rates and Charges.

The District shall have in effect at all times rules and regulations requiring all users of the Enterprise to pay the assessments, rates, fees and charges applicable to the Enterprise provided or made available to such users. Such rules and regulations shall also provide for the billing thereof and for a due date and a delinquency date for each bill.

Section 5.18 Eminent Domain Proceeds.

If all or any part of the Enterprise shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If (1) the District certifies (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the Enterprise proposed to be acquired by the District from any Net Proceeds, and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements, and (2) on the basis of such certificate, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive); then the District shall promptly proceed with the acquisition of such additions, betterments, extensions or improvements substantially in accordance with such certification and such Net Proceeds shall be applied for the payment of the costs of such acquisition, and any balance of such Net Proceeds not required by the District for such purpose shall be deposited in such funds and accounts of the District as is permitted by law.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied to prepay the Installment Payments, and any Parity Obligations, on a pro rata basis in the manner provided herein and in the instruments authorizing such Parity Obligations.

Section 5.19 Notification of Material Adverse Effect.

The District shall timely inform the Lender of any Material Adverse Effect upon learning of the existence of such an effect.

Section 5.20 Tax Covenants.

The District shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, the interest with respect to the Installment Payments to become includable in gross income for federal income tax purposes. To that end, the District hereby makes the following specific covenants:

(a) The District hereby covenants that it shall not make or permit any use of the proceeds of this Installment Purchase Contract that may cause the Installment Purchase Contract to be “arbitrage bonds” within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

(b) The District covenants that the proceeds of the Installment Purchase Contract will not be used as to cause the proceeds of the Installment Purchase Contract to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(c) The District covenants not to take any action or permit or suffer any action to be taken if the result of the same would be to cause the Installment Purchase Contract to be “federally guaranteed” within the meaning of Section 149(b) of the Tax Code.

In furtherance of the covenants stated in this Section, the District shall comply with the requirements of the Tax Certificate executed in connection with this Installment Purchase Contract.

Section 5.21 Further Representations, Covenants and Warranties of the District.

The District represents, covenants and warrants to the Lender as follows:

(a) The District is a duly organized and validly existing irrigation district of the State of California.

(b) The Constitution and the laws of the State of California authorize the District to enter into the Installment Purchase Contract and to enter into the transactions contemplated thereby and to carry out its obligations under each of the aforesaid agreements, and the District has duly authorized and executed each of the aforesaid agreements in accordance with the laws of the State of California.

(c) The District has duly authorized and executed this Installment Purchase Contract in accordance with the laws of the State of California.

(d) The District is empowered to set rates and charges for services provided by the Enterprise provided to the users of the Enterprise without review or approval by any state or local governmental agency.

(e) This Installment Purchase Contract and the pledge of Net Revenues is a first lien and pledge on Net Revenues.

(f) Neither the execution and delivery of the Installment Purchase Contract nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the District is now a party or by which the District is bound, or constitutes a default under either of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the District.

(g) No consent, approval, authorization, order, filing, registration, qualification, election or referendum, of or by any court or governmental agency or public body whatsoever is required in connection with the issuance, delivery or sale of the Installment Payments or the consummation of the other transactions effected or contemplated herein or hereby. The District gives no representation or warranty with regard to compliance with Blue Sky or similar securities requirements.

(h) The District does not enjoy any rights of immunity on the grounds of sovereign immunity in respect of its obligations under the Installment Purchase Contract or otherwise with respect to the Installment Payments. To the extent the District has or hereafter may acquire under any applicable law any rights to immunity from legal proceedings on the grounds of sovereignty, the District hereby waives, to the extent permitted by law, such rights to immunity for itself in respect of its obligations arising under or related to the Installment Purchase Contract or otherwise with respect to the Installment Payments.

(i) The statement of financial position of the Enterprise as of June 30, 2021, and the related statement of activities and statement of cash flows and changes in financial position for the year then ended and the auditors' reports with respect thereto, copies of which have heretofore been furnished to the Lender, are complete and correct and fairly present the financial condition, changes in financial position and results of operations of the Enterprise at such date and for such period, and were prepared in accordance with generally accepted accounting principles. Since the most current date of the information, financial or otherwise, supplied by the District to the Lender:

1. there has been no change in the assets, liabilities, financial position or results of operations of the Enterprise that might reasonably be anticipated to cause a Material Adverse Effect;
2. the Enterprise has not incurred any obligations or liabilities which might reasonably be anticipated to cause a Material Adverse Effect; and
3. the Enterprise has not: (A) incurred any material indebtedness, other than the Installment Payments or as previously disclosed to the Lender, and trade accounts payable arising in the ordinary course of the District's business and not past due; or (B) guaranteed the indebtedness of any other person.

(j) All information, reports and other papers and data furnished by the District to the Lender were, at the time that the same were so furnished, complete and accurate in all material respects and insofar as necessary to give the Lender a true and accurate knowledge of the subject matter and were provided in expectation of the Lender's reliance thereon in entering into the transactions contemplated by this Installment Purchase Contract. No fact is known to the District which has had or, so far as the District can now reasonably foresee, may in the future have a Material Adverse Effect, which has not been set forth in the financial statements previously furnished to the Lender or in other such information, reports, papers and data or otherwise disclosed in writing to the Lender prior to the date hereof. Any financial, budget and other projections furnished to the Lender by the District or its or their agents were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of the conditions existing at the time of delivery of such financial, budget or other projections, and represented, and as of the date of this representation, represent the District's best estimate of the Enterprise's future financial performance. No document furnished nor any representation, warranty or other written statement made to the Lender in connection with the negotiation, preparation or execution of this Installment Purchase Contract contains or will contain any untrue statement of a material fact or omits or will omit to state (as of the date made or furnished) any material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which they were or will be made, not misleading.

(k) The District has structured fees, estimated revenues and/or taken other lawful actions necessary to ensure that the pledge of and lien on Revenues are sufficient to pay all Installment Payments when due and payable, and such moneys have been and will continue to be applied in the funds and accounts as required herein and towards payment of all Installment Payments when due and payable.

(l) The District is not listed on the Specially Designated Nationals and Blocked Person List or other similar lists maintained by the U.S. Department of the Treasury's Office of Foreign Assets Control, and any successor thereto, the Secretary of the Treasury, or included in any Executive Orders, that prohibits or limits the Lender from making any advance or extension of credit to the District or from otherwise conducting business with the District.

(m) The District is in compliance with all applicable laws, except for noncompliance that, singly or in the aggregate, has not caused and could not reasonably be expected to cause a Material Adverse Effect or an adverse effect on the District's ability to perform its obligations hereunder.

(n) The District has reviewed the effect of Applicable Environmental Laws on the business, operations and properties of the District, and has identified and evaluated associated liabilities and costs (including, without limitation, any capital or operating expenditures required for cleanup or closure of properties presently or previously owned or operated, any capital or operating expenditures required to achieve or maintain compliance with environmental protection standards imposed by law or as a condition of any license, permit or contract, and related constraints on operating activities, including any periodic or permanent shutdown of any facility or reduction in the level of or change in the nature of operations conducted there at and any actual or potential liabilities to third parties, including employees, and any related costs and expenses). On the basis of this review, the District has reasonably concluded that it has not failed to comply with any Applicable Environmental Laws in a manner which may reasonably be expected to have a Material Adverse Effect.

(o) To the best of its knowledge, the District has never non-appropriated or defaulted under any of its payment or performance obligations or covenants, either under any financing lease of the same general nature as this Installment Purchase Contract, or under any of its bonds, notes, or other debt obligations. In addition, no Event of Default or default hereunder has occurred and is continuing or exists.

(p) The District does not enjoy any rights of immunity on the grounds of sovereign immunity in respect of its obligations under this Installment Purchase Contract. To the extent that the District has or hereafter may acquire under any applicable law any right to immunity from set-off or legal proceedings on the grounds of sovereignty, the District hereby waives, to the fullest extent permitted by law, such rights to immunity for itself in respect of its obligations arising under or related to this Installment Purchase Contract to which it is a party; provided that the Lender shall comply with the California Tort Claims Act (California Government Code Sections 810-996.6).

(q) Other than the Series 2014 Wastewater Installment Sale Agreement, dated as of April 15, 2014 between the District and Umpqua Bank, there are no other debts of the District that are Parity Obligations.

Section 5.22 Representations, Covenants and Warranties of the Authority.

The Authority represents, covenants and warrants to the District as follows:

(a) The Authority is 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 Installment Purchase Contract and to carry out and consummate all transactions contemplated by this Installment Purchase Contract and by proper action has duly authorized the execution and delivery and due performance of this Installment Purchase Contract.

(b) The execution and delivery of this Installment Purchase Contract and the consummation of the transactions herein contemplated shall 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) Neither the Authority, nor the Lender as assignee of the Authority, shall assign this Installment Purchase Contract or its right to receive Installment Payments from the District, or its duties and obligations under the Installment Purchase Contract to any other person, firm or corporation, except to affiliates of the Authority or affiliates of the Lender or to banks, insurance companies or other financial institutions or their affiliates, including participation arrangements with such entities; provided, (i) no such assignment shall be made that would cause there to be more than 15 such assignees or any interest in the Installment Payments of less than \$100,000 and (ii) such assignee shall deliver a letter of representations to the District in a form addressed to and acceptable to the District and in substantially the same form delivered by the Lender in connection with the execution of this Installment Purchase Contract.

Section 5.23 Representations, Covenants and Warranties of the District and the Authority.

Each of the District and the Authority represent, warrant and covenant that: (i) the transaction contemplated herein and in the Assignment Agreement is an arm's length commercial transaction among the District, the Authority and the Lender and its affiliates, (ii) in connection with such transaction, the Lender and its affiliates are acting solely as a principal and not as an advisor including, without limitation, a "Municipal Advisor" as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules"), an agent or a fiduciary of the District or the Authority, (iii) the Lender and its affiliates are relying on the Bank exemption in the Municipal Advisor Rules, (iv) the Lender and its affiliates have not provided any advice or assumed any advisory or fiduciary responsibility in favor of the District or the Authority with respect to the transaction contemplated hereby or by the Assignment Agreement and the discussions, undertakings and procedures leading thereto (whether or not the Lender, or any affiliate of the Lender, has provided other services or advised, or is currently providing other services or advising the District on other matters), (v) the Lender and its affiliates have financial and other interests that differ from those of the District or the Authority, and (vi) each of the District and the Authority has consulted with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent it deemed appropriate.

ARTICLE VI.
PREPAYMENT OF INSTALLMENT PAYMENTS

Section 6.01 Prepayment.

(a) The District may prepay the unpaid principal balance of the Installment Payments in whole or in part, on any Installment Payment Date described below, by paying a prepayment price equal to the principal amount of the Installment Payments to be prepaid, plus accrued interest to the date of prepayment, with the repayment premium, if any as follows:

<u>Prepayment Date</u>	<u>Prepayment Premium</u>
Any Installment Payment Date from September 1, 2022 to September 1, 2024	3%
Any Installment Payment Date from March 1, 2025 to September 1, 2026	2%
Any Installment Payment Date from March 1, 2027 to September 1, 2028	1%
Any Installment Payment Date from March 1, 2029 and thereafter	0%

(b) The District may or shall, as the case may be, prepay on any date from the Net Proceeds of insurance or condemnation awards, as provided herein, all or any part, in integral multiples of \$5,000, of the principal amount of the unpaid Installment Payments, pro-rata among the remaining Installments Payments, at a prepayment price equal to the sum of the principal amount prepaid plus accrued and unpaid interest thereon to the date of prepayment, without premium.

In the event that a portion of the Installment Payments shall have been prepaid by the District pursuant to subsection (b) above, the total amount of all future payments set forth in the schedules attached hereto as Exhibit B shall be reduced by the aggregate amount of Installment Payments so prepaid, as the case may be, as agreed to in writing by the Lender. The Lender shall provide the District a revised schedule of Installment Payments.

Notwithstanding any such prepayment, the District shall not be relieved of its obligations hereunder, including its obligations under Article III hereof, until the entire principal amount of the unpaid Installment Payments together with the interest accrued thereon, if any, and together with the ordinary and extraordinary fees, costs and expenses of the Lender, shall have been fully paid and the Installment Payments are no longer due hereunder (or provision for payment thereof shall have been made pursuant to Section 6.03 hereof).

Section 6.02 Method of Prepayment.

Before making any prepayment pursuant to Section 6.01(b), the District shall, give written notice to the Lender specifying the date on which the prepayment shall be made, which date shall be not less than thirty (30) days from the date such notice is given.

Section 6.03 Security Deposit.

Notwithstanding any other provision of this Installment Purchase Contract, the District may secure the payment of (i) all or a portion of the Installment Payments by a deposit with the Lender or,

at the Lender's sole option, a bank or trust company acceptable to the Lender, as escrow holder under an escrow deposit and trust agreement, of either (i) cash in an amount which is sufficient to pay such unpaid Installment Payments, including the principal and interest components thereof, in accordance with the Installment Payment schedule set forth in Exhibit B attached hereto, or (ii) non-callable Federal Securities or pre-refunded non-callable municipal obligations rated "AA" and "Aa" by S&P and Moody's, respectively, together with cash if required, in such amount as shall, without re-investment, in the opinion of an independent certified public accountant (which opinion shall be addressed to the Lender), together with interest to accrue thereon, be fully sufficient to pay such unpaid Installment Payments on their payment dates so that such Installment Payments shall be defeased; provided, that prior to any such deposit or defeasance, the District must provide an opinion of nationally recognized bond counsel addressed to the Lender to the effect that such deposit and defeasance shall not cause the interest component of the Installment Payments to be included in gross income for federal income tax purposes. In the event of any shortfall, the District shall deposit from legally available funds such amounts as is necessary to make up such shortfall. In all cases, deposits of cash or Federal Securities made to secure the Installment Payments pursuant to this paragraph shall be kept in segregated escrow accounts or escrow subaccounts and such deposits shall not be commingled for any reason.

In the event of deposits pursuant to this Section 6.03 sufficient to fully defease all of the Installment Payments, and provided that all other amounts payable by the District hereunder have been paid in full, all obligations of the District under this Installment Purchase Contract shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all Installment Payments from the deposits made by District pursuant to this Section 6.03 and the obligation to pay amounts due the Lender, as assignee of the Authority. Said deposits shall be deemed to be and each of the deposits shall constitute a separate special fund that may be used solely for the payment of the Installment Payments in accordance with the provisions of this Installment Purchase Contract, and pending such application shall be held in trust and pledged to and for the sole benefit of the Lender and any assignee or transferee of the Lender. The District hereby grants to the Lender, as assignee of the Authority, a first priority security interest in any amounts so deposited.

ARTICLE VII. EVENTS OF DEFAULT AND REMEDIES

Section 7.01 Events of Default and Events of Mandatory Acceleration; Acceleration of Maturities.

If one or more of the following Events of Default shall happen:

- (a) default shall be made in the due and punctual payment by the District of any Installment Payment when and as the same shall become due and payable;
- (b) default shall be made by the District in the performance of any of the representations, agreements or covenants contained herein required to be performed by it, and such default shall have continued for a period of thirty (30) days after the District shall have been given notice in writing of such default by the Lender;
- (c) any financial statement or certificate furnished to the Authority or the Lender in connection with the execution of this Installment Purchase Contract, or any representation or warranty

made by the District shall prove to be incorrect, false or misleading in any material respect when furnished or made;

(d) the District shall file a petition seeking arrangement or reorganization under 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 the consent of the District 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 District or of the whole or any substantial part of its property; or

(e) an event of default shall have occurred with respect to any Parity Obligations;

then and in each and every such case during the continuance of such Event of Default the Authority or the Lender as its assignee may, by notice in writing to the District declare all of the principal amount of the unpaid Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding.

This provision, however, is subject to the condition that, except with respect to an Event of Default under subsection (d) above, if at any time after such principal amount of the unpaid Installment Payments and the accrued interest thereon shall have been so declared immediately due and payable and before the acceleration date or the date of any judgment or decree for the payment of the money due shall have been obtained or entered:

(1) the District shall deposit with the Lender a sum sufficient to pay (x) all delinquent Installment Payments then-due and owing and causing an Event of Default under subsection (a) above and the accrued interest thereon, with any interest due on such overdue installments, and (y) the reasonable expenses of the Lender incurred as the result of such Event of Default, and

(2) any and all other defaults known to the Lender (other than in the payment of such overdue principal amount of the unpaid Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Lender or provision deemed by the Lender to be adequate shall have been made therefor, then and in every such case the Lender, by written notice to the District, may rescind and annul such declaration of immediate payment of all of the principal amount of the unpaid Installment Payments and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 7.02 Application of Funds Upon Default.

All moneys and investments in the funds and accounts held hereunder (other than the Rebate Fund, if any) upon the date of the declaration of an Event of Default as provided in Section 7.01, shall be applied to the payment of Installment Payments in accordance with Sections 3.04, 3.05 and 5.20 hereof and all Revenues thereafter received shall be applied as follows:

(a) Unless the principal of all Installment Payments shall have become or shall have been declared due and payable:

First: To the payment to the persons entitled thereto of the interest portion of all Installments Payments, with interest on overdue installments, if lawful, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably according to the amounts due on such installment, to the persons entitled thereto without any discrimination or privilege; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any of the Installment Payments which shall have become due, with interest at their rate from the respective dates upon which they became due, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Installment Payments due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, to the persons entitled thereto without any discrimination or privilege.

(b) If all of the Installment Payments shall have become due or shall have been declared due and payable, all such moneys shall be applied to the payment of the Installment Payments, with interest on overdue interest and principal, as aforesaid, without preference or priority over interest or of interest over principal or of any installment of interest over any other installment of interest, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

Section 7.03 Other Remedies of the Authority.

The Authority or the Lender, as assignee thereof, as applicable, may--

(a) by mandamus or other action or proceeding or suit at law or in equity enforce its rights against the District, or any board member, officer or employee thereof, and compel the District or any such board member, officer or employee to perform and carry out its or his duties under applicable law and the agreements and covenants contained herein required to be performed by it or him;

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

(c) by suit in equity upon the happening of an Event of Default require the District and its board members, officers and employees to account as the trustee of an express trust; or

(d) by suit in equity, to seek the appointment of a receiver or other third party to operate the Enterprise and collect the Revenues.

Section 7.04 Non-Waiver.

Nothing in this Article VII or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Installment Payments to the Lender at the respective due dates or upon prepayment from the Revenues, or, except as expressly provided herein, shall affect or impair the right of the Authority or the Lender, as assignee 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 Lender 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 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 Lender by applicable law or by this Article VII may be enforced and exercised from time to time and as often as shall be deemed expedient.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely, the parties 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 Remedies Not Exclusive.

No remedy herein conferred upon or reserved 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 any other law.

Section 7.06 Lender Exercise of Remedies.

The rights and remedies provided to the Authority under this Article VII have been assigned by the Authority to the Lender pursuant to the Assignment Agreement and shall be exercised by solely by the Lender in its discretion.

**ARTICLE VIII.
MISCELLANEOUS**

Section 8.01 Liability of District Limited.

Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the Installment Payments or for the performance of any agreements or covenants contained herein required to be performed by it. The District may, however, but shall not be required to, 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 District for such purpose.

The obligation of the District to make the Installment Payments and the other amounts due hereunder is a special obligation of the District payable solely the Net Revenues and does not constitute a debt or pledge of the faith and credit of the District or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Section 8.02 Benefits of Installment Purchase Contract Limited to Parties.

Except as provided in Section 8.03, nothing contained herein, express or implied, is intended to give to any person other than the District or the Lender 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 District or the Lender shall be for the sole and exclusive benefit of the other party.

Section 8.03 Successor Is Deemed Included In All References to Predecessor.

Whenever the District or the Authority is named or referred to herein, such reference shall be deemed to include the successor and assigns to the powers, duties and functions that are presently vested in the District or the Lender, and all agreements and covenants required hereby to be performed by or on behalf of the District or the Authority shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 8.04 Waiver of Personal Liability.

No board member, officer or employee of the District or the Authority shall be individually or personally liable for the payment of the Installment Payments, but nothing contained herein shall relieve any board member, officer or employee of the District or the Authority from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 8.05 Article and Section Headings, Gender and References.

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

Section 8.06 Partial Invalidity.

If any one or more of the agreements or covenants or portions thereof contained herein required to be performed by or on the part of the District or the Authority shall be contrary to the 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 District and the Authority hereby declare that they would have executed this Installment Purchase 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 8.07 Assignment.

(a) The District hereby consents to the Authority's assignment of this Installment Purchase Contract to the Lender pursuant to the Assignment Agreement.

(b) The Lender has the right at any time to assign, transfer, or convey this Installment Purchase Contract or any interest therein or portion thereof, but no such assignment, transfer or conveyance shall be effective as against the District unless and until the Lender has delivered to the District written notice thereof that discloses the name and address of the assignee or

the Loan Servicer (as hereafter provided and defined) and such assignment, transfer or conveyance shall be made only to (i) an affiliate of the Lender or (ii) banks, insurance companies or other financial institutions or their affiliates. Nothing herein limits the right of the Lender or its assignees to sell or assign participation interests in this Installment Purchase Contract to one or more entities listed in (i) or (ii), provided that any participation, custodial or similar agreement under which multiple ownership interests in this Installment Purchase Contract are created shall provide the method by which the owners of such interests shall establish the rights and duties of a single entity, owner, servicer or other fiduciary or agent acting on behalf of all of the assignees (herein referred to as the "Loan Servicer") to act on their behalf with respect to the rights and interests of the Lender under this Installment Purchase Contract, including with respect to the exercise of rights and remedies of the Lender on behalf of such owners upon the occurrence of an event of default under this Installment Purchase Contract.

Section 8.08 California Law.

This Installment Purchase Contract shall be construed and governed in accordance with the laws of the State of California.

Section 8.09 Notices.

All written notices to be given hereunder shall be given by certified 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 District: Calaveras County Water District
120 Toma Court (overnight delivery)
P.O. Box 846 (postal delivery)
San Andreas, California 95249
Attention: Director of Administrative Services

If to the Authority: CCWD Public Financing Authority
120 Toma Court (overnight delivery)
P.O. Box 846 (postal delivery)
San Andreas, California 95249
Attention: Executive Director

If to the Lender: First Foundation Public Finance
2233 Douglas Blvd., Suite 300
Roseville, California 95661
Attention: Trevor Mael

The parties hereto may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Unless otherwise requested by the parties, any notice required to be given hereunder in writing may be given by any form of Electronic Notice capable of making a written record.

Section 8.10 Effective Date.

This Installment Purchase Contract shall become effective upon its execution and delivery and shall terminate when all Installment Payments shall have been fully paid (or provision for the payment thereof shall have been made to the written satisfaction of the Lender pursuant to Article VI hereof).

Section 8.11 Execution in Counterparts.

This Installment Purchase 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.

Section 8.12 Amendments.

This Installment Purchase Contract may be amended in writing as may be mutually agreed by the District and the Lender in a signed writing. Any amendment made in violation of this Section 8.12 shall be a nullity and void.

Section 8.13 Third-Party Beneficiary.

The Lender shall be a third-party beneficiary of this Installment Purchase Contract.

Section 8.14 Expenses.

The fees and disbursements of Bond Counsel, the fees and disbursements of the financial advisor to the District, the cost of preparing the documents, fees of the counsel to the Lender and other miscellaneous expenses of the District incurred in connection with the execution and delivery of the Installment Purchase Contract, including CDIAC fees, shall all be the obligation of the District. The Lender shall have no responsibility for any expenses associated with the issuance of the Installment Purchase Contract, including, but not limited to, the expenses identified above as the obligation of the District.

Section 8.15 Restrictions on Agreement.

The District and the Lender understand that this Installment Purchase Contract shall not be, and the District and the Lender shall not cause this Installment Purchase Contract to be, (a) assigned a rating by any credit rating agency, (b) registered with The Depository Trust Company or any other securities depository, (c) offered pursuant to any type of offering document or official statement, (d) assigned a DTC-registered CUSIP number by Standard & Poor's CUSIP Service or (e) listed on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website.

Section 8.16 Website Disclosure.

If the District elects or is required to post this Installment Purchase Contract and related documentation on a national public market repository, the District may do so with certain information redacted pursuant to this Section. With respect to any such posting, the District shall provide such documentation to the Lender for review with reasonable advance notice prior to any posting deadline imposed by applicable law and shall consider in good faith reasonable redaction requests of the Lender Sensitive Data (defined below) that are provided within a reasonable period prior to such posting deadline. The District shall redact such "Bank Sensitive Data" as directed by the Lender. For the

purpose of this Section, "Bank Sensitive Data" means signatures/names, account numbers, wire transfer and payment instructions and any other data that could be reasonably construed as sensitive information.

Section 8.17 Judicial Reference.

TO THE EXTENT PERMITTED BY LAW, THE AUTHORITY, THE DISTRICT AND THE LENDER HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INSTALLMENT PURCHASE CONTRACT, THE ASSIGNMENT AGREEMENT OR ANY OF THE RELATED DOCUMENTS OR THE TRANSACTION CONTEMPLATED HEREBY OR THEREBY. IF AND TO THE EXTENT THAT THE FOREGOING WAIVER OF THE RIGHT TO A JURY TRIAL IS UNENFORCEABLE FOR ANY REASON IN SUCH FORUM, THE AUTHORITY, THE DISTRICT AND THE LENDER HEREBY CONSENT TO THE ADJUDICATION OF ANY AND ALL CLAIMS PURSUANT TO JUDICIAL REFERENCE AS PROVIDED IN CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638, AND THE JUDICIAL REFEREE SHALL BE EMPOWERED TO HEAR AND DETERMINE ANY AND ALL ISSUES IN SUCH REFERENCE WHETHER FACT OR LAW. THE AUTHORITY, THE DISTRICT AND THE LENDER REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND CONSENT AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS AND CONSENTS TO JUDICIAL REFERENCE FOLLOWING THE OPPORTUNITY TO CONSULT WITH LEGAL COUNSEL OF ITS CHOICE ON SUCH MATTERS. IN THE EVENT OF LITIGATION, A COPY OF THIS INSTALLMENT PURCHASE CONTRACT MAY BE FILED AS A WRITTEN CONSENT TO JUDICIAL REFERENCE UNDER CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638 AS PROVIDED HEREIN.

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

CALAVERAS COUNTY WATER DISTRICT

By: _____
General Manager

CCWD PUBLIC FINANCING AUTHORITY

By: _____
Executive Director

EXHIBIT A

DESCRIPTION OF THE PROJECT

General Description of the Arnold Secondary Clarifier & WWTP Improvements Project (CIP #15095)

The “Arnold Secondary Clarifier & WWTP Improvements Project” is located at the Calaveras County Water District’s Arnold Wastewater Treatment Plant located in the community of Arnold, California. The Arnold Secondary Clarifier & WWTP Improvements Project consists of the following work:

1. Demolition and abandonment of facilities to be replaced;
2. New secondary clarifier (to supplement existing clarifier);
3. New yard piping;
4. New Return Activated Sludge and Waste Activated Sludge (RAS/WAS) pump station;
5. New aerobic digestors;
6. New electrical, utility power supply, instrumentation, and PLC/SCADA controls;
7. New generators;
8. General site improvements; and
9. Other related improvements to provide a fully functional system.

General Description of the Copper Cove Lift Stations Project (CIP #15076 & #15080)

The “Copper Cove Lift Stations Project” is located at the Calaveras County Water District’s Copper Cove sewer collection and conveyance system located in the communities of the Copper Cove subdivision and the Lake Tullock Shores subdivision in Copperopolis, California. The forcemain will be located on O’Byrnes Ferry Road and Connors Estates Drive. The Copper Cove Lift Stations Project consists of the following work:

1. Demolition and replacement of Lift Stations 6, 8, 15 & 18;
2. Lift Stations 12 & 13 force main bypass consisting of approximately 5,000 linear feet of 6-in PVC forcemain and 900 linear feet of 4-in PVC forcemain;
3. New pumps, valves, meter and bypass connection vaults, wet well, flow meters, pressure transmitters, site piping, site work, slabs, hatches, ladders, paving, site restoration and all appurtenant work;
4. New pump controls, electrical, and instrumentation upgrades;
5. New PG&E electrical service upgrades;
6. New generators;
7. General site improvements; and
8. Other related improvements to provide a fully functional system.

EXHIBIT B

INSTALLMENT PAYMENT SCHEDULE

1. The principal amount of Installment Payments to be made by the District hereunder is \$[_____].

2. The Installment Payments of principal and interest are payable in the amounts and on the Installment Payment Dates as follows:

<i>Installment Payment Date</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest*</i>	<i>Total</i>
<i>Third Business Day Prior To:</i>			\$

TOTAL	\$	\$	\$
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* Assuming No Event of Default or Event of Taxability.

ASSIGNMENT AGREEMENT

This **ASSIGNMENT AGREEMENT**, dated as of June 1, 2022 (as amended and supplemented, this “Assignment Agreement”), is made by and between CCWD Public Financing Authority, a joint exercise of powers authority duly organized and validly existing under and by virtue of the laws of the State of California (the “Authority”) and FIRST FOUNDATION PUBLIC FINANCE, a Delaware statutory trust and a wholly-owned subsidiary of First Foundation Bank (including its successors and assigns, the “Assignee”);

WITNESSETH:

WHEREAS, the Authority desires to assign to the Assignee without recourse all of its rights under the Installment Purchase Contract, dated as of June 1, 2022 (the “Installment Purchase Contract”), between the Authority and the Calaveras County Water District, a county water district duly organized and validly existing under the laws of the State of California (the “District”), including all of its rights to receive Installment Payments scheduled to be paid by the District under and pursuant to the Installment Purchase Contract;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and conditions contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

Section 1. Definitions. All capitalized terms used but not defined herein shall have the meanings ascribed to such terms in the Installment Purchase Contract.

Section 2. Assignment. The Authority hereby assigns and transfers to the Assignee without recourse all of the Authority’s rights, title and interest in and to the Installment Purchase Contract.

Section 3. Acceptance of Assignment. The Assignee hereby accepts the assignment and transfer of such of the Authority’s rights, title, and interest in and to the Installment Purchase Contract as are assigned and transferred to it pursuant to the terms of this Assignment Agreement.

Section 4. Deposit and Application of Funds. In consideration of the assignment made hereunder by the Authority to the Assignee, the Assignee hereby agrees to provide on the Closing Date the amount of \$[_____] towards the prepayment in full of the Installment Purchase Contract. Of such amount, \$_____ shall be deposited into the Acquisition Fund established and held by the District pursuant to the Installment Purchase Contract and \$_____ shall be transferred to U.S. Bank Trust Company, National Association, as costs of issuance custodian, to be used to pay Delivery Costs.

Section 5. Representations and Warranties of the Authority. The Authority hereby represents and warrants to the Assignee that, as of the Closing Date:

(a) No modifications, amendments or changes have been made to the Installment Purchase Contract.

(b) The Installment Purchase Contract is valid, binding and enforceable in accordance with its terms.

(c) It has not previously assigned any right, title or interest the Authority has in the Installment Purchase Contract to any other party and no other party has any superior right, title or interest than such right, title and interest being assigned to the Assignee pursuant to this Assignment Agreement.

(d) It does not have any defenses, set-off rights, claims or other demands of any kind that can be asserted to reduce, eliminate or contravene the rights being assigned to the Assignee pursuant to this Assignment Agreement.

(e) It has the right to assign the Installment Purchase Contract to the Assignee as set forth herein.

(f) The undersigned officer of the Authority has the requisite power and authority to enter into this Assignment Agreement.

Section 6. No Additional Rights or Duties. This Assignment Agreement shall not impose any duties, obligations or responsibilities upon the Authority or the Assignee beyond those expressly provided in the Installment Purchase Contract or as otherwise set forth herein.

Section 7. Further Assurances. The Authority will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Assignment Agreement, and for the better assuring and confirming to the Assignee the rights and obligations intended to be conveyed pursuant hereto.

Section 8. Counterparts. This Assignment Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

Section 9. Law Governing. This Assignment Agreement is made in the State of California under the Constitution and laws of the State of California and is to be so construed.

Section 10. Notices. All notices under this Assignment Agreement shall be in accordance with the Installment Purchase Contract.

Section 11. Successors and Assigns. This Assignment Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns. Whenever in this Assignment Agreement any party is named or referred to, such reference shall be deemed to include such party's successors and assigns and all covenants and agreements contained in this Assignment Agreement by or on behalf of any party hereto shall bind and inure to the benefit of such party's successors and assigns whether so expressed or not.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have executed this Assignment Agreement as of the date first above written.

**CCWD PUBLIC FINANCING
AUTHORITY**

By: _____
Executive Director

**FIRST FOUNDATION PUBLIC FINANCE,
a Delaware statutory trust and a wholly-
owned subsidiary of First Foundation Bank**

By: _____
Trevor Mael
Director of Public Finance

[Signature Page to Assignment Agreement]

Agenda Item

DATE: May 25, 2022
TO: Board of Directors
FROM: Michael Minkler, General Manager
Brad Arnold, Water Resources Program Manager
SUBJECT: Overview of Governor's Executive Order N-7-22

RECOMMENDED ACTION:

Receive and discuss information regarding Executive Order N-7-22 passed by California Governor Gavin Newsom. This is an information-only item, and no action is required.

SUMMARY:

In response to ongoing drought conditions across California, Governor Gavin Newsom passed Executive Order N-7-22 (Order) on March 28, 2022. The objective of the Order is to assist the State in achieving its conservation goals and to ensure sufficient water for essential indoor and outdoor uses. The Order cites proclaimed states of emergencies for most counties, and expected for Calaveras County (County), following record-breaking dry periods and the absence of significant precipitation in the 2022-2023 winter season.

Key provisions of the Order, which have the potential to impact Calaveras County Water District (CCWD) water supplies and operations, include the following:

- By May 25, 2022, the State Water Resources Control Board (SWRCB) shall consider adopting emergency regulations which include:
 - All urban water suppliers, such as CCWD, must adopt "Stage 2" of applicable Water Shortage Contingency Plans (WSCPs) for shortage up to 20%, regardless of conditions.
 - CCWD's Board of Director's (Board) adopted its latest WSCP update on June 23, 2021 (per Board Resolution No. 2021-49), and subsequently entered "Stage 1" voluntary measures of that plan on July 14, 2021 (per Board Resolution No. 2021-54).
 - Requirement that urban water suppliers without adopted WSCPs, such as other water suppliers in the County, implement certain SWRCB-defined shortage response actions, to be determined.
 - Definition of "non-functional" (ornamental) turf and banning its irrigation in the commercial, industrial, and institutional sectors.
- Urban water suppliers must submit to the California Department of Water Resources (DWR) a "preliminary annual water supply and demand assessment" (WSDA) by June 1, 2022, prior to final version due by July 1 per California Water Code requirements.

- Lifting of prohibitions on hauling water out of origin basins or public agency's jurisdiction, for water deliveries by truck or bottle needed for communities and domestic users threatened by loss of water supply.
- Permits for new or altered groundwater wells in a subbasin subject to the Sustainable Groundwater Management Act (SGMA) and classified as "medium" or "high priority", need written determination from applicable Groundwater Sustainability Agencies (GSAs) for consistency with Groundwater Sustainability Plans (GSPs), includes in county permitting procedures.
 - CCWD is a member of the Eastside San Joaquin GSA (Eastside GSA) for the County portion of the Eastern San Joaquin Groundwater Subbasin (Subbasin), with an adopted GSP. New County well permit applications within the Subbasin will require a GSP consistency determination by the Eastside GSA per the Order.
- Expedited state regulatory pathways to modify, repair, or reconstruct failed household or small community public supply wells.

CCWD staff will continue to investigate the impacts of the Order to CCWD water supplies and operations and will update the Board as dry conditions persist. CCWD should anticipate additional water rights curtailments and additional orders in 2022 aimed at increasing state conservation targets.

FINANCIAL CONSIDERATIONS:

None at this time.