

INSTALLMENT PURCHASE AGREEMENT

by and between

MISSION SPRINGS WATER DISTRICT

and

WELLS FARGO BANK, NATIONAL ASSOCIATION

Dated as of January 1, 2023

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INSTALLMENT PURCHASE AGREEMENT

This **INSTALLMENT PURCHASE AGREEMENT** (the “**Installment Purchase Agreement**”) is made and entered into as of January 1, 2023, by and between MISSION SPRINGS WATER DISTRICT, a county water district that is duly organized and existing under and by virtue of the laws of the State of California (the “**District**”), and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association that is duly organized and existing under the laws of the United States of America (the “**Bank**”).

RECITALS

A. Pursuant to Division 12 of the California Water Code (Section 30000 *et seq.*), including but not limited to Sections 31004, 31040, 31041 and 31042 thereof, the District proposes to acquire certain improvements to the District’s Sewer System (collectively, the “**2023 Project**”).

B. The Bank has agreed to assist the District in financing (on an interim basis, pending the receipt of grant moneys from the State of California Water Resources Control Board) the acquisition of the 2023 Project.

C. The District and the Bank have duly authorized the execution of this Installment Purchase Agreement.

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

AGREEMENT

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein.

Accountant’s Report. The term “Accountant’s Report” means a report signed by an Independent Certified Public Accountant.

Acquisition Fund. The term “Acquisition Fund” means the Acquisition Fund by that name created pursuant to Section 3.5 hereof and designated by the District as General Ledger 301-1000-10032-000 – Cash – Restricted Sewer Cash.

Additional Revenues. The term “Additional Revenues” means, with respect to the issuance of any Bonds or Contracts, an allowance for Net Revenues: (i) arising from any increase in the

charges made for service from the Sewer System adopted prior to the incurring of such Bonds or Contracts and effective within eighteen (18) months following the date of incurring such Bonds or Contracts, in an amount equal to the total amount by which the Net Revenues 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 Sewer System prior to the incurring of such Bonds or Contracts, in an amount equal to the total amount by which the Net Revenues would have been increased if such connections had been in existence during the whole of the most recent completed Fiscal Year or during any more recent twelve (12) month period selected by the District.

Authorized Representative. The term “Authorized Representative” means, with respect to the District, the President of the Board of Directors, Secretary of the Board of Directors, General Manager of the District, Director of Finance of the District or any other person designated as an Authorized Representative of the District by a Certificate of the District signed by the President, Secretary, General Manager or Director of Finance.

Bank. The term “Bank” has the meaning set forth in the preamble hereto and shall include its successors and assignees.

Bonds. The term “Bonds” means all revenue bonds or notes of the District authorized, executed, issued and delivered by the District, the payments of which are payable from Net Revenues on a parity with the Series 2023 Installment Payments and which are secured by a pledge of and lien on Revenues as described in Section 5.1 hereof.

Business Day. The term “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 the State of California.

Closing Date. The term “Closing Date” means January 26, 2022.

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

Contracts. The term “Contracts” means and is limited to all contracts of the District hereafter authorized and executed by the District, payments of which are payable from Net Revenues on a parity with the Series 2023 Installment Payments and which are secured by a pledge and lien on the Revenues as described in Section 5.1 hereof, but excluding any contracts entered into for maintenance and operation of the Sewer System.

Costs of Delivery. The term “Costs of Delivery” means all items of expense directly or indirectly payable by or reimbursable to the Bank or the District and related to the authorization, execution and delivery of this Installment Purchase Agreement, including, but not related to, costs of preparation and reproduction of documents, legal fees and charges, fees and expenses of consultants and professionals, and any other charge, cost or fee in connection with the execution and delivery of this Installment Purchase Agreement, including, but not limited to, the fees of California Debt and Investment Advisory Commission and the Bank’s counsel.

Debt Service. The term “Debt Service” means, for any period of calculation, the sum of:

(1) the interest payable during such period on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is capitalized or is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program);

(2) those portions of the principal amount of all outstanding serial Bonds maturing in such period, but excluding Excluded Principal;

(3) those portions of the principal amount of all outstanding term Bonds required to be prepaid or paid in such period, but excluding Excluded Principal; and

(4) those portions of the Contracts required to be paid during such period (except to the extent that the interest evidenced and represented thereby is capitalized or is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program), but excluding Excluded Principal;

but less the earnings to be derived from the investment of moneys on deposit in debt service reserve funds established for Bonds or Contracts;

provided that, as to any such Bonds or Contracts bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall, for all purposes, be assumed to bear interest at a fixed rate equal to the higher of: (i) the then current variable interest rate borne by such Bonds or Contracts plus 1%; and (ii) if such Bonds or Contracts have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, or if such Bonds or Contracts have not been outstanding for the twelve prior months, the average rate borne by reference to an index comparable to that to be utilized in determining the interest rate for the Bonds to be issued or the Contracts to be executed;

provided further that if any series or issue of such Bonds or Contracts have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year (and such principal is not Excluded Principal), Debt Service shall be determined for the period of determination as if the principal of and interest on such series or issue of such Bonds or Contracts were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of twenty-five (25) years from the date of calculation; and

provided further that, as to any such Bonds or Contracts or portions thereof bearing no interest but which are sold at a discount which accretes with respect to such Bonds or Contracts or portions thereof, such accreted discount shall be treated as interest in the calculation of Debt Service; and

provided further that the amount on deposit in a debt service reserve fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Bonds or Contracts for which such debt service reserve fund was established and to the extent the amount in such debt service reserve fund is in excess of such amount of principal, such excess shall be applied to the full amount of principal due, in each preceding year, in descending order, until such amount is

exhausted.

Default Rate. The term “Default Rate” means the greatest of (i) the Bank’s Prime Rate plus 4.00%; (ii) the Federal Funds Rate plus 5.00%; or (iii) 10.00%.

Defeasance Obligations. The term “Defeasance Obligations” means, cash, non-callable Federal Securities or pre-refunded non-callable municipal obligations rated “AAA” and “Aaa” by S&P Global Ratings, a Standard & Poor’s Financial Services LLC business and Moody’s Investor’s Service, Inc., respectively (or any combination thereof).

District. The term “District” means Mission Springs Water District, a county water district duly organized and existing under and by virtue of the laws of the State.

Environmental Laws. The term “Environmental Laws” means any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Materials or chemical waste, materials or substances, including, without limitation, such laws governing or regulating the use, generation, storage, removal, recovery, treatment, handling, transport, disposal, control, discharge of, or exposure to, Hazardous Materials.

Event of Default. The term “Event of Default” means an event described in Section 8.1.

Excluded Principal. The term “Excluded Principal” means the principal amount of any Bond or principal amount due under any Contract for which there is on file with the Bank: (1) a certificate of an Independent Municipal Advisor to the effect that such Bond or Contract constitutes commercial paper or is otherwise of a revolving or short-term nature and has a maturity of less than 42 months; and (2) a certificate of an Authorized Representative of the District to the effect that the principal amount of such Bond or principal amount due under such Contract is not, as of the date of the certificate, due and payable, and that the District intends to pay such principal from the proceeds of Bonds or Contracts or other bonds, notes or other obligations of the District. No such determination shall affect the security for such Bonds or Contracts or the obligation of the District to pay such Bonds or Contracts from Net Revenues.

Federal Funds Rate. The term “Federal Funds Rate” means, for any date of determination, a fluctuating rate of interest per annum equal to the weighted average (rounded to the next higher 1/100th of 1%) of the rates on overnight federal funds transactions with members of the Federal Reserve System arranged by federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average (rounded to the next higher 1/100th of 1%) of the quotations for such day on such transactions received by Wells Fargo Bank, National Association from three federal funds brokers of recognized standing selected by Wells Fargo Bank, National Association. Each determination of the Federal Funds Rate by Wells Fargo Bank, National Association shall be conclusive and binding on the District.

Federal Securities. The term “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. The term “Fiscal Year” means the twelve month period beginning on July 1 of each year and ending on June 30 of the following year, both dates inclusive, or any other twelve month period hereafter selected and designated as the official fiscal year period of the District.

Generally Accepted Accounting Principles. The term “Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures prescribed by the California State Controller or its successor for public agencies 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 Authority. The term “Governmental Authority” means any governmental or quasi-governmental authority, board, bureau, commission, department, court, administrative tribunal or other instrumentality or authority, and any public utility authorized by federal, state or local laws or regulations as having jurisdiction over the District.

Hazardous Materials. The term “Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, materials, contaminants, chemicals, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

Hedge Agreement. The term “Hedge Agreement” means: (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement; and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement.

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

Independent Municipal Advisor. The term “Independent Municipal Advisor” means any financial consultant or firm of such consultants of national reputation generally recognized to be well qualified in financial matters relating to systems similar to the Sewer System, appointed and paid by the District, and who, or each of whom: (a) is in fact independent and not under domination of the District; (b) does not have any substantial interest, direct or indirect, with the District; (c) is not connected with the District as a member of the Board of Directors, an officer or an employee thereof,

but who may be regularly retained to make reports thereto; and (d) is registered as a “municipal advisor” as defined in Section 15B of the Securities and Exchange Act of 1934, as amended.

Installment Payment Date; Series 2023 Installment Payment Date. The term “Installment Payment Date” means any date on which Installment Payments are scheduled to be paid by the District under and pursuant to any Contract. The term “Series 2023 Installment Payment Date” means: (a) with respect to the Series 2023 Installment Payments constituting interest due hereunder: (i) the first Business Day of each month, commencing March 1, 2023; and (ii) the Maturity Date; and (b) with respect to the Series 2023 Installment Payments constituting principal due hereunder, the Maturity Date.

Installment Payments; Series 2023 Installment Payments. The term “Installment Payments” means the installment payments of interest and principal, scheduled to be paid by the District under and pursuant to the Contracts. The term “Series 2023 Installment Payments” means the installment payments of interest and principal, scheduled to be paid by the District under and pursuant hereto.

Installment Purchase Agreement. The term “Installment Purchase Agreement” means this Installment Purchase Agreement, dated as of January 1, 2023, by and between the District and the Bank, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

Law. The term “Law” means the California County Water District Law (Division 12 of the Water Code of the State of California).

Lien. The term “Lien” means, with respect to any asset, any mortgage, deed of trust, lien, pledge, charge, security interest, hypothecation, assignment, deposit arrangement or encumbrance of any kind in respect of such asset, whether or not filed, recorded or otherwise perfected or effective under applicable law, as well as the interest of a vendor or lessor under any conditional sale agreement, capital or finance lease or other title retention agreement relating to such asset and, in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

Maintenance and Operation Costs of the Sewer System. The term “Maintenance and Operation Costs of the Sewer System” means, for any Fiscal Year or other period: (a) costs spent or incurred by the District for maintaining and operating the Sewer System, calculated in accordance with Generally Accepted Accounting Principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Sewer System in good repair and working order, and including administrative costs of the District attributable to Bonds or Contracts, salaries and wages of employees, payments to employee retirement systems (to the extent paid from Revenues), overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms of any other Bonds or Contracts; and (b) all payments with respect to Maintenance and Operation Obligations; but excluding in all cases: (i) depreciation, replacement and obsolescence charges or reserves therefor; (ii) amortization of intangibles or other bookkeeping entries of a similar nature; and (iii) costs of capital additions, replacements, betterments, extensions or improvements to the Sewer System, which under Generally Accepted Accounting Principles are chargeable to a capital account or to a reserve for depreciation.

Maintenance and Operation Obligations. The term “Maintenance and Operation Obligations” means any contractual obligation with respect to any facilities, properties, structures, works or services, or any loan of credit to or guaranty of debts, claims or liabilities of any other person (including a joint powers agency of which the District is a member) with respect to any facilities, properties, structures, works and services, so long as in each case the payments thereunder are designated as Maintenance and Operation Costs by the Board of Directors of the District to the extent incurred for maintenance and operation of the Sewer System in the reasonable belief of the District at the time of such designation. Bonds and Contracts shall not constitute Maintenance and Operation Obligations.

Maturity Date. The term “Maturity Date” means January 24, 2025.

Maximum Federal Corporate Tax Rate. The term “Maximum Federal Corporate Tax Rate” means the maximum rate of income taxation imposed on corporations pursuant to Section 11(b) of the Code, as in effect from time to time or, if as a result of a change in the Code the rate of income taxation imposed on corporations generally shall not be applicable to the Bank, the maximum statutory rate of federal income taxation which could apply to the Bank.

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

Net Revenues. The term “Net Revenues” means, for any Fiscal Year or other period, Revenues for such Fiscal Year or other period less Maintenance and Operations Costs for such Fiscal Year or other period.

Patriot Act. The term “Patriot Act” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Title III of Pub. L. 107 56 (signed into law October 26, 2001).

Person. The term “Person” means any individual, corporation, nonprofit corporation, partnership, limited liability company, joint venture, association, professional association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other form of entity.

Prepayment Fee. The term “Prepayment Fee” has the meaning that is set forth in Section 7.1.

Prime Rate. The term “Prime Rate” means, for any day, the rate of interest per annum announced from time to time by the Bank in its sole discretion as its prime rate. The Prime Rate shall change on the day on which such a change is announced by the Bank.

Purchase Price. The term “Purchase Price” means the principal amount plus interest thereon owed by the District to the Bank under the terms hereof as provided in Section 4.1.

Rate Stabilization Fund. The term “Rate Stabilization Fund” means the District account designated by the District as 301-1060-17407-000 – Reserved for Construction – Sewer, created and designated by action of the Board of Directors as a part of the Rate Stabilization Fund described in Section 5.3.

Revenue Fund. The term “Revenue Fund” means the District accounts designated by the District as Sewer Revenues General Ledger 301-4080-19901-000 – Sewer Service Charge – Residential and 301-4080-19921-000 – Sewer Service Charges – Commercial, together with other current accounts into which Revenues are deposited and any accounts created in the future and designated by action of the Board of Directors as a part of the Revenue Fund.

Revenues. The term “Revenues” means, for any Fiscal Year or other period, all income and revenue received by the District from the operation or ownership of the Sewer System, determined in accordance with Generally Accepted Accounting Principles, including all rates and charges (including assessments except as described in clause (b) below) received by the District for the wastewater collection, treatment, disposal and other services of the Sewer System, investment income, grant funds received by the District under Clean Water Construction Grant and Agreement No. D2101054 (Project No. C-06-8218-110), dated September 20, 2022, by and between the District and the State of California Water Resources Control Board, and all other money howsoever derived by the District from the operation or ownership of the Sewer System or arising from the Sewer System, including connection fees, capacity charges and similar fees, but excluding: (a) refundable deposits made to establish credit and advances or contributions in aid of construction; (b) special taxes, assessments or bond proceeds relating to any assessment district or community facility district formed by the District; (c) gain or loss on assets, whether realized or unrealized; and (d) *ad valorem* taxes to the extent required by law to pay any voter approved general obligation indebtedness of the District; provided, however, that Revenues shall be increased by the amounts, if any, transferred during such Fiscal Year or other period from the Rate Stabilization Fund to the Revenue Fund and shall be decreased by the amount of Revenues, if any, transferred during such Fiscal Year or other period from the Revenue Fund to the Rate Stabilization Fund.

Sewer Service. The term “Sewer Service” means the wastewater collection, treatment and disposal service made available or provided by the Sewer System.

Sewer System. The term “Sewer System” means all property rights, contractual rights and facilities of the District relating to wastewater, including all facilities for the collection, treatment and disposal of wastewater now owned by the District and all other properties, structures or works for the treatment, collection, treatment and disposal of wastewater hereafter acquired and constructed by or for the District; but excluding all property rights, contractual rights and facilities of the District relating to reclaimed or recycled water.

Special Counsel. The term “Special Counsel” means Stradling, Yocca, Carlson & Rauth, 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 Code.

Taxable Rate. The term “Taxable Rate” means, for any date of determination, the rate of interest per annum equal to the product of the interest rate with respect to the Series 2023 Installment Payments then in effect multiplied by the quotient of: (a) one; divided by (b) one minus the Maximum Federal Corporate Tax Rate in effect on the date of calculation.

2023 Project. The term “2023 Project” means the additions, betterments, extensions and improvements to the Sewer System described in Exhibit A.

ARTICLE II

REPRESENTATIONS AND WARRANTIES; OPINIONS OF COUNSEL

Section 2.1. Representations by the District. The District makes the following representations:

(a) The District is a county water district duly organized and validly existing under the laws of the State of California and authorized to transact business and exercise powers under and pursuant to the provisions of the Law.

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

(c) By proper action, the District has duly authorized the execution, delivery and due performance of this Installment Purchase Agreement and this Installment Purchase Agreement constitutes the legal, valid and binding agreement of the District enforceable against the District in accordance with its terms.

(d) The District has determined that it is necessary and proper for District uses and purposes within the terms of the Law that the District acquire the 2023 Project in the manner provided for in this Installment Purchase Agreement, in order to provide essential services and facilities to persons residing in the District.

(e) The District is not in violation of, and is not a Person whose property or interest in property is blocked or subject to blocking under, any laws relating to terrorism or money laundering (“Anti-Terrorism Laws”), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (66 Fed. Reg. 49079 (2001)) (the “Executive Order”), and the Patriot Act.

(f) The District is not any of the following: (i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order; (ii) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order; (iii) a Person with which the Purchaser is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law; (iv) a Person that commits, threatens or conspires to commit or supports ‘terrorism’ as defined in the Executive Order; (v) a Person that is named as a ‘specially designated national and blocked person’ on the most current list published by the Office of Foreign Asset Control (“OFAC”) or any list of Persons issued by OFAC pursuant to the Executive Order at its official website or any replacement website or other replacement official publication of such list; or (vi) a Person who is on the list of Specially Designated Nationals and Blocked Persons or subject to the limitations or prohibitions under any other U.S. Department of Treasury’s Office of Foreign Assets Control regulation or executive order.

(g) The District does not: (i) conduct any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in subsection (f) above; (ii) deal in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order; or (iii) engage in or conspire to engage

in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

Section 2.2. Representations and Warranties by the Bank. The Bank makes the following representations and warranties:

(a) The Bank is a national banking association and has full legal right, power and authority to enter into this Installment Purchase Agreement and to carry out and consummate all transactions contemplated by this Installment Purchase Agreement.

(b) By proper action, the Bank has duly authorized the execution, delivery and due performance of this Installment Purchase Agreement and this Installment Purchase Agreement constitutes the legal, valid and binding agreement of the Bank enforceable against the Bank in accordance with its terms.

(c) The execution and delivery of this Installment Purchase Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the Bank 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 Bank.

(d) The Bank is entering into this Installment Purchase Agreement for its own account and not with a view to, or for sale in connection with, any distribution of this Installment Purchase Agreement or any part thereof. The Bank has not offered to sell, solicited offers to buy, or agreed to sell its interests in this Installment Purchase Agreement or any part thereof, and has no present intention of reselling or otherwise disposing of this Installment Purchase Agreement.

ARTICLE III

SALE AND PURCHASE OF THE 2023 PROJECT

Section 3.1. Acquisition and Construction of the 2023 Project. The District, as agent for the Bank, hereby agrees to cause the acquisition, construction and installation of the 2023 Project from the amounts made available to the District by the Bank pursuant to this Installment Purchase Agreement and other moneys. The District hereby agrees that it will cause the acquisition, construction and installation of the 2023 Project to be diligently performed after the deposit of funds into the Acquisition Fund pursuant to Section 3.5 of this Installment Purchase Agreement, upon compliance with the California Environmental Quality Act and approval by the Board of Directors of the District, and that it will use its best efforts to cause the acquisition, construction and installation of the 2023 Project to be substantially completed by one year after the Maturity Date, unforeseeable delays beyond the reasonable control of the District only excepted. It is hereby expressly understood and agreed that the Bank shall be under no liability of any kind or character whatsoever for the payment of any cost of the 2023 Project and that all such costs and expenses shall be paid by the District.

Section 3.2. Purchase and Sale of the 2023 Project. In consideration for the Series 2023 Installment Payments as set forth in Section 4.2, the Bank agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Bank, the portion of the 2023 Project being financed by this Installment Purchase Agreement at the purchase price specified in Section 4.1 hereof and otherwise in the manner and in accordance with the provisions of this Installment Purchase Agreement.

Section 3.3. Title. All right, title and interest in the 2023 Project shall vest in the District immediately upon the acquisition or construction thereof. Such vesting shall occur without further action by the Bank or the District and the Bank shall, if requested by the District or if necessary to assure such automatic vesting, deliver any and all documents required to assure such vesting.

Section 3.4. Changes to the 2023 Project. The District may substitute other improvements for those listed as components of the 2023 Project in Exhibit A, but only if the District first files with the Bank a statement of the District in substantially the form attached hereto as Exhibit D: (a) identifying the improvements to be deleted from Exhibit A and the improvements to replace such deleted improvements; and (b) stating that the estimated costs of construction, acquisition and installation of the substituted improvements are not less than such costs for the improvements previously planned.

Section 3.5. Acquisition Fund. There is hereby established with the District the Acquisition Fund. On the Closing Date, the Bank shall transfer to the District the amount of \$15,000,000.00 for the acquisition, construction and installation of the 2023 Project. The District shall deposit moneys received from the Bank into the Acquisition Fund. The moneys in the Acquisition Fund shall be held by the District in trust and applied to the payment of the costs of acquisition, installation and construction of the 2023 Project, and of expenses incidental thereto, including costs of executing and delivering this Installment Purchase Agreement. Before any payment is made from the Acquisition Fund, the General Manager of the District shall cause to be filed with the Director of Finance of the District a Written Requisition of the District in the form set forth in Exhibit C hereto.

Upon receipt of each such Written Requisition, the Director of Finance will pay the amount set forth in such Written Requisition as directed by the terms thereof. The Director of Finance need not make any such payment if he or she has received notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys to be so paid, which has not been released or will not be released simultaneously with such payment.

When the 2023 Project shall have been constructed and acquired in accordance with this Installment Purchase Agreement, a statement of the District stating the fact and date of such acquisition, construction and acceptance, and stating that all of such costs of acquisition and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Acquisition Fund is to be maintained in the full amount of such claims until such dispute is resolved), shall be delivered to the Bank. Upon the receipt of such statement, the Director of Finance shall transfer any remaining balance in the Acquisition Fund and not needed for Acquisition Fund purposes (but less the amount of any such retention which amount shall be certified to the Director of Finance by the General Manager) to the Revenue Fund.

Section 3.6. [Reserved].

Section 3.7. [Reserved].

Section 3.8. Closing Conditions. This Installment Purchase Agreement shall become effective on the date each of the following conditions has been fulfilled to the satisfaction of the Bank.

(a) (i) there shall have been no change in, or interpretation/administration of, any law, rule or regulation which could reasonably be expected to result in a material adverse effect with respect to the execution and delivery of this Installment Purchase Agreement, or the District's ability to repay when due its obligations under this Installment Purchase Agreement; and (ii) no transaction or event shall have occurred and no change shall have occurred in the condition (financial or otherwise) or operations of the District between the date of the District's most recent audited financial statements and the date of execution and delivery of this Installment Purchase Agreement which could reasonably be expected to result in a material adverse effect with respect to the execution and delivery of this Installment Purchase Agreement, or the District's ability to repay when due its obligations under this Installment Purchase Agreement;

(b) The Bank shall have received copies of each of the following documents, which documents shall be in full force and effect in a form satisfactory to the Bank: (i) a resolution authorizing the execution and delivery of this Installment Purchase Agreement, certified by the Secretary of the District; (ii) original executed copies of this Installment Purchase Agreement; and (iii) the District's most recent audited financial statements;

(c) The Bank shall have received a legal opinion, in form and substance satisfactory to the Bank, addressed to the Bank (or upon which the Bank is authorized to rely) and dated the date of this Installment Purchase Agreement, of the District's Special Counsel and General Counsel;

(d) A certificate of the District, in form and substance satisfactory to the Bank, executed by an Authorized Officer of the District, dated the date of this Installment Purchase Agreement, to the effect that the conditions set forth in this Installment Purchase Agreement have been satisfied as of such date and that all actions required to be taken by, and the resolution required to be adopted by, the District, any governmental authority having jurisdiction over the District and otherwise required by applicable law have been done and adopted in due and strict compliance by the District;

(e) An incumbency and signature certificate with respect to the Authorized Officers of the District who are authorized to execute any documents or instruments on behalf of the District under this Installment Purchase Agreement; and

(f) Evidence that the fees and expenses and all other amounts (including attorneys' fees and expenses of the Bank) payable hereunder on the date of this Installment Purchase Agreement shall have been paid by the District, unless other arrangements acceptable to the Bank and its counsel have been made.

The District shall promptly pay on the date of this Installment Purchase Agreement all of the Bank's out-of-pocket expenses and the reasonable fees and expenses of counsel for the Bank in an amount not to exceed \$15,000, in connection with the execution and delivery of this Installment Purchase Agreement.

ARTICLE IV

SERIES 2023 INSTALLMENT PAYMENTS

Section 4.1. Purchase Price.

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

(b) The principal amount of the payments to be made by the District hereunder is Fifteen Million Dollars and No Cents (\$15,000,000.00).

(c) The interest to accrue on the unpaid balance of the principal amount shall be payable at a rate equal to [3.99]% per annum (except as described in the following two sentences) computed on the basis of a 360 day year composed of twelve 30 day months. Upon the occurrence and continuance of an Event of Default, the interest to accrue on the unpaid balance of the outstanding principal amount shall accrue at the Default Rate. Upon the occurrence of a Determination of Taxability, the interest to accrue on the unpaid balance of the outstanding principal amount shall accrue at the Taxable Rate.

(d) The District shall pay all Costs of Delivery.

Section 4.2. Series 2023 Installment Payments.

(a) Except as modified as provided in this Installment Purchase Agreement, the District shall make Series 2023 Installment Payments on each Series 2023 Installment Payment Date.

(b) Each Series 2023 Installment Payment shall be paid to the Bank in lawful money of the United States of America. In the event that the District fails to make any of the payments required to be made by it under this section, such payment shall continue as an obligation of the District until such amount shall have been fully paid, and the District agrees to pay the same with interest accruing thereon at the Default Rate until paid in accordance with the terms of this Installment Purchase Agreement.

The obligation of the District to make the Series 2023 Installment Payments is absolute and unconditional, and until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the District will not discontinue or suspend any Series 2023 Installment Payments required to be made by it under this section when due, whether or not the Sewer System or any part thereof is operating or operable, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and whether or not the 2023 Project has been completed, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

ARTICLE V

SECURITY

Section 5.1. Pledge of Revenues. All Revenues and all amounts on deposit in the Revenue Fund and the Rate Stabilization Fund are hereby irrevocably pledged to the payment of the Series 2023 Installment Payments as provided herein, subject, however, to the pledge thereon securing Bonds or Contracts; and the Revenues shall not be used for any other purpose while any of the Series 2023 Installment Payments remain unpaid; provided that out of the Revenues there may be apportioned such sums for such purposes as are expressly permitted herein. This pledge, together with the pledge created by all other Contracts and Bonds, shall constitute a first lien on Revenues and, subject to application of Revenues and all amounts on deposit in the Revenue Fund and the Rate Stabilization Fund as permitted herein, on the Revenue Fund, the Rate Stabilization Fund and other funds and accounts created hereunder for the payment of the Series 2023 Installment Payments and all other Contracts and Bonds in accordance with the terms hereof.

Pursuant to Section 5451 of the Government Code of the State of California, the pledge of the Revenues by the District for the payment of the Series 2023 Installment Payments constitutes a pledge and lien which immediately attaches to such Revenues, and is effective, binding and enforceable against the District, its successors, creditors and all others asserting rights therein, to the extent set forth, and in accordance with, this Installment Purchase Agreement, irrespective of whether those parties have notice of the pledge and without the need for physical delivery, recordation, filing or further act.

Section 5.2. Allocation of Revenues. In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants that all Revenues shall be received by the District in trust hereunder and shall be deposited when and as received in a special fund designated as the "Revenue Fund," which fund was previously established and is hereby continued by the District and which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as any Series 2023 Installment Payments, Contracts or Bonds remain unpaid.

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

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

(b) Debt Service Funds. Payment of principal and interest with respect to the Series 2023 Installment Payments or with respect to Bonds or Contracts, shall be paid in accordance with the terms hereof and of such Bonds or Contracts, without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference.

(c) Reserve Funds. Payments to replenish debt service reserve funds established for Bonds or Contracts of the District, including any amounts owed to a reserve surety policy provider, shall be made in accordance with the terms hereof and of such Bonds or Contracts, without

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

(d) General Expenditures/Rate Stabilization Fund. All Revenues not required to be withdrawn pursuant to the provisions (a) through (c) above shall be used for expenditure for any lawful purpose of the District. From time to time the District may deposit in the Rate Stabilization Fund, from remaining Net Revenues described in this subsection (d) 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. All interest or other earnings upon deposits in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Revenues.

Section 5.3. Rate Stabilization Fund. The District has created a special fund designated as the “Rate Stabilization Fund,” which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as any Series 2023 Installment Payments remain unpaid. Money transferred by the District from the Revenue Fund to the Rate Stabilization Fund in accordance with Section 5.2(d) shall be held in the Rate Stabilization Fund and applied in accordance with this Installment Purchase Agreement.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with Section 5.2 hereof or, in the event that all or a portion of the Series 2023 Installment Payments are discharged in accordance with Article IX hereof, transfer all or any portion of such amounts for application in accordance with said Article IX. Amounts transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to this Section 5.3 during or within 270 days after a Fiscal Year may be taken into account as Revenues for purposes of the calculations in Sections 5.5 and 6.12(a) in such Fiscal Year.

Section 5.4. Additional Contracts and Bonds. So long as any Series 2023 Installment Payments are Outstanding, the District shall not issue or incur any obligations payable from Net Revenues, or secured by a lien of Revenues, senior or superior to the Series 2023 Installment Payments. The District may at any time execute any Contract or issue any Bonds, as the case may be, payable from Net Revenues and secured by a lien of Revenues on a parity with the Series 2023 Installment Payments to provide financing for the Sewer System in such principal amount as shall be determined by the District, subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Bonds or Contracts:

(a) No Event of Default shall have occurred and be continuing, unless such Event of Default shall be cured upon the execution or issuance of such additional Contract or Bond; and

(b) The District obtains or provides a certificate prepared by an Independent Certified Public Accountant or Independent Municipal Advisor showing that the Net Revenues as shown by the books of the District for any 12 consecutive calendar month period during the 18 calendar month period ending prior to the incurring of such Bonds or Contracts shall have amounted to at least 125% of the Debt Service for all Bonds or Contracts to be outstanding immediately after incurring such additional Bonds or Contracts, including Debt Service which would have been payable on any Bonds or Contracts incurred since the end of such 12 month period, assuming that such Bonds or Contracts had been incurred at the beginning of such twelve month period, and Debt

Service which would have been payable had the proposed additional Bonds or Contracts being incurred been incurred at the beginning of such 12 month period.

For purposes of preparing the certificate described in subsection (b), the Independent Certified Public Accountant or Independent Municipal Advisor may rely upon financial statements prepared by the District, which have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available. For purposes of demonstrating compliance with the foregoing, Net Revenues may be adjusted (at the option of the District) to include the Additional Revenues.

The certificate described in subsection (b) shall not be required if: (1) the Bonds or Contracts being incurred are for the exclusive purpose of refunding then outstanding Bonds or Contracts; (2) at the time of the incurring of such Bonds or Contracts, a certificate of an Authorized Representative of the District shall be delivered showing that Debt Service on the refunding Bonds or Contracts will not exceed by more than 10% Debt Service on the refunded Bonds or Contracts in each Fiscal Year; and (3) the final maturity of the refunding Bonds or Contracts is not later than the final maturity of the refunded Bonds or Contracts.

(c) The District may at any time incur obligations payable from Net Revenues on a subordinate basis (as to lien and payment) to Bonds and Contracts.

Section 5.5. Investments. All moneys held by the District in the Revenue Fund and the Rate Stabilization Fund shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein.

ARTICLE VI

COVENANTS OF THE DISTRICT

Section 6.1. Compliance with Installment Purchase Agreement and Ancillary Agreements. The District will punctually pay the Series 2023 Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all of the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the 2023 Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Bank to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Bank or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion or acts or regulations of governmental authorities.

It is expressly understood and agreed by and among the parties to this Installment Purchase Agreement that, subject to Section 10.6 hereunder, each of the agreements, conditions, covenants and terms contained in this Installment Purchase Agreement is an essential and material term of the

purchase of and payment for the 2023 Project by the District pursuant to, and in accordance with, and as authorized under the Law.

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

Section 6.2. Against Encumbrances. The District will not make any pledge of or place any lien on Revenues or the moneys in the Revenue Fund except as provided herein. The District may at any time, or from time to time, issue evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of and lien on Revenues or any moneys in the Revenue Fund as may from time to time be deposited therein as provided in Section 5.4. The District may issue evidences of indebtedness or incur other obligations without complying with Section 5.4 hereof provided that the pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein and that the payment of such evidences of indebtedness and obligations is subordinate to the payment to the payment of the Series 2023 Installment Payments and any payments with respect to Bonds and Contracts.

Section 6.3. Against Sale or Other Disposition of Property. The District will not enter into any agreement or lease which impairs the operation of the Sewer System or any part thereof necessary to secure adequate Revenues for the payment of the Series 2023 Installment Payments, or which would otherwise impair the rights of the Bank hereunder or the operation of the Sewer System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Sewer System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the District to pay the Series 2023 Installment Payments and if the proceeds of such sale are deposited in the Revenue Fund.

Nothing herein shall restrict the ability of the District to sell any portion of the Sewer System if such portion is immediately repurchased by the District and if such arrangement cannot by its terms result in the purchaser of such portion of the Sewer System exercising any remedy which would deprive the District of or otherwise interfere with its right to own and operate such portion of the Sewer System.

Section 6.4. Against Competitive Facilities. The District will not, to the extent permitted by law, acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any Sewer System competitive with the Sewer System.

Section 6.5. Tax Covenants. Notwithstanding any other provision of this Installment Purchase Agreement, absent an opinion of Special Counsel that the exclusion from gross income of the interest component of the Series 2023 Installment Payments will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenants, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District will not take or omit to take any action or make any use of any proceeds of this Installment Purchase Agreement or of any other moneys or property

which would cause the Series 2023 Installment Payments to be “private activity bonds” within the meaning of Section 141 of the Code.

(b) Arbitrage. The District will make no use of any proceeds of this Installment Purchase Agreement or of any other amounts or property, regardless of the source, and will not take or omit to take any action which would cause the Series 2023 Installment Payments to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(c) Federal Guarantee. The District will make no use of any proceeds of this Installment Purchase Agreement and will not take or omit to take any action that would cause the Series 2023 Installment Payments to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The District will take or cause to be taken all necessary action to comply with the informational reporting requirements of Section 149(e) of the Code.

(e) Hedge Bonds. The District will make no use of any proceeds of this Installment Purchase Agreement or any other amounts or property, regardless of the source, and will not take any action or refrain from taking any action that would cause the Series 2023 Installment Payments to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of the interest component of the Series 2023 Installment Payments for federal income tax purposes.

(f) Miscellaneous. The District will take no action, or omit to take any action, inconsistent with the expectations stated in any tax certificate executed in connection with the Series 2023 Installment Payments and will comply with the covenants and requirements stated therein and incorporated by reference herein.

This Section and the covenants set forth herein shall not be applicable to, and nothing contained herein shall be deemed to prevent the District from causing to be executed and delivered Contracts or to issue Bonds, the interest with respect to which has been determined by Special Counsel to be subject to federal income taxation.

Section 6.6. Maintenance and Operation of the Sewer System. The District will maintain and preserve the Sewer System in good repair and working order at all times, will operate the Sewer System in an efficient and economical manner and will pay all Maintenance and Operation Costs of the Sewer System (including Maintenance and Operation Obligations) as they become due and payable.

Section 6.7. 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 the funds or accounts created hereunder or on any funds in the hands of the District pledged to pay the Series 2023 Installment Payments or to the Bank prior or superior to the lien of the Series 2023 Installment Payments or which might impair the security of the Series 2023 Installment Payments.

Section 6.8. Compliance with Contracts. The District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be

performed by it affecting or involving the Sewer System, to the extent that the District is a party thereto.

Section 6.9. Insurance. The District shall procure or cause to be procured and maintain or cause to be maintained throughout the term hereof for the District insurance against the following risks in the following respective amounts:

(a) The District shall maintain or cause to be maintained, throughout the term of this Installment Purchase Agreement, public liability insurance policies in protection of the District and its directors, officers and employees, which policy or policies shall provide for indemnification against direct or contingent loss or liability for damages for bodily and personal injury, death, or property damage occasioned by reason of the ownership or operation of the Sewer System and the District, and which policy or policies of public liability insurance shall provide coverage as is customarily insured against in connection with similar systems; provided, that such public liability and property damage insurance may be maintained as part of or in conjunction with any other public liability insurance coverage carried by the District, and may be maintained in the form of self-insurance by the District.

(b) The District shall procure and maintain, or cause to be procured and maintained throughout the term of this Installment Purchase Agreement, insurance against such casualty risks to the Sewer System as are customarily insured against in connection with similar operations, which insurance shall be in an amount equal to the principal amount of the Series 2023 Installment Payments then outstanding; provided, that such casualty insurance may be maintained as part of or in conjunction with any other casualty insurance coverage carried by the District, and may be maintained in the form of self-insurance by the District. All Net Proceeds of such casualty insurance shall be applied by the District to rebuild or replace the Sewer System or to make other improvements to the Sewer System, or to prepay the Series 2023 Installment Payments pursuant to Article VII hereof.

Section 6.10. Accounting Records; Financial Statements and Other Reports.

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

(b) The District shall provide to the Bank all of the following:

(1) as soon as available, and in any event not later than 270 days after and as of the end of each Fiscal Year, the District's complete audited financial statements, including the balance sheet and income statement as of the end of such Fiscal Year, and the related statements of revenues and expenses and changes in fund equity for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the preceding fiscal year, all in reasonable detail, certified by the Independent Certified Public Accountant as having been prepared in accordance with Generally Accepted Accounting Principles, consistently applied, such audit having been conducted with generally accepted auditing standards;

(2) not later than sixty (60) days after the end of each Fiscal Year, the District's annual combined capital budget for the succeeding Fiscal Year of the District;

(3) contemporaneously with the delivery of the financial statements set forth in subsection (a) above, a certificate of an Authorized Representative to the effect that such financial statements are accurate and that there exists no Event of Default (as defined herein) nor any condition, act or event which with the giving of notice or the passage of time or both would constitute an Event of Default;

(4) as soon as possible but, in any event, within thirty (30) days after the issuance thereof, copies of any prospectus, official statement, offering circular, placement memorandum, remarketing circular or similar or corresponding document, and any supplements thereto and updates and amendments thereof, that the District makes available in connection with the offering for sale of any Bonds or Contracts, and, upon the Purchaser's reasonable request, copies of all annual reports, and notices of filing of all other reports, that the District may be required to file with any federal or State governmental commission, department, board, bureau or district;

(5) copies of disclosure statements of the District and other information, including, without limitation, financial covenant calculations, pertaining to the District required to be delivered pursuant to any indenture, trust agreement, or to any insurer of the District's Bonds or Contracts, no later than the date on which such deliveries are required to be made to any such insurer; and

(6) such other information respecting the affairs, condition and/or operations, financial or otherwise, of the District as the Bank may from time to time reasonably request.

Section 6.11. Protection of Security and Rights of the Bank. The District will preserve and protect the security hereof and the rights of the Bank to the Series 2023 Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 6.12. Payment of Taxes and Compliance with Governmental Regulations. The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Sewer System, or any part thereof or upon the Revenues when the same shall become due. The District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Sewer System, or any part thereof, but the District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 6.13. Amount of Rates and Charges.

(a) To the fullest extent permitted by law, at the commencement of each Fiscal Year, the District will fix and prescribe rates and charges for the Sewer Service which are reasonably expected, at the commencement of each such Fiscal Year, to be at least sufficient to yield during each Fiscal Year Net Revenues equal to 115% of Debt Service on Bonds and Contracts for such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this Section.

(b) So long as the District has complied with its obligations set forth in subsection (a) above, the failure of Net Revenues to meet the threshold set forth in subsection (a) above at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with subsection (a) at the commencement of the succeeding Fiscal Year.

Section 6.14. Eminent Domain Proceeds. Any amounts received as awards as a result of the taking of all or any part of the Sewer System by the lawful exercise of eminent domain, if and to the extent that such right can be exercised against such property of the District, shall either: (a) be used for the acquisition or construction of improvements to the Sewer System; or (b) be applied to pay the Series 2023 Installment Payments in the manner provided herein.

Section 6.15. Further Assurances. The District will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Bank of the rights and benefits provided to it herein.

Section 6.16. Enforcement of Contracts. The District will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into, if such rescission or amendment would result in a default by the District in the payment of the Series 2023 Installment Payments or any Bonds or Contracts.

Section 6.17. Observance of Laws and Regulations. The District will well and truly keep, observe and perform or cause to be kept, observed and performed all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States, or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired and enjoyed by the District, including the District's right to exist and carry on business as a municipal corporation, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 6.18. Maintenance of Existence. The District shall preserve and maintain all licenses, permits, governmental approvals, rights, privileges and franchises necessary to conduct its business. The District will not dissolve or otherwise dispose of all or substantially all of its assets and will not consolidate with or merge into another public agency or permit one or more public agencies to consolidate with or merge into it; provided, however, that the District may dissolve, consolidate or merge, sell or otherwise transfer to another entity all or substantially all of its assets, provided that the surviving, resulting or transferee entity, as the case may be: (i) is a public agency of the State of California or a subdivision thereof; (ii) assumes in writing all of the obligations of the District under this Installment Purchase Agreement; and (iii) provides an opinion of Special Counsel to the effect that such dissolution, consolidation, merger, sale or transfer will not adversely affect the exclusion of the interest component of the Series 2023 Installment Payments from gross income for federal income tax purposes.

Section 6.19. Notice to the Bank. The District shall promptly (but in no event more than five (5) Business Days after the occurrence of each such event or matter) give written notice to the Bank in reasonable detail of: (a) the occurrence of any Event of Default, or any condition, event or act which with the giving of notice or the passage of time or both would constitute an Event of Default; (b) any change in the name or the organizational structure of the District; (c) any loss or destruction of or damage to any portion of the District's property in excess of \$1,000,000; or (d) any litigation and of all proceedings before any governmental or regulatory agency affecting the District which seek a monetary recovery against the District in excess of \$1,000,000.

Section 6.20. Sovereign Immunity. 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 or otherwise, the District hereby irrevocably waives such right to immunity for itself and agrees not to invoke any defense of immunity in respect of its obligations arising under or related to this Installment Purchase Agreement.

Section 6.21. Most Favored Covenant. In the event that the District has previously entered into or shall hereafter enter into or otherwise consent to any agreement or instrument (or any amendment, supplement or modification thereto) (each a “Relevant Agreement”) under which any Person undertakes to make loans, to refinance or restructure existing Bonds or Contracts or to extend credit or liquidity to the District or pursuant to which the District and a Person agree to a Hedge Agreement or other similar arrangement, which Relevant Agreement: (a) provides such Person with a covenant, provision or agreement which is more restrictive, as to the District; or (b) gives or grants greater rights or remedies to such Person whether as to timing of payment, priority of payment or Lien or otherwise (each, a “Favored Covenant”) than, in the case of (a), are undertaken by the District herein or, in the case of (b), are given or granted to the Bank herein, then each such Favored Covenant shall automatically be deemed to be incorporated into this Installment Purchase Agreement and the Bank shall have the benefits of each such Favored Covenant as if specifically set forth in this Installment Purchase Agreement for the duration of such Relevant Agreement. If necessary, the District shall promptly enter into an amendment to this Installment Purchase Agreement to include the Favored Covenant; provided that the Bank shall maintain the benefit of such Favored Covenant even if the District fails to provide such amendment. Notwithstanding anything to the contrary contained in this Section, each party hereto agrees that no provision described in this Section shall be deemed incorporated into this Installment Purchase Agreement if such incorporation would cause the interest component of the Series 2023 Installment Payments to be includable in the gross income of the Bank for federal tax purposes.

Section 6.22. Office of Foreign Assets Control; Patriot Act Compliance. No proceeds of this Installment Purchase Agreement will be used, directly or indirectly, for payments to any governmental official or employee, political party or its officials, candidate for political office, or anyone else acting in an official capacity, in order to obtain, retain or direct business or obtain any improper advantage, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended.

Section 6.23. Environmental Laws. The District shall comply with all applicable Environmental Laws and cure any defect or violation of Environmental Laws for which the District is the responsible party (and use commercially reasonable efforts to cause other Persons that are responsible parties to cure any such defect or violation) to the extent necessary to bring such real property owned, leased, occupied or operated by the District back into compliance with Environmental Laws and to comply with any cleanup orders issued by a Governmental Authority having jurisdiction there over. The District shall at all times use commercially reasonable efforts to render or maintain any real property owned, leased, occupied or operated by the District safe and fit for its intended uses. The District shall also promptly notify the Bank of any actual or alleged material failure to so comply with or perform, or any material breach, violation or default under any Environmental Law.

ARTICLE VII

PREPAYMENT OF SERIES 2023 INSTALLMENT PAYMENTS

Section 7.1. Prepayment. The Series 2023 Installment Payments are subject to prepayment prior to their stated maturity, as a whole or in part, on any Business Day after the Closing Date as directed by the District, in the minimum amount of \$50,000, from any source of legally available funds. The amount of any prepayment shall be the sum of the principal component of the Series 2023 Installment Payments being prepaid plus accrued interest with respect to the principal component of the Series 2023 Installment Payments being prepaid, plus a Prepayment Fee calculated as set forth below.

In connection with any Prepayment Event (as such term is defined below), a Prepayment Fee shall be paid by the District if the Prepayment Fee is a positive number. No Prepayment Fee shall be payable for a Prepayment Event if the Prepayment Fee for such Prepayment Event is a negative number. The Prepayment Fee will be determined by the Bank on the Business Day next preceding any Prepayment Date and will be calculated for the Series 2023 Installment Payments as follows:

The “**Prepayment Fee**” for any Prepayment Event is the difference between:

(i) the sum of the present values of a series of amounts computed for each Scheduled Due Date (as such term is defined below) after the Prepayment Date (as such term is defined below) through the Maturity Date for the Series 2023 Installment Payments, each of which amounts is equal to the product of: (A) the Affected Principal Amount (as such term is defined below) for the Affected Principal Period (as such term is defined below) ending on the Scheduled Due Date; multiplied by (B) the interest rate set forth in Section 4.1(c); multiplied by (C) the Day Count Fraction (as such term is defined below) for such Affected Principal Period;

minus

(ii) the sum of the present values of a series of amounts computed for each Scheduled Due Date after the Prepayment Date through the Maturity Date for the Series 2023 Installment Payments, each of which amounts is equal to the product of: (A) the Affected Principal Amount for the Affected Principal Period ending on the Scheduled Due Date; multiplied by (B) the Prepayment Rate; multiplied by (C) the Day Count Fraction for such Affected Principal Period;

where the Bank computes such present values by discounting each such series of amounts described in clause (i) and (ii) above from the Scheduled Due Date to the Prepayment Date using a series of discount factors corresponding to the Scheduled Due Date as determined by the Bank from the swap yield curve that the Bank would use as of the Prepayment Date in valuing a series of fixed rate interest rate swap payments similar to such series of amounts;

The “**Affected Principal Amount**” for an Affected Principal Period means the principal amount of the Series 2023 Installment Payments reflected in the Schedule of Principal Amounts scheduled to be outstanding during that Affected Principal Period determined as of the relevant Prepayment Date by the reference to such Schedule of Principal Amounts before giving effect to any Prepayment Event on that Prepayment Date.

The “**Affected Principal Period**” means each period from and including a Scheduled Due Date to but excluding the next succeeding Scheduled Due Date; provided, however, that if the Prepayment Date is not a Scheduled Due Date, the initial Affected Principal Period shall be the period from and including the Prepayment Date to but excluding the next succeeding Scheduled Due Date and the Affected Principal Amount for such initial Affected Principal Period shall be the amount stated in the Schedule of Principal Amounts outstanding for the Scheduled Due Date next preceding the Prepayment Date.

The “**Day Count Fraction**” means the anticipated basis on which interest at the interest rate (either set forth in Section 4.1(c) with respect to clause (i) above or the Prepayment Rate with respect to clause (ii) above) to be computed on the Series 2023 Installment Payments. The Day Count Fraction utilizes a 360-day year and consisting of twelve 30-day months;

The “**Prepayment Date**” means any date that an optional prepayment is made.

A “**Prepayment Event**” means any optional prepayment of the Series 2023 Installment Payments.

The “**Prepayment Rate**” means, for any Prepayment Date, and with respect to the Series 2023 Installment Payments, the fixed rate that the Bank determines is representative of what swap dealers would be willing to pay to the Bank (or, if required to be cleared under the Commodity Exchange Act or a Commodity Futures Trading Commission rule or regulation promulgated thereunder, to a swap clearinghouse) as fixed rate payors on a semi-annual basis in return for receiving one-month LIBOR (or such alternate rate index such as SOFR designated for use in lieu of LIBOR by the International Swaps and Derivatives Association) based payments monthly under interest rate swap transactions that would commence on such Prepayment Date, and mature on, or as close as commercially practicable to, the Maturity Date for such Series 2023 Installment Payments.

The “**Scheduled Due Date**” means each date specified in Section 4.2(a) of this Installment Purchase Agreement on which the principal component of the Series 2023 Installment Payments is due.

The “**Schedule of Principal Amounts**” means the principal components of the Series 2023 Installment Payments scheduled to be outstanding on the date that the Series 2023 Installment Payments are funded and on the Scheduled Due Date. The Schedule of Principal Amounts for the Scheduled Due Dates is specified in Section 4.2(a).

The Bank shall determine the Prepayment Fee in good faith using such methodology as the Bank deems appropriate under the circumstance, and the Bank’s determination shall be conclusive and binding in the absence of manifest error.

Notwithstanding any such prepayment, the District shall not be relieved of its obligations hereunder, including its obligations under Article IV, until the Purchase Price shall have been fully paid for and provision for payment thereof shall have been provided to the written satisfaction of the Bank.

Section 7.2. Method of Prepayment. Before making any prepayment pursuant to Section 7.1, the District shall, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay, give written notice to the Bank describing such

event and specifying the date on which the prepayment will be paid. The date of prepayment pursuant to Section 7.1 shall be not less than fifteen (15) nor more than forty-five (45) days from the date such notice is given.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE BANK

Section 8.1. Events of Default and 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 Series 2023 Installment Payment or fees required to be paid hereunder, or any Contract or Bond, 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 knows, or should have known, that such default exists; provided, however, that if in the reasonable opinion of the District the default stated in the notice can be corrected, but not within such 30 day period, and corrective action is instituted by the District within such 30 day period and diligently pursued in good faith until the default is corrected, such default will not be an Event of Default under this Installment Purchase Agreement;

(c) Any financial statement or certificate furnished to the Bank in connection with the execution and delivery of this Installment Purchase Agreement, 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 filing of a notice of judgment lien against the District; or the recording of any abstract of judgment against the District in any county; or the service of a notice of levy and/or of a writ of attachment or execution, or other like process, against the assets of the District; or the entry of a judgment, which lien, abstract, levy or judgment or like process is in excess of \$1,000,000 (excluding any amounts paid from Net Proceeds of insurance) against District;

(e) Any default in the payment or performance of any material obligation, or any defined event of default, under any provisions of any contract, instrument or document pursuant to which the District has incurred any obligation for borrowed money, any purchase obligation, or any other liability of any kind to any person or entity, including the Bank;

(f) There shall exist or occupy any event or condition which materially impairs the prospect of payment or performance by the District of its obligations hereunder, which event or condition continues for a period of thirty (30) days after the District shall have been given notice in writing; or

(g) 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 their respective property;

then and in each and every such case during the continuance of such Event of Default the Bank may, by notice in writing to the District, declare all of the unpaid Series 2023 Installment Payments 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 Section however, is subject to the condition that if at any time after all of the unpaid Series 2023 Installment Payments shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered the District shall deposit with the Bank a sum sufficient to pay all of the unpaid Series 2023 Installment Payments or the unpaid payment of any other Contract or Bond referred to in clause (a) above due prior to such declaration, with interest on such overdue installments, at the rate or rates applicable to the remaining unpaid principal balance of the Series 2023 Installment Payments or such Contract or Bond if paid in accordance with their terms, and the reasonable expenses of the Bank, and any and all other defaults known to the Bank (other than in the payment of all of the unpaid Series 2023 Installment Payments due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Bank or provision deemed by the Bank to be adequate shall have been made therefor, then and in every such case the Bank, by written notice to the District, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 8.2. Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 8.1, all Revenues thereafter received and all amounts on deposit in the funds and accounts created hereunder shall be applied in the following order:

First, to the payment, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, of the costs and expenses of the Bank if any, in carrying out the provisions of this article, including reasonable compensation to its accountants and counsel;

Second, to the payment of the Maintenance and Operation Costs; and

Third, to the payment of the entire principal amount of the unpaid Series 2023 Installment Payments and the unpaid principal amount of all Bonds and Contracts and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to such Series 2023 Installment Payments and such Bonds and Contracts if paid in accordance with their respective terms.

Section 8.3. Other Remedies of the Bank. the Bank shall have the right:

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

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

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

Notwithstanding anything contained herein, the Bank shall have no security interest in or mortgage on the 2023 Project, the Sewer System or other assets of the District or any other real property of the District, and no default hereunder shall result in the loss of the 2023 Project, the Sewer System or other assets of the District or any other real property of the District.

Section 8.4. Non-Waiver. Nothing in this Article or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Series 2023 Installment Payments to the Bank at the respective due dates or upon prepayment from the Net Revenues, the Revenue Fund and the other funds herein pledged for such payment, or shall affect or impair the right of the Bank, 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 Bank shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Bank 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 Bank by the Law or by this Article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Bank.

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

Section 8.5. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Bank 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 the Law or any other law.

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.1. Discharge of Obligations.

(a) When all or any portion of the Series 2023 Installment Payments shall have become due and payable in accordance herewith or a written notice of the District to the effect that the District intends to prepay all or any portion of the Series 2023 Installment Payments shall have been filed with the Bank; and

(b) there shall have been deposited with the Bank at or prior to the date (or dates) specified for prepayment, and irrevocably appropriated and set aside to the payment of all or any portion of the Series 2023 Installment Payments, sufficient moneys and Defeasance Obligations, the principal of and interest on which when due will provide money sufficient, without reinvestment, to

pay all principal, prepayment premium, if any, and interest of such Series 2023 Installment Payments to their respective Series 2023 Installment Payment Dates or prepayment date or dates, as the case may be, as evidenced by a special report prepared by an Independent Certified Public Accountant addressed to the Bank;

then and in that event, the right, title and interest of the Bank herein and the obligations of the District hereunder shall, with respect to all or such portion of the Series 2023 Installment Payments as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Bank and the obligation of the District to have such moneys and such Defeasance Obligations applied to the payment of such Series 2023 Installment Payments, and the obligation of the District to pay any deficiency in such moneys and Permitted Investments).

Upon payment in full of the principal component of all Series 2023 Installment Payments plus interest thereon to the date of payment, the Bank shall pay over to the District as an overpayment of Series 2023 Installment Payments, all such moneys or such Defeasance Obligations held by it pursuant hereto other than such moneys and such Defeasance Obligations as are required for the payment or prepayment of the Series 2023 Installment Payments, which moneys and Defeasance Obligations shall continue to be held by the Bank in trust for the payment of the Series 2023 Installment Payments and shall be applied by the Bank to the payment of the Series 2023 Installment Payments of the District.

ARTICLE X

MISCELLANEOUS

Section 10.1. 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, the Revenue Fund, the Rate Stabilization Fund and the other funds provided herein for the payment of amounts due hereunder or for the performance of any agreements or covenants required to be performed by it contained herein. The District may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the District for such purpose.

The obligation of the District to make the Series 2023 Installment Payments is a special obligation of the District payable solely from the Net Revenues, and does not constitute a debt of the District or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Section 10.2. Benefits of Installment Purchase Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the District or the Bank 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 Bank shall be for the sole and exclusive benefit of the other party.

Section 10.3. Successor Is Deemed Included in all References to Predecessor. Whenever either the District or the Bank is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the District or the Bank, and all agreements and covenants required hereby to be performed by or on behalf of the

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

Section 10.4. Waiver of Personal Liability. No director, officer or employee of the District shall be individually or personally liable for the payment of the Series 2023 Installment Payments, but nothing contained herein shall relieve any director, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 10.5. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith” and other words of similar import refer to this Installment Purchase Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.6. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District or the Bank shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The District and the Bank hereby declare that they would have executed this Installment Purchase Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 10.7. Assignment and Participation.

(a) This Installment Purchase Agreement and any rights hereunder may be assigned by the Bank, as a whole or in part, without the necessity of obtaining the prior consent of the District.

(b) The Bank may assign its rights, title and interests herein, but no such assignment will be effective as against the District unless and until the Bank has filed with the District at least five (5) Business Days’ prior written notice thereof and an executed copy of a letter addressed to the District and the Bank substantially in the form of the letter delivered by the Bank on the date this Installment Purchase Agreement is executed and delivered by the parties hereto and attached hereto as Exhibit B. The District shall pay all Series 2023 Installment Payments hereunder to the Bank, as provided in Section 4.2 hereof, or under the written direction of the assignee named in the most recent assignment or notice of assignment filed with the District. During the term of this Installment Purchase Agreement, the District will keep a complete and accurate record of all such notices of assignment.

Section 10.8. Net Contract. This Installment Purchase Agreement shall be deemed and construed to be a net contract, and the District shall pay absolutely net during the term hereof of the Series 2023 Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 10.9. California Law; Venue. THIS INSTALLMENT PURCHASE AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 10.10. Notices. All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the District: Mission Springs Water District
66575 Second Street
Desert Hot Springs, California 92240
Attention: Director of Finance

If to the Bank: Wells Fargo Bank, National Association
c/o Wells Fargo Government Banking
334 W. 3rd Street, 4th Floor
San Bernardino, California 92401
Attention: Jamie O'Connell

Section 10.11. Effective Date. This Installment Purchase Agreement shall become effective upon its execution and delivery, and shall terminate when the Purchase Price shall have been fully paid (or provision for the payment thereof shall have been made to the written satisfaction of the Bank).

Section 10.12. Execution in Counterparts. This Installment Purchase Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 10.13. Indemnification of the Bank. The District shall, to the extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Bank and its directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the execution and delivery of this Installment Purchase Agreement, the operation and use of the Sewer System and each portion thereof or any accident in connection with the operation, use, condition or possession of the Sewer System or any portion thereof resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the District or the Bank; any claim arising out of any environmental law or regulation; any claim for patent, trademark or copyright infringement; and any claim arising out of strict liability in tort. No indemnification is made under this Section 10.13 or elsewhere in this Installment Purchase Agreement for willful misconduct or gross negligence under this Installment Purchase Agreement by the Bank, or its respective officers, agents, employees, successors or assigns. The indemnification hereunder shall continue in full force and effect notwithstanding the full payment of all obligations under this Installment Purchase Agreement or the termination of the term of this Installment Purchase Agreement for any reason. The District and the Bank each agree to promptly give notice to each other and the Bank of any claim or liability hereby indemnified against following learning thereof.

Section 10.14. Amendments Permitted. This Installment Purchase Agreement and the rights and obligations of the Bank and the District may be modified or amended at any time by an amendment hereto which shall become binding with the written consents of the parties hereto.

Section 10.15. No Fiduciary Relationship. The District acknowledges and agrees that its dealing with the Bank are solely in the nature of a debtor/creditor relationship and that in no event shall the Bank be considered to be a partner or joint venture of the District. Also, the District represents and warrants that it has independently evaluated the business transaction and has not relied upon, nor will it rely upon, the expertise, advise or other comments or statements of the Bank (including agents of the Bank), if any, in deciding to pursue such undertaking. As the District is experienced in business, in no event shall the Bank owe any fiduciary or similar obligations to it in connection with the subject transaction.

Section 10.16. Arbitration.

(a) Judicial Reference. THE DISTRICT AND THE BANK, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED ON CONTRACT, TORT, OR OTHERWISE) BETWEEN THE DISTRICT AND THE BANK ARISING OUT OF OR IN ANY WAY RELATED TO THIS INSTALLMENT PURCHASE AGREEMENT. IF AND TO THE EXTENT THAT THE FOREGOING WAIVER OF THE RIGHT TO A JURY TRIAL IS UNENFORCEABLE FOR ANY REASON IN A FORUM, THE DISTRICT AND THE BANK HEREBY CONSENT TO THE ADJUDICATION OF ANY AND ALL CLAIMS PURSUANT ARBITRATION AS DESCRIBED BELOW, OR 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. A JUDICIAL REFEREE WITH THE QUALIFICATIONS REQUIRED HEREIN FOR ARBITRATORS SHALL BE SELECTED PURSUANT TO THE SELECTION PROCEDURES OF JUDICIAL ARBITRATION AND MEDIATION SERVICES, INC. (“JAMS”).

(b) General. The parties hereto agree, upon demand by any party, to submit to binding arbitration all claims, disputes and controversies between or among them (and their respective employees, officers, directors, attorneys, and other agents), whether in tort, contract or otherwise in any way arising out of or relating to: (i) any credit subject hereto, or this Installment Purchase Agreement and its negotiation, execution, collateralization, administration, repayment, modification, extension, substitution, formation, inducement, enforcement, default or termination; or (ii) requests for additional credit. In the event of a court-ordered arbitration, the party requesting arbitration shall be responsible for timely filing the demand for arbitration and paying the appropriate filing fee within thirty (30) days of the abatement order or the time specified by the court. Failure to timely file the demand for arbitration as ordered by the court will result in that party’s right to demand arbitration being automatically terminated.

(b) Governing Rules. Any arbitration proceeding will: (i) proceed in a location in California selected by JAMS; (ii) be governed by the Federal Arbitration Act (Title 9 of the United States Code), notwithstanding any conflicting choice of law provision in any of the documents between the parties; and (iii) be conducted by JAMS, or such other administrator as the parties shall mutually agree upon, in accordance with the JAMS’ commercial dispute resolution procedures, unless the claim or counterclaim is at least \$1,000,000.00 exclusive of claimed interest, arbitration

fees and costs, in which case the arbitration shall be conducted in accordance with the JAMS' optional procedures for large, complex commercial disputes (the commercial dispute resolution procedures or the optional procedures for large, complex commercial disputes to be referred to herein, as applicable, as the "Rules"). If there is any inconsistency between the terms hereof and the Rules, the terms and procedures set forth herein shall control. Any party who fails or refuses to submit to arbitration following a demand by any other party shall bear all costs and expenses incurred by such other party in compelling arbitration of any dispute. Nothing contained herein shall be deemed to be a waiver by any party that is a bank of the protections afforded to it under 12 U.S.C. § 91 or any similar applicable state law.

(c) No Waiver of Provisional Remedies, Self-Help and Foreclosure. The arbitration requirement does not limit the right of any party to: (i) foreclose against real or personal property collateral; (ii) exercise self-help remedies relating to collateral or proceeds of collateral such as setoff or repossession; or (iii) obtain provisional or ancillary remedies such as replevin, injunctive relief, attachment or the appointment of a receiver, before during or after the pendency of any arbitration proceeding. This exclusion does not constitute a waiver of the right or obligation of any party to submit any dispute to arbitration or reference hereunder, including those arising from the exercise of the actions detailed in clauses (i), (ii) and (iii) of this subsection.

(d) Arbitrator Qualifications and Powers. Any arbitration proceeding in which the amount in controversy is \$5,000,000.00 or less will be decided by a single arbitrator selected according to the Rules, and who shall not render an award of greater than \$5,000,000.00. Any dispute in which the amount in controversy exceeds \$5,000,000.00 shall be decided by majority vote of a panel of three arbitrators; provided however, that all three arbitrators must actively participate in all hearings and deliberations. Each arbitrator will be a neutral attorney licensed in the State of California or a neutral retired judge of the state or federal judiciary of California, in either case with a minimum of ten years' experience in the substantive law applicable to the subject matter of the dispute to be arbitrated. The arbitrator(s) will determine whether or not an issue is arbitratable and will give effect to the statutes of limitation in determining any claim. In any arbitration proceeding the arbitrator(s) will decide (by documents only or with a hearing at the arbitrator's discretion) any pre-hearing motions which are similar to motions to dismiss for failure to state a claim or motions for summary adjudication. The arbitrator(s) shall resolve all disputes in accordance with the substantive law of California and may grant any remedy or relief that a court of such state could order or grant within the scope hereof and such ancillary relief as is necessary to make effective any award. The arbitrator(s) shall also have the power to award recovery of all costs and fees, to impose sanctions and to take such other action as the arbitrator(s) deems necessary to the same extent that a judge could pursuant to the Federal Rules of Civil Procedure, the California Rules of Civil Procedure or other applicable law. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction. The institution and maintenance of an action for judicial relief or pursuit of a provisional or ancillary remedy shall not constitute a waiver of the right of any party, including the plaintiff, to submit the controversy or claim to arbitration if any other party contests such action for judicial relief.

(e) Discovery. In any arbitration proceeding, discovery will be permitted in accordance with the Rules. All discovery shall be expressly limited to matters directly relevant to the dispute being arbitrated and must be completed no later than 20 days before the hearing date. Any requests for an extension of the discovery periods, or any discovery disputes, will be subject to final determination by the arbitrator upon a showing that the request for discovery is essential for the party's presentation and that no alternative means for obtaining information is available.

(f) Class Proceedings and Consolidations. No party hereto shall be entitled to join or consolidate disputes by or against others in any arbitration, or to include in any arbitration any dispute as a representative or member of a class, or to act in any arbitration in the interest of the general public or in a private attorney general capacity.

(g) Payment Of Arbitration Costs And Fees. The arbitrator shall award all costs and expenses of the arbitration proceeding.

(h) Real Property Collateral. Notwithstanding anything herein to the contrary, no dispute shall be submitted to arbitration if the dispute concerns indebtedness secured directly or indirectly, in whole or in part, by any real property unless: (i) the holder of the mortgage, lien or security interest specifically elects in writing to proceed with the arbitration; or (ii) all parties to the arbitration waive any rights or benefits that might accrue to them by virtue of the single action rule statute of California, thereby agreeing that all indebtedness and obligations of the parties, and all mortgages, liens and security interests securing such indebtedness and obligations, shall remain fully valid and enforceable.

(i) Miscellaneous. To the maximum extent practicable, JAMS, the arbitrators and the parties shall take all action required to conclude any arbitration proceeding within 180 days of the filing of the dispute with JAMS. No arbitrator or other party to an arbitration proceeding may disclose the existence, content or results thereof, except for disclosures of information by a party required in the ordinary course of its business or by applicable law or regulation. If more than one agreement for arbitration by or between the parties potentially applies to a dispute, the arbitration provision most directly related to this Installment Purchase Agreement or the subject matter of the dispute shall control. This arbitration provision shall survive termination, amendment or expiration of this Installment Purchase Agreement or any relationship between the parties.

(j) Small Claims Court. Notwithstanding anything herein to the contrary, each party retains the right to pursue in Small Claims Court any dispute within that court's jurisdiction. Further, this arbitration provision shall apply only to disputes in which either party seeks to recover an amount of money (excluding attorneys' fees and costs) that exceeds the jurisdictional limit of the Small Claims Court.

Section 10.17. Restrictions on Installment Purchase Agreement. The District agrees not to cause this Installment Purchase Agreement to be: (a) assigned a rating by any credit rating agency; (ii) registered with The Depository Trust Company or any other securities depository; (iii) offered pursuant to any type of offering document or official statement; or (iv) assigned a CUSIP number by Standard & Poor's CUSIP Service. No placement agent or underwriter is involved in the execution and delivery of this Installment Purchase Agreement.

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

MISSION SPRINGS WATER DISTRICT

By: _____
President of the Board of Directors

Attest:

Secretary

WELLS FARGO BANK, NATIONAL
ASSOCIATION

By: _____
Authorized Signatory

EXHIBIT A

DESCRIPTION OF 2023 PROJECT

The 2023 Project comprises the following described improvements:

- Construction of the West Valley Water Reclamation Facility, including an influent pump station; coarse screening with screenings compactor; a stacked tray or vortex grit removal with grit classifiers; sequencing batch reactors; effluent disposal to infiltration basins; aerated sludge storage with decanter for gravity thickening; a 3-belt filter press for biosolids dewatering; sludge drying beds; contract disposal of biosolids; odor control facilities; and an emergency stand-by power generator.
- Septic abatement and installation of approximately 25,260 linear feet of 4-inch sewer laterals to replace approximately 405 septic tanks.
- Construction and installation of approximately 17,272 linear feet of 8-inch gravity sewer lines for new sewer collection system.
- Construction and installation of new sewer conveyance system to connect new and approximately 2,919 existing sewer connections to West Valley Water Reclamation Facility.
- Reconfigure existing Dos Palmas Lift Station.

EXHIBIT B

FORM OF LENDER LETTER

[Date of Delivery]

Mission Springs Water District
66575 Second Street
Desert Hot Springs, California 92240

Mission Springs Water District
2023 Installment Purchase Agreement

Ladies and Gentlemen:

[NAME OF PURCHASER] (“Purchaser”) has agreed to execute and deliver the above referenced Installment Purchase Agreement, dated as of January 1, 2023 (the “Agreement”), with the Mission Springs Water District (the “District”). All capitalized terms used herein, but not defined herein, shall have the respective meanings set forth in the Agreement. The undersigned, an authorized representative of the Purchaser, hereby represents to you that:

1. The Purchaser has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the execution and delivery of the Agreement.
2. The Purchaser has authority to execute and delivery the Agreement and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the execution and delivery of the Agreement.
3. The undersigned is a duly appointed, qualified and acting representative of the Purchaser and is authorized to cause the Purchaser to make the certifications, representations and warranties contained herein by execution of this letter on behalf of the Purchaser.
4. The Purchaser is: (a) an affiliate of the original purchaser of the Agreement; (b) a trust or other custodial arrangement established by the original purchaser of the Agreement or one of its affiliates, the owners of the beneficial interests in which are limited to “qualified institutional buyers” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the “1933 Act”); or (c) a qualified institutional buyer that is a commercial bank having a combined capital and surplus of \$5,000,000,000 or more.
5. The Purchaser understands that no official statement, prospectus, offering circular or other comprehensive offering statement is being provided with respect to the Agreement. The Purchaser has made its own inquiry and analysis with respect to the District, the 2023 Project, the Agreement and the security therefor, and other material factors affecting the security for and payment of the Series 2023 Installment Payments.
6. The Purchaser acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, regarding the District, to which a reasonable investor would attach significance in making investment decisions,

and has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the District, the 2023 Project, the Agreement and the security therefor, so that as a reasonable investor, it has been able to make its decision to execute and deliver the Agreement.

7. The Purchaser understands that the Agreement: (a) is not registered under the 1933 Act and is not registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state; (b) is not listed on any stock or other securities exchange; and (c) carries no rating from any credit rating agency.

8. The Agreement is being executed and delivered by the Purchaser for investment for its own account and not with a present view toward resale or distribution; provided, however, that the Purchaser reserves the right to sell, transfer or redistribute its interest in the Agreement in Authorized Denominations, but agrees that any such sale, transfer or distribution by the Purchaser shall be to a Person that meets the requirements of paragraph 4 and who executes an investor letter substantially in the form of this letter.

The Purchaser represents that it is not acting as a Participating Underwriter with respect to the Agreement for purposes of Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934.

[PURCHASER]

By _____
Name _____
Title _____

EXHIBIT C

FORM OF REQUISITION FROM ACQUISITION FUND

REQUISITION NO. _____
FOR DISBURSEMENT FROM ACQUISITION FUND

MISSION SPRINGS WATER DISTRICT
2023 INSTALLMENT PURCHASE AGREEMENT

The undersigned hereby states and certifies:

(i) that he or she is the duly appointed, qualified and acting General Manager of the Mission Springs Water District (the "District"), and as such, is familiar with the facts herein certified and is authorized to certify the same;

(ii) that, pursuant to Section 3.5 of that certain Installment Purchase Agreement, dated as of January 1, 2023 (the "Installment Purchase Agreement"), by and between the District and Wells Fargo Bank, National Association, the undersigned hereby requests the Director of Finance to disburse this date the following amounts from the Acquisition Fund established under the Installment Purchase Agreement, to the payees designated on the attached Exhibit A;

(iii) that each obligation mentioned herein has been incurred by the District and is a proper charge against the Acquisition Fund;

(iv) that any approval required under the California Environmental Quality Act, as amended (Division 13 of the California Public Resources Code), prior to the expenditure of such amount for the purpose set forth on the attached Exhibit A has been received and is final; and

(v) that there has not been filed with or served upon the District notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to any of the payees named on the attached Exhibit A, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

MISSION SPRINGS WATER DISTRICT

General Manager

EXHIBIT A
ACQUISITION FUND DISBURSEMENTS

<i>Item Number</i>	<i>Payee Name and Address</i>	<i>Purpose of Obligation</i>	<i>Amount</i>
_____			_____
_____			_____
_____			_____
_____			_____
_____			_____

EXHIBIT D

FORM OF SUBSTITUTION STATEMENT

Mission Springs Water District
66575 Second Street
Desert Hot Springs, California 92240
Attention: Director of Finance

Wells Fargo Bank, National Association
c/o Wells Fargo Government Banking
334 W. 3rd Street, 4th Floor
San Bernardino, California 92401
Attention: Jamie O'Connell

The undersigned [Title of Authorized Representative] of the Mission Springs Water District (the "District") hereby states pursuant to Section 3.4 of the Installment Purchase Agreement, dated as of January 1, 2023 (the "Installment Purchase Agreement"), by and between Mission Springs Water District and Wells Fargo Bank, National Association that each component of the 2023 Project (as defined in the Installment Purchase Agreement) described in the first column of Exhibit A attached hereto, with an estimated cost set forth in the second column of Exhibit A, will be replaced by the corresponding improvement described in the third column of Exhibit A with an estimated cost set forth in the fourth column of Exhibit A.

Dated: _____, 202__

[Title of Authorized Representative]

EXHIBIT A

<i>Components of 2023 Project to be Replaced</i>	<i>Cost of Each Component of 2023 Project to be Replaced</i>	<i>Improvements to be Substituted</i>	<i>Cost of Each Improvement to be Substituted</i>
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