



SPECIAL BOARD MEETING AGENDA
BOARD OF DIRECTORS
MEETING/WORKSHOP
MALAGA COUNTY WATER DISTRICT
3580 SOUTH FRANK AVENUE
FRESNO, CALIFORNIA 93725
Tuesday, July 16, 2024, at 6:00PM

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in a District Board Meeting, please contact the District Office at 559-485-7353 at least 48 hours prior to the meeting, to ensure that reasonable arrangements can be made to provide accessibility to the meeting.

1. Call to Order:

2. Roll Call: President Charles Garabedian, Jr.; Vice President Salvador Cerrillo; Director Irma Castaneda; Director Frank Cerrillo, Jr.; Director Carlos Tovar, Jr.

3. Certification: Certification was made that the Special Board Meeting Agenda was posted 24 hours in advance of the meeting.

4. New Business

- a. **Consideration and necessary action on Resolution No. 07-16-2024** a Resolution of the Board of Directors of the Malaga County Water District Amending the District Policies and Procedures by Adding Policy No. 2036 Titled Pension Funding Policy.

The District does not currently have a formal pension funding policy. Staff, at the direction of the Board of Directors, has drafted a proposed Pension Funding Policy that:

- 1. Provides guidance in making annual budget decisions;
- 2. Demonstrates prudent financial management practices;
- 3. Creates sustainable and affordable budgets for pensions;
- 4. Provides transparency to employees and the public on how the District's pensions will be funded; and
- 5. Reassures bond rating agencies.

Recommendation. To approve Resolution No. 07-16-2024 a Resolution of the Board of Directors of the Malaga County Water District Amending the District Policies and Procedures by Adding Policy No. 2036 Titled Pension Funding Policy.

Motion by: _____, **Second by:** _____

- b. **Consideration and Necessary Action on Resolution 07-16-2024A** a Resolution of the Board of Directors of The Malaga County Water District Approving the Execution and Delivery of an Installment Sale Loan Agreement For The Purpose Of Refinancing The Acquisition And Installation of Certain Water System Improvements and Financing Certain Working Capital Costs, and Approving the Execution And Delivery of Certain Documents In Connection Therewith and Certain Other Matters.

Staff, at the Direction of the Board of Directors, have sought proposals to refinance certain existing debt and provide funding to pay certain unfunded District liabilities. After considering various funding options, staff is recommending approval of the Agreement attached to the Resolution as Exhibit B. The reasons for recommending the Agreement will be presented to the Board of Directors in a report at the meeting along with an independent analysis of the proposed financing.

Recommendation. To approve Resolution 07-16-2024A a Resolution of the Board of Directors of The Malaga County Water District Approving the Execution and Delivery of an Installment Sale Loan Agreement For The Purpose Of Refinancing The Acquisition And Installation of Certain Water System Improvements and Financing Certain Working Capital Costs, and Approving the Execution And Delivery of Certain Documents In Connection Therewith and Certain Other Matters.

Motion by: _____, **Second by:** _____

5. Public Comment: *The Public may address the Malaga County Water District Board on item(s) of interest within the jurisdiction of the Board, not appearing on the agenda. The Board will listen to comments presented; however, in compliance with the Brown Act, the Board cannot take action on items that are not on the agenda. The public should address the Board on agenda items at the time they are addressed by the Board. All speakers are requested to wait until recognized by the Board President. All Comments will be limited to three **(3)** minutes or less per individual/group per item per meeting, with a fifteen **(15)** minutes maximum.*

6. Closed Session:

7. Adjournment:

Motion by: _____, **Second by:** _____

Certification of Posting

I, Norma Melendez, District Clerk of the Malaga County Water District, do hereby certify that the foregoing agenda for the Special Meeting of the Board of Directors of July 16, 2024, was posted for public view on the front window of the MCWD office at 3580 S. Frank Street, Fresno Ca 93725, at or before 5:00P.M. On 07/15/2024.

Norma Melendez, District Clerk

item 4.a.

RESOLUTION NO. 07-16-2024

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE MALAGA COUNTY WATER DISTRICT AMENDING THE DISTRICT'S POLICIES AND PROCEDURES BY ADDING POLICY NO. 2036 TITLED PENSION FUNDING POLICY

WHEREAS, the Board of Directors of the Malaga County Water District desires to establish a pension funding policy that provides guidance in making annual budget decisions, demonstrates prudent financial management practices, creates sustainable and affordable budgets for pensions, provides transparency to employees and the public on how the District's pensions will be funded, and reassures bond rating agencies; and

WHEREAS, the Districts pension funding policy has been developed following the principles set forth in the report titled "Pension Funding: a Guide for Elected Officials," by the Pension Funding Task Force 2013 which includes the National Governors Association, National Conference of State Legislatures, the Council of State Governments, National Association of Counties, National League of Cities, US Conference of Mayors, International City/County Management Association, National Council on Teacher Retirement, National Association of State Auditors, Comptrollers and Treasurers, Government Finance Officials Associations, and National Association of Retirement Administrators.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MALAGA COUNTY WATER DISTRICT AS FOLLOWS:

1. That the foregoing recitals are true and correct and incorporated herein by reference as though fully set forth at this point.
2. That the Board of Directors of the Malaga County Water District hereby approves the District's Pension Funding Policy, Policy No. 2036, as attached hereto and incorporated herein by this reference as Attachment A.

Passed and adopted by the Board of Directors of the Malaga County Water District at their meeting held on this 16th day of July, 2024, by the following vote:

AYES:

NOES:

ABSENT:

Charles Garabedian, Jr. President of the
Malaga County Water District

ATTEST:

Norma Melendez, Acting Secretary to the Board
of Directors of the Malaga County Water District

ATTACHMENT A

Policy Title: **Pension Funding Plan**

Policy No. **2036**

2036.10 Purpose. The District’s Pension Funding Policy will serve as the method the District will use to determine and fund its estimated employer contributions to the District’s Money Purchase Plan.

A. This policy will also:

1. Provide guidance in making annual budget decisions;
2. Demonstrate prudent financial management practices;
3. Create sustainable and affordable budgets for pensions;
4. Provide transparency to employees and the public on how the District’s pensions will be funded; and
5. Reassure bond rating agencies.

2036.20 Background. The District provides a Money Purchase Pension Plan to its employees. The plan is funded by mandatory contributions by the District and voluntary contributions from employees (as applicable). The applicable policy objectives of this plan as set forth in the report from the Pension Funding Task Force 2013 titled “Pension Funding: A Guide for Elected Officials” are as follows:

A. **Promote Funding Discipline.** A commitment to making timely contributions to the District’s Money Purchase Pension Plan.

B. **Promote Accountability and transparency.** Clear reporting of pension funding that includes the identification of sufficient resources in each year’s adopted budget to fully fund the District’s employer’s contribution to the Money Purchase Pension Plan on behalf of employees.

2036.30 Policy.

A. **Budgeting.** Each year, during the District’s budget process, the District will identify the estimated pension liability for each enterprise and budget sufficient revenues to ensure that the District can meet its pension liabilities as they become due.

B. **Timely Contributions.**

1. **Employee Contributions.** The District shall make employee contributions

to the Money Purchase Pension Plan for each employee, based on the employee's eligible income and contribution election, no more than 15 days after the end of payroll period.

2. Employer Contributions. The District shall calculate the employer contribution for each employee based on the employee's eligible income each pay period, subject to the terms and eligibility requirements of the Money Purchase Pension Plan document. The District will deposit the employer contribution, as calculated each pay period, for each employee into a restricted bank account to be used for the sole purpose of funding the District's employer share of the Money Purchase Pension Plan. The District will use the funds in the restricted account to make employer contributions to the pension plan administrator/trustee in accordance with and subject to the terms and eligibility requirements of the Money Purchase Pension Plan document.

Policy Title: **Pension Funding Plan** Policy No. **2036**

C. Transparency and Reporting. District employees shall have access to their individual accounts via an online portal provided by the Plan Administrator/Trustee. Additionally, the amount accrued for each employee for each pay period will appear on each employee's pay stub, subject to limitations of the District's payroll service and available space. Additionally, each employee shall receive a report or statement as required or applicable from either the District or the Plan Administrator or Trustee. A report on the District's Money Purchase Pension Plan shall appear in the District's annual audits and shall be published and available online to all employees and the public either in the Audit document or separately, as determined by the District.

D. Review of Funding Policy. The Board of Directors of the District will review this policy, at least every two years, to determine if any changes are needed to ensure adequate resources being available to fund the District's Money Purchase Pension Plan.

Secretary/Manager
MALAGA COUNTY WATER DISTRICT

RESOLUTION NO. 07-16-2024A

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE MALAGA COUNTY WATER DISTRICT APPROVING THE EXECUTION AND DELIVERY OF AN INSTALLMENT SALE LOAN AGREEMENT FOR THE PURPOSE OF REFINANCING THE ACQUISITION AND INSTALLATION OF CERTAIN WATER SYSTEM IMPROVEMENTS AND FINANCING CERTAIN WORKING CAPITAL COSTS, AND APPROVING THE EXECUTION AND DELIVERY OF CERTAIN DOCUMENTS IN CONNECTION THEREWITH AND CERTAIN OTHER MATTERS

WHEREAS, the Malaga County Water District (the “District”), a county water district that is governed by a five member Board of Directors (“Board”) and duly organized and existing under and pursuant to Division 12 of the California Water Code (Section 30000 *et seq.*) (the “Act”), is authorized under the Act (including but not limited to Sections 31004, 31040 and 31041 thereof) to enter into contracts related to the financing and refinancing of certain improvements, betterments, renovations and expansions of facilities within its water and wastewater systems, and to finance working capital needs; and

WHEREAS, on May 28, 2013, the District entered into an Installment Sale Agreement, with Municipal Finance Corporation for the purpose of financing certain improvements to its water and wastewater systems (the “2013 Project”); and

WHEREAS, effective August 7, 2017, the District entered into an Installment Sale Agreement and Grant with the California State Water Resources Control Board for the purpose of financing certain improvements to its water system (the “2017 Project”); and

WHEREAS, on March 10, 2022, the District entered into an Installment Purchase Agreement with First Foundation Public Finance for the purpose of refinancing certain improvements to its water and wastewater systems (the “2022 Project,” and with the 2013 Project and the 2017 Project, the “Prior Projects”); and

WHEREAS, the District desires to reacquire and refinance the Prior Project (such reacquisition and refinancing, the “2024 Project”), and finance certain working capital costs (the “2024 Expenses”), through the execution of an agreement whereby the District will finance the 2024 Project and the 2024 Expenses, and pay the costs thereof, on an installment basis; and

WHEREAS, the District has received proposals from potential lenders with respect to the financing of the 2024 Project, and has evaluated such proposals together with its placement agent; and

WHEREAS, the District has determined that it is in the best interest of the District to enter into an Installment Sale Loan Agreement (the “Installment Sale Loan Agreement”), by and between the District and Umpqua Bank, or a related entity, and to approve certain other documents, to provide for the financing of the 2024 Project and the financing of the 2024 Expenses; and

WHEREAS, the Installment Sale Loan Agreement is to be secured by installment payments, which will consist of a tax-exempt component and a taxable component, and which will be payable

from net revenues of the District's water enterprise and net revenues of the District's wastewater enterprise to the extent set forth in the Installment Sale Loan Agreement; and

WHEREAS, in accordance with California Government Code Section 5852.1, the District has obtained and wishes to disclose the information set forth in Exhibit A;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE MALAGA COUNTY WATER DISTRICT AS FOLLOWS:

Section 1. Approval of Recitals. The District hereby finds and determines that the foregoing recitals are true and correct and incorporated herein by this reference as though fully set forth at this point.

Section 2. Approval of Installment Sale Loan Agreement. The Installment Sale Loan Agreement, in substantially the form as attached hereto and incorporated herein by reference as Exhibit B, is hereby approved substantially in the form on file with the Secretary. Each of the President or Vice President of the Board (each, an "Authorized Officer"), or the designee thereof, acting alone, is hereby authorized and directed to execute and deliver such Installment Sale Loan Agreement with such changes, insertions and omissions as may be recommended by the District's General Counsel or Bond Counsel and approved by the officer or employee executing the same, said execution being conclusive evidence of such approval; provided that: (i) the principal amount payable under the Installment Sale Loan Agreement shall not exceed \$3,000,000; (ii) the interest rate payable under the Installment Sale Loan Agreement shall not exceed 6.00% per annum, with respect to the tax-exempt components, and shall not exceed 7.50% per annum, with respect to the taxable components, unless as is otherwise set forth in the Installment Sale Loan Agreement as the result of an Event of Taxability or an Event of Default; and (iii) the final maturity of the Installment Sale Loan Agreement shall occur no later than August 1, 2044 (subject to any extensions set forth in the Installment Sale Loan Agreement).

Section 3. Application of Proceeds. The proceeds of the Installment Sale Loan Agreement shall be applied as provided in the Installment Sale Loan Agreement to finance the 2024 Project and finance the 2024 Expenses.

Section 4. Incorporation of Policies. The Delinquency Policy, approved by Resolution 01-15-2020B, and the Pension Funding Policy, approved by Resolution 07-18-2024, both on file with the Secretary, are hereby incorporated herein by this reference as attached hereto as Exhibits C and D, and the District will comply with the terms thereof.

Section 5. Other Actions Authorized. The Authorized Officers, acting singly, be and each of them hereby is authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the transactions contemplated by the Installment Sale Loan Agreement and this Resolution, and any actions previously taken in connection with such matters is hereby ratified, including, but not limited to, the ratification of a Term Sheet with Umpqua Bank. In the event that the President and Vice President of the Board are unavailable to sign any of the agreements described herein, any other member of the Board may sign such agreement.

Section 6. Definitions. Unless otherwise defined herein, all terms which are used herein and not otherwise defined have the meanings that are given to such terms in the Installment Sale Loan Agreement unless the context otherwise clearly requires.

Section 7. Effective Date. This Resolution shall become effective immediately upon adoption.

Section 8. Certification. The Secretary shall certify to the adoption of this Resolution.

Passed and adopted by the Board of Directors of the Malaga County Water District at their meeting held on this 18th day of July, 2024, by the following vote:

AYES:

NOES:

ABSENT:

Charles Garabedian, Jr. President of the
Malaga County Water District

ATTEST:

Norma Melendez, Acting Secretary to the Board
of Directors of the Malaga County Water District

EXHIBIT A

GOVERNMENT CODE SECTION 5852.1 DISCLOSURE

The following information consists of estimates that have been provided by Oppenheimer & Co. Inc., the District's placement agent, and has been represented by such party to have been provided in good faith:

- (A) Total amount borrowed: \$2,861,000.00
- (B) True Interest Cost of the Installment Sale Loan Agreement: 6.15%
- (C) Finance Charge of the Installment Sale Loan Agreement (Sum of all fees/charges paid to third parties): \$130,847.46
- (D) Net Proceeds of the Installment Sale Loan Agreement to be received (net of finance charges, reserves and capitalized interest, if any): \$2,730,152.54
- (E) Total Payment Amount through Maturity of the Installment Sale Loan Agreement: \$4,971,964.97

The foregoing constitute good faith estimates only. The principal amount of the Installment Sale Loan Agreement, the true interest cost of the Installment Sale Loan Agreement, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to: (a) the actual date of the execution of the Installment Sale Loan Agreement being different than the date assumed for purposes of such estimates; (b) the actual principal amount of Installment Sale Loan Agreement being different from the estimated amount used for purposes of such estimates; (c) the actual amortization of the Installment Sale Loan Agreement being different than the amortization assumed for purposes of such estimates; (d) the actual market interest rates at the time of sale of the Installment Sale Loan Agreement being different than those estimated for purposes of such estimates; (e) other market conditions; or (f) alterations in the District's financing plan, or a combination of such factors.

The actual date of execution of the Installment Sale Loan Agreement and the actual principal amount of the Installment Sale Loan Agreement will be determined by the District based on a variety of factors. The actual interest rate borne by the Installment Sale Loan Agreement will depend on market interest rates at the time of sale thereof. The actual amortization of the Installment Sale Loan Agreement will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the District.

item 4.b.2.

INSTALLMENT SALE LOAN AGREEMENT

by and between

MALAGA COUNTY WATER DISTRICT

and

UMPQUA BANK

Dated as of August 1, 2024

\$ _____

**MALAGA COUNTY WATER DISTRICT
2024 INSTALLMENT SALE LOAN AGREEMENT**

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INSTALLMENT SALE LOAN AGREEMENT

This Installment Purchase Loan Agreement (this “**Agreement**”), is made and entered into as of August 1, 2024 by and between MALAGA COUNTY WATER DISTRICT (the “**District**”), a county water district that is duly organized and existing under and by virtue of the laws of the State of California, and UMPQUA BANK (the “**Lender**”), an Oregon state chartered bank.

RECITALS

A. On May 28, 2013, the District entered into an Installment Sale Agreement, with Municipal Finance Corporation for the purpose of financing certain improvements to its water and wastewater systems (the “**2013 Project**”).

B. Effective August 7, 2017, the District entered into an Installment Sale Agreement and Grant with the California State Water Resources Control Board for the purpose of financing certain improvements to its water system (the “**2017 Project**”).

C. On March 10, 2022, the District entered into an Installment Purchase Agreement with First Foundation Public Finance for the purpose of refinancing certain improvements to its water and wastewater systems (the “**2022 Project**,” and with the 2013 Project and the 2017 Project, the “**Prior Projects**”)

D. The District desires to reacquire and refinance the Prior Projects, as described in Exhibit C (such reacquired Prior Projects are hereinafter defined as the “**2024 Project**”).

E. The District further desires to finance certain operating expenses (the “**2024 Expenses**”).

F. The Lender has agreed to assist the District in refinancing the Prior Projects and financing the 2024 Expenses by advancing funds for such purposes on the terms and conditions that are set forth herein.

G. In consideration for the Lender’s assistance in refinancing the Prior Projects and financing the 2024 Expenses, the District desires to sell the 2024 Project to the Lender.

H. In consideration for the District’s payment of Installment Payments hereunder, the Lender desires to resell the 2024 Project back to the District.

I. The District is authorized by Part 5 of Division 12 of the Water Code of the State of California, including but not limited to Articles 1 and 3 thereof, to refinance the acquisition and construction of capital improvements and additions to the Water Enterprise (as defined herein) and Wastewater Enterprise (as defined herein) and to finance the 2024 Expenses.

J. The District and the Lender have duly authorized the execution of this Agreement.

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

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

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.

“2024 Expenses” shall have the meaning set forth in the recitals hereto.

“2024 Project” shall have the meaning set forth in the recitals hereto.

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

“Agreement” means this Installment Sale Loan Agreement, dated as of August 1, 2024, by and between the District and the Lender, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

“Benefit Assessments” means all assessments levied by the District within any of its various assessment districts which are to be used exclusively for the purposes for which such assessment districts were formed.

“Bond Counsel” means (i) Stradling Yocca Carlson & Rauth LLP, or (ii) any attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code.

“Bonds” means all revenue bonds or notes of the District that are authorized, executed, issued and delivered by the District, the payments of which are payable, in whole or part, from Net Water Revenues and/or Net Wastewater Revenues on a parity with the Installment Payments and which are secured, in whole or part, by a pledge of and lien on Net Water Revenues and/or Net Wastewater Revenues, as applicable, as described in Sections 5.1 and 5.4 hereof.

“Bond Year” has the meaning set forth in the Tax Certificate.

“Business Day” means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State of California are closed.

“Closing Date” means August 1, 2024.

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

“Contracts” means this Agreement and all other contracts of the District that are previously or hereafter authorized and executed by the District, the payments under which are payable from Net

Water Revenues and/or Net Wastewater Revenues on a parity with the Installment Payments and which are secured by a pledge of and lien on Net Water Revenues and Net Wastewater Revenues, as applicable, as described in Sections 5.1 and 5.4 hereof; but excluding contracts entered into for operation and maintenance of the Water Enterprise and/or the Wastewater Enterprise, as applicable.

“Debt Service” means, for any period of calculation, and with respect to the Water Enterprise or the Wastewater Enterprise, as applicable, the sum of:

(i) the interest accruing 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 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);

(ii) those portions of the principal amount of all outstanding serial Bonds maturing in such period;

(iii) those portions of the principal amount of all outstanding term Bonds required to be prepaid or paid in such period; and

(iv) those portions of the Contracts that are required to be paid during such period, (except to the extent that the interest that is evidenced and represented thereby is capitalized or is 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 less the earnings to be derived from the investment of moneys on deposit in debt service reserve funds established for Bonds or Contracts and applied to the payment of principal and interest with respect to such Bonds and 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 be a fixed rate equal to the higher of: (1) the then current variable interest rate borne by such Bonds or Contract plus 1%; and (2) the highest variable rate borne over the preceding twenty-four (24) months by outstanding variable rate debt issued or executed by the District or, if no such variable rate debt is at the time outstanding, by variable rate debt of which the interest rate is computed by reference to an index that is comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued;

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, 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 thirty (30) years from the date of calculation; and

provided further that, as to any such Bonds or Contracts or portions thereof which bear no interest but which are sold at a discount and which discount 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 if the Bonds or Contracts constitute paired obligations such as interest rate swap agreements, the interest rate on such Bonds or Contracts shall be the resulting linked rate or the effective fixed interest rate to be paid by the District with respect to such paired obligations; 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 and Contracts for which such debt service reserve fund was established and, to the extent that 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” means the then applicable interest rate plus 3.0% per annum.

“Determination of Taxability” means and shall be deemed to have occurred on the first to occur of the following:

(i) the date on which the District files any statement, supplemental statement or other tax schedule, return or document which discloses that an Event of Taxability shall have in fact occurred;

(ii) the date on which the Lender received written notification from the District, supported by a written opinion of Bond Counsel to the effect that an Event of Taxability has occurred;

(iii) the date on which the District is advised in writing by the Commissioner or any district director of the Internal Revenue Service (or any other government official or agent exercising the same or a substantially similar function from time to time) that, based upon filings of the District (or a statutory notice of deficiency, or a document of substantially similar import), or upon any review or audit of the District, or upon any other ground whatsoever, an Event of Taxability has occurred; or

(iv) on the date when the District receives notice from the Lender that the Internal Revenue Service (or any other Governmental Authority exercising the same or a substantially similar function from time to time) has assessed as includable in the gross income of the Lender due to the occurrence of an Event of Taxability;

provided, however, that: (1) no Determination of Taxability shall occur under clauses (iii) or (iv) above unless the District has been afforded the opportunity, at its expense, to contest any such assessment, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined; and (2) upon demand from the Lender, the District shall promptly reimburse the Lender or any assignee thereof for any payments, including any taxes, interest, penalties or other charges, including the Lender’s legal fees, that the Lender or such assignee is obligated to make as a result of the Determination of Taxability.

“District” means the Malaga County Water District, a California county water district.

“District Representative” means the [President of the District, the General Manager of the District, the Finance Manager of the District] or any other person authorized by resolution of the Board of Directors of the District to act on behalf of the District under or with respect to this Agreement.

“Environmental Laws” means any and all federal, state, local, and foreign statutes, laws, regulations, ordinances, or rules, and all judgments, orders, decrees, permits, concessions, grants, franchises, licenses, permits, agreements or governmental restrictions relating to air, water or land pollution, wetlands, or the protection of the environment or the release of any materials into the environment, including air, water or land and those related to Hazardous Materials, air emissions and discharges to waste or public systems.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the District directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

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

“Event of Taxability” means: (i) a change in law or fact or the interpretation thereof, or the occurrence or existence of any fact, event or circumstance (including, without limitation, the taking of any action by the District, or the failure to take any action by the District, or the making by the District of any misrepresentation herein or in any certificate required to be given in connection with this Agreement) which has the effect of causing interest portion of any Tax-Exempt Installment Payment to become includable, in whole or in part, in the gross income of the Lender or any assignee thereof for federal income tax purposes; or (ii) the entry of any decree or judgment by a court of competent jurisdiction, or the taking of any official action by the Internal Revenue Service or the Department of the Treasury, which decree, judgment or action shall be final under applicable procedural law, in either case, which has the effect of causing the interest portion of any Tax-Exempt Installment Payment to become includable, in whole or in part, in the gross income of the Lender or any assignee thereof for federal income tax purposes.

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

“Governmental Authority” means any governmental or quasi-governmental entity, including any court, department, commission, board, bureau, agency, administration, central bank, service, District or other instrumentality of any governmental entity or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government, or any arbitrator, mediator or other person with authority to bind a party at law.

“Hazardous Materials” means (a) any petroleum or petroleum products, flammable substance, explosives, radioactive materials, hazardous waste or contaminants, toxic wastes, substances or contaminants, or any other wastes, contaminants, or pollutants; (b) asbestos in any form that is or could become friable, urea formaldehyde foam insulation, transformers, or other equipment that contains dielectric fluid containing levels of polychlorinated biphenyls or radon gas; (c) any chemicals, materials or substances defined as or included in the definition of “hazardous substances,” “hazardous materials,” “extremely hazardous wastes,” “restricted hazardous wastes,” “toxic substances,” “toxic pollutants,” “contaminants” or “pollutants,” or words of similar import, under any applicable

Environmental Law; (d) any other chemical, material or substance, exposure to which is prohibited, limited, or regulated by any governmental authority; and (e) any other chemical, material or substance which may or could pose a hazard to the environment.

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

“Independent Financial Consultant” means a financial consultant or firm of such consultants appointed by the District, and who, or each of whom: (i) is in fact independent and not under domination of the District; (ii) does not have any substantial interest, direct or indirect, with the District; and (iii) is not connected with the District as an officer or employee thereof, but who may be regularly retained to make reports thereto.

“Installment Payment Date” means: (i) each February 1 and August 1, commencing February 1, 2025, to and including August 1, 2044, or if said date is not a Business Day, then the succeeding Business Day; or (ii) any other date upon which Installment Payments become due and payable, whether by acceleration, prepayment or otherwise.

“Installment Payments” means the Tax-Exempt Installment Payments and Taxable Installment Payments due hereunder.

“Law” means, collectively, the Water Code and the Government Code of the State of California and all laws amendatory thereof or supplemental thereto.

“Lender” means Umpqua Bank, an Oregon state chartered bank, and its successors and assigns.

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

“Material Litigation” means any action, suit, proceeding, inquiry or investigation against the District in any court or before any arbitrator of any kind or before or by any Governmental Authority, of which the District has notice or knowledge and which, (a) if determined adversely to the District, may have a Material Adverse Effect; (b) seek to restrain or enjoin any of the transactions contemplated hereby or by this Agreement; or (c) may adversely affect (i) the exclusion of interest with respect to the Tax-Exempt Installment Payments from gross income for federal income tax purposes or the exemption of such interest for state income tax purposes; or (ii) the ability of the District to perform its obligations under this Agreement.

“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 Wastewater Revenues” means, for any period, an amount equal to all of the Wastewater Revenues received during such period, minus the amount required to pay all Wastewater Maintenance and Operation Costs becoming payable during such period.

“Net Water Revenues” means, for any period, an amount equal to all of the Water Revenues received during such period, minus the amount required to pay all Water Maintenance and Operation Costs becoming payable during such period.

“Parity Obligations” means, collectively, all Contracts and Bonds payable from Water Revenues and Wastewater Revenues, as applicable, on a parity basis with the Installment Payments due hereunder.

“Parity Obligations Documents” means, collectively, the installment sale agreement, indenture of trust, trust agreement, resolution or other document authorizing the issuance of any Parity Obligations or any securities which evidence Parity Obligations.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(b) bonds, debentures, notes or other evidences of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America; provided that stripped securities are only permitted if they have been stripped by the agency itself:

- (i) U.S. Export-Import Bank (Eximbank)
Direct obligations or fully guaranteed certificates of beneficial ownership
- (ii) Farmers Home Administration (FmHA)
Certificates of Beneficial Ownership
- (iii) Federal Financing Bank
- (iv) Federal Housing Administration Debentures (FHA)
- (v) General Services Administration
Participation Certificates
- (vi) Government National Mortgage Association (GNMA or Ginnie Mae)
GNMA—guaranteed mortgage-backed bonds GNMA—guaranteed pass-through obligations
- (vii) U.S. Maritime Administration
Guaranteed Title XI financing

- (viii) U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Corporation Bonds
New Communities Debentures—U.S. government guaranteed
debenture U.S. Public Housing Notes and Bonds—U.S. government
guaranteed public housing notes and bonds

(c) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies which are not backed by the full faith and credit of the United States of America; provided that stripped securities are only permitted if they have been stripped by the agency itself:

- (i) Federal Home Loan Bank System
Senior debt obligations
- (ii) Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
Participation Certificate Senior debt obligations
- (iii) Federal National Mortgage Association (FNMA or Fannie Mae)
Mortgage-backed securities and senior debt obligations
- (iv) Resolution Funding Corp. (REFCORP) obligations
- (v) Farm Credit System
Consolidated systemwide bonds and notes

(d) money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G,” “AAA-m,” or “AA-m” and if rated by Moody’s rated “Aaa,” “Aa1” or “Aa2”;

(e) savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF;

(f) commercial paper rated, at the time of purchase, “Prime -1” by Moody’s and “A-1” or better by S&P;

(g) bonds or notes issued by any state or municipality which are rated by Moody’s and S&P in one of the two highest rating categories assigned by such rating agencies;

(h) federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime 1” or “A3” or better by Moody’s and “A-1” or “A” or better by S&P;

(i) the Local Agency Investment Fund of the State of California or other investment pools sponsored by the State of California or the Treasurer-Tax Collector.

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

“Rebate Fund” means the fund by that name established pursuant to Section 5.7.

“State Water Supply Contract” means that certain contract or contracts by which the District obtains water from the State Water Project, as well as any other contract or agreement by which the District obtains water from the State Water Project and pursuant to which the District is entitled to levy assessments for the purpose of paying costs in connection therewith.

“Subordinate Obligations” means, collectively, all Contracts and Bonds payable on a parity basis that is subordinate to the Installment Payments due hereunder and any other Parity Obligations.

“Subordinate Obligations Documents” means, collectively, the installment sale agreement, indenture of trust, trust agreement, resolution or other document authorizing the issuance of any Subordinate Obligations or any securities which evidence Subordinate Obligations.

“Tax Certificate” means the Tax Certificate dated the Closing Date, concerning certain matters pertaining to the use and investment of proceeds of this Agreement, executed by the District, including any and all exhibits attached thereto.

“Tax Collector” means the Treasurer-Tax Collector of the County of Fresno.

“Tax-Exempt Installment Payments” means those components of principal and interest identified in Exhibit A as constituting tax-exempt Installment Payments.

“Taxable Installment Payments” means those components of principal and interest identified in Exhibit A as constituting taxable Installment Payments.

“Wastewater Enterprise” means the whole and each and every part of the wastewater system (including any recycled water storage and distribution system) of the District, including all real property and buildings whether owned or operated by the District or another party, including the portion thereof existing on the date hereof, and including all additions, betterments, extensions and improvements to such Wastewater Enterprise or any part thereof hereafter acquired or constructed.

“Wastewater Enterprise Fund” means the wastewater fund established and held by the District with respect to the Wastewater Enterprise for the receipt and deposit of Wastewater Revenues derived from the Wastewater Enterprise, together with other accounts created in the future and designated by the Board of Directors as a part thereof.

“Wastewater Installment Payments” means those Installment Payments payable from Wastewater Net Revenues, as set forth in Exhibit A hereto.

“Wastewater Maintenance and Operation Costs” means costs spent or incurred for maintenance and operation of the Wastewater Enterprise calculated in accordance with Generally Accepted Accounting Principles applicable to governmental agencies, including, but not limited to, the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater Enterprise in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the Wastewater Enterprise, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, or similar type retirement system, 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 (other than debt service payments) required to be paid by it to comply with the terms of any Contract payable from Wastewater Revenues or of any resolution or indenture authorizing the

issuance of any Bonds payable from Wastewater Revenues; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature.

“Wastewater Rate Stabilization Fund” means the District account, together with other accounts created in the future, and designated by the Board of Directors as a part of the Wastewater Rate Stabilization Fund created pursuant to Section 5.3(b) hereof.

“Wastewater Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership of or operation of the Wastewater Enterprise, including, without limiting the generality of the foregoing: (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the collection, treatment and disposal of wastewater or other services or facilities provided in the conduct or operation of the business of the Wastewater Enterprise; (2) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, proceeds or other moneys, including District reserves, and (3) deposits to the Wastewater Enterprise Fund from amounts on deposit in the Wastewater Rate Stabilization Fund in accordance with Section 5.6 hereof; but excluding in all cases: any (x) customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District; and (y) any proceeds of taxes or Benefit Assessments restricted by law to be used by the District to pay amounts due on bonds or other obligations heretofore or hereafter incurred.

“Wastewater Service” means the Wastewater Service made available by the Wastewater Enterprise

“Water Enterprise” means the existing facilities and property owned by the District in connection with the water distribution and supply services of the District, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the District.

“Water Enterprise Fund” means the water fund established and held by the District with respect to the Water Enterprise for the receipt and deposit of Water Revenues derived from the Water Enterprise, together with other accounts created in the future and designated by the Board of Directors as a part thereof.

“Water Installment Payments” means those Installment Payments shown in Exhibit A as being allocated to the Water Enterprise.

“Water Maintenance and Operation Costs” means: (a) the reasonable and necessary costs and expenses paid by the District for maintaining and operating the Water Enterprise, including but not limited to the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water Enterprise in good repair and working order, and including but not limited to administrative costs of the District attributable to the Water Enterprise and the financing thereof and payments to the Public Employees Retirement System, or similar retirement system; and (b) costs spent or incurred in the purchase of water for the Water Enterprise; but in all cases excluding interest expense relating to unsecured obligations of the District and excluding depreciation, replacement and obsolescence charges or reserves therefor and excluding amortization of intangibles or other bookkeeping entries of a similar nature.

“Water Rate Stabilization Fund” means the District account, together with other accounts created in the future, and designated by the Board of Directors as a part of the Water Rate Stabilization Fund created pursuant to Section 5.3(a) hereof.

“Water Revenues” means all income, rents, rates, fees, charges and other moneys derived by the District from the ownership or operation of the Water Enterprise on or after the date hereof, including, without limiting the generality of the foregoing:

(1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Water Enterprise;

(2) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including Water Enterprise reserves;

(3) the proceeds of any development impact capacity fees or any other connection fees collected by the District in connection with the Water Enterprise;

(4) the proceeds of the County of Fresno 1% *ad valorem* property tax received by the District;

(5) the proceeds of any stand-by or water availability charges collected by the District in connection with the Water Enterprise; and

(6) deposits to the Water Enterprise Fund from amounts on deposit in the Water Rate Stabilization Fund in accordance with Section 5.6 hereof,

but excluding customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District and excluding any proceeds of taxes or assessments restricted by law to be used by the District to pay bonds hereafter issued, any Benefit Assessments, and any assessments levied and collected to pay any contract payments due under the State Water Supply Contract.

“Water Service” means the water service made available by the Water Enterprise.

“Written Consent of the Lender or District,” “Written Order of the Lender or District,” “Written Request of the Lender or District,” and “Written Requisition of the Lender or District” mean, respectively, a written consent, order, request or requisition signed by or on behalf of: (i) the Lender by an authorized representative; or (ii) the District by a District Representative.

“2024 Expenses” means those operating expenses of the District payable from a portion of the proceeds received hereunder.

“2024 Project” has the meaning described in the recitals hereto, and which is more fully described in Exhibit C.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

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

(a) The District is a county water district that is duly organized and existing under the laws of the State of California, including but not limited to Division 15 of the California Water Code.

(b) The District has full legal right, power and authority to enter into this Agreement and carry out its obligations hereunder, to carry out and consummate all other transactions contemplated by this Agreement, and the 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 Agreement.

(d) The District will not take or, to the extent within its power, permit any action to be taken which results in the interest portion of the Tax-Exempt Installment Payments due under the terms of this Agreement being included in the gross income of the Lender for purposes of federal or State of California income taxation.

(e) Neither the execution and delivery of this Agreement, nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the District is now a party or by which the District is bound or constitutes a default under any of the foregoing, or results in the creation or imposition of any lien, charge or encumbrances whatsoever upon any of the property or assets of the District, other than as set forth herein.

(f) No consent or approval of any trustee or holder of any indebtedness of the District or of the voters of the District, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Agreement, or the consummation of any transaction herein contemplated, except as have been obtained or made and as are in full force and effect.

(g) There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, educational or other governmental authority pending or, to the knowledge of the District after reasonable investigation, threatened against or affecting the District or the assets, properties or operations of the District which, if determined adversely to the District or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Agreement or upon the financial condition, assets, properties or operations of the District, and the District is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, educational or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Agreement or the financial conditions, assets, properties or operations of the District or otherwise have a Material Adverse Effect.

(h) The District has not issued or incurred any obligations which are currently outstanding having any priority in payment out of the Water Revenues, Wastewater Revenues, Net Water Revenues or Net Wastewater Revenues that are senior in basis to the payment of the Installment Payments.

(i) There has been no material adverse change in the financial condition of the District since June 30, 2023.

(j) The District's comprehensive annual financial report for the period ended June 30, 2023, presents fairly the financial condition of the District, the Water Enterprise and the Wastewater Enterprise as of the date thereof and the results of operation for the period covered thereby. Except as has been disclosed to the Lender, there has been no change in the financial condition of the District, the Water Enterprise or Wastewater Enterprise since June 30, 2023, that will in the reasonable opinion of the District materially impair its ability to perform its obligations under this Agreement. All information provided by the District to the Lender with respect to the financial performance of the Water Enterprise and Wastewater Enterprise is accurate in all material respects as of its respective date and does not omit any information necessary to make the information provided not misleading. Any financial, budget and other projections furnished to the Lender by the District, or its agents, were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of conditions existing at the time of delivery of such financial, budget or other projections.

(k) To the best of its knowledge, as currently conducted, the District's activities with respect to the Water Enterprise and Wastewater Enterprise are in all material respects in compliance with all applicable laws, administrative regulations of the State of California and of the United States and any agency or instrumentality of either, and any judgment or decree to which the District is subject.

(l) The District is not in any material respect in breach of or default under any constitutional provision, law or administrative regulation of the State of California or of the United States or any agency or instrumentality of either or any judgment or decree or any loans, indenture, bond, note, resolution, agreement or other instrument to which the District is a party or to which the District or any of its property or assets is otherwise subject (including, without limitation, this Agreement), and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument or an Event of Default hereunder; and the execution and delivery of this Agreement and compliance with the District's obligations therein and herein will not in any material respect conflict with, violate or result in a breach of or constitute a default under, any constitutional provision, law, administrative regulation, judgment, decree, indenture, agreement, mortgage, lease or other instrument to which the District is a party or to which the District or any of its property or assets is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the District or under the terms of any such law, regulation or instruments, except as provided by this Agreement.

(m) All consents, approvals, authorizations, orders, licenses or permits of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter, that are required for the due authorization by, or that would constitute a condition precedent to or the absence of which would materially adversely affect the making or accepting of this Agreement

and the execution, delivery of and performance of this Agreement by the District have been duly obtained (except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of this Agreement, as to which no representation is made).

(n) The District has determined that it is necessary and proper to refinance the Prior Projects by financing the 2024 Project and to finance the 2024 Expenses in the manner provided for in this Agreement.

(o) The District acknowledges and agrees that: (i) the transaction contemplated herein is an arm's length commercial transaction between the District and the Lender and its affiliates; (ii) in connection with such transaction, the Lender and its affiliates are acting solely as a principal and not as an advisor including, without limitation, a "Municipal Advisor" as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules"), agent or fiduciary of the District; (iii) the Lender and its affiliates have not provided any advice or assumed any advisory or fiduciary responsibility in favor of the District with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto; (iv) the Lender and its affiliates have financial and other interests that differ from those of the District; and (v) the District has consulted with its own financial, legal, accounting, tax and other advisors, as applicable, to the extent it deemed appropriate

(p) The District is not engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock (as defined in Regulation U and/or Regulation X promulgated by the Board of Governors of the United States Federal Reserve System, or any successor thereto), and no part of the proceeds of the of the amounts hereunder or any amounts furnished by the Lender will be used to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock.

(q) The District is subject to claims and to suit for damages in connection with its obligations under this Agreement and the other Related Documents pursuant to and in accordance with the laws of the State applicable to public entities such as the District; provided, however, that a claimant shall be required to comply with the provisions of the Government Claims Act set forth in California Government Code Section 810 et seq. in tort or contract suits, actions or proceedings brought against the District.

(r) The District's irrevocable pledge of the Net Wastewater Revenues and the Net Water Revenues and amounts hereunder to and for the payment of the Installment Payments under this Agreement are valid and binding and no further acts, instruments, approvals or consents are necessary for the creation, validity or perfection thereof.

(s) After giving effect to the issuance of the obligations contemplated by this Agreement, the District is solvent, having assets of a fair value which exceeds the amount required to pay its debts (including contingent, subordinated, unmatured and unliquidated liabilities) as they become absolute and matured, and the District is able to and anticipates that it will be able to meet its debts as they mature and has adequate capital to conduct its business in which it is engaged.

(t) The District and its properties (a) have not become subject to any Environmental Liability caused by District nor does it know of any basis for any Environmental Liability against the District, (b) have not received notice to the effect that any of the District's

operations are not in compliance with any of the requirements of any Environmental Laws or any applicable federal, state or local health and safety statutes and regulations or are the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any Hazardous Materials into the environment, and (c) to the best of the knowledge of the District, is in compliance with all Environmental Laws and has obtained and maintains or complies with any permit, license or other approval required under any Environmental Law, in each of (a), (b) and (c) above, except with respect to any matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect on the ability of the District to receive Wastewater Revenues and Water Revenues, or its ability to perform its obligations hereunder..

Section 2.2 Representations and Warranties by the Lender. The Lender represents, warrants and covenants to the District as follows:

(a) The Lender is an Oregon state chartered bank that is duly organized and existing under the laws of the State of Oregon, and is authorized to enter into this Agreement and to perform its obligations hereunder.

(b) The representative of the Lender executing this Agreement is fully authorized to do so.

(c) This Agreement has been duly authorized, executed and delivered by the Lender and constitutes the legal, valid and binding agreement of the Lender, enforceable against the Lender in accordance with its terms.

(d) Except as provided herein, the Lender will not assign this Agreement, its right to receive Installment Payments from the District or its duties and obligations hereunder to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in this section.

ARTICLE III

APPLICATION OF PROCEEDS; REACQUISITION OF 2024 PROJECT

Section 3.1 Amount of Proceeds. The parties hereby agree that \$_____ shall be the amount of proceeds received hereunder. The proceeds shall be applied in accordance with the Closing Memorandum attached hereto as Exhibit D.

Section 3.2 Application of Proceeds. From the proceeds set forth in Section 3.1, the Lender hereby agrees to cause the associated deposits and wires to be applied on the Closing Date, as set forth in the Closing Memorandum attached as Exhibit D hereto.

Section 3.3 Reacquisition of the Prior Projects. The District will reacquire the Prior Projects by refinancing the same with a portion of the proceeds acquired hereunder.

Section 3.4 [Reserved].

Section 3.5 Purchase and Sale of 2024 Project. In consideration for the Installment Payments, the Lender agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Lender, the 2024 Project at the Purchase Price that is specified in

Section 4.1 hereof and otherwise in the manner and in accordance with the provisions of this Agreement. Such purchase and sale shall be considered to have occurred simultaneously with the execution of this Agreement. In furtherance of this section, upon the purchase and sale of the 2024 Project, the Lender shall have no right, title or interest to the 2024 Project or any other portion of the Water Enterprise or the Wastewater Enterprise.

Section 3.6 Title. All right, title and interest in each component of the 2024 Project shall vest in the District immediately upon the execution hereof. Such vesting shall occur without further action by the Lender or the District, and the Lender shall, if requested by the District or if necessary to assure such automatic vesting, deliver any and all documents which are required to assure such vesting.

ARTICLE IV

INSTALLMENT PAYMENTS

Section 4.1 Purchase Price.

(a) The Purchase Price to be paid by the District hereunder to the Lender 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 effective date hereof over the term hereof, subject to prepayment as provided in Article VII. The Purchase Price represents the amount to be repaid to the Lender by the District in exchange for the amount set forth in Section 3.1 hereof, which amount is being paid by the Lender to reacquire the 2024 Project and finance the 2024 Expenses.

(b) The principal amount of the payments to be made by the District hereunder is set forth in the Tax-Exempt Payment Schedule and Taxable Payment Schedule, each set forth in Exhibit A.

(c) Except as set forth in clause (d), interest shall accrue on the unpaid balance of such principal amount at the rate of ___% per annum with respect to the Tax-Exempt Installment Payments, and ___% per annum, with respect to the Taxable Installment Payments, as specified in Section 4.2 and Exhibit A, computed on the basis of a 360-day year of twelve thirty-day months, and such interest shall be paid by the District as and constitute interest paid with respect to the principal amount of the District's obligations hereunder.

(d) From and after a Determination of Taxability (but retroactive to the effective date of the applicable Event of Taxability), the interest rate applicable to the outstanding principal balance of the Tax-Exempt Installment Payments shall be equal to a rate per annum such that the Lender's anticipated after-tax yield on the applicable Installment Payments shall be ___%, computed on the basis of a 360-day year of twelve thirty-day months.

(e) From and after an Event of Default, the interest rates applicable to the outstanding principal balance of the Installment Payments shall increase by 3.0%, computed on the basis of a 360-day year of twelve thirty-day month.

Section 4.2 Installment Payments. The District shall, subject to any rights of prepayment provided in Article VII, pay the Lender the Purchase Price in installment payments of interest and principal in the amounts and on the Installment Payment Dates as set forth in Exhibit A. Whenever any Installment Payment to be made hereunder shall be stated to be due on a day which is not a Business

Day, such payment may be made on the next succeeding Business Day, with the same force and effect as if made on the applicable Installment Payment Date. Interest on the Installment Payments shall be calculated based upon a 360-day year of twelve thirty-day months.

Each Installment Payment shall be paid to the Lender 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 rate or rates of interest then applicable to the remaining unpaid principal balance of the Installment Payments if paid in accordance with their terms.

Subject to Section 10.1 hereof, the obligation of the District to make the 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 Installment Payments required to be made by it under this section when due, whether or not the Water Enterprise or the Wastewater Enterprise, 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 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.

To the extent that Net Water Revenues or Net Wastewater Revenues are insufficient to pay all amounts due on an Installment Payment Date, an Event of Default shall have occurred, and the amounts available shall be applied pro rata between the Tax-Exempt Installment Payment and the Taxable Installment Payment due on such date. The District's obligation to pay the unpaid balance of any Installment Payment due and owing shall remain and be paid when possible in accordance with the provisions hereof.

Installment Payments shall be made from the District to the Lender by wire transfer pursuant to the instructions included in an invoice provided by the Lender to the District at least 15 days prior to each Installment Payment Date, which invoice will state the amount due on such Installment Payment Date.

So long as this Agreement is held by the Lender, all principal and interest payments with respect to this Agreement shall be made by wire transfer using wire instructions provided in writing by the Lender, to the District. If no wire instructions are so provided, Installment Payments may be mailed to the notice address for the Lender set forth in Section 10.10.

ARTICLE V

SECURITY

Section 5.1 Pledge of Net Water Revenues. All Net Water Revenues are hereby irrevocably pledged to the payment of the Water Installment Payments as provided herein, and the Net Water Revenues shall not be used for any other purpose while any of the Water Installment Payments remain unpaid; provided that out of the Water Revenues there may be apportioned such sums for such purposes as are expressly permitted herein. This pledge, together with the pledge created in favor of all other Parity Obligations secured by Water Revenues, shall constitute a first lien on Net Water Revenues, subject to application of Water Revenues and all amounts on deposit in the Water Enterprise

Fund as permitted herein, for the payment of the Water Installment Payments and all other Parity Obligations secured by Water Revenues in accordance with the terms hereof.

Section 5.2 Allocation of Water Revenues. Subject to Section 5.3(a) below, in order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants that all Water 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 “Water Enterprise Fund,” which fund has been established and which fund the District agrees and covenants to continue to maintain and to hold separate and apart from other funds so long as any Water Installment Payments remain unpaid.

The District shall, from the moneys in the Water Enterprise Fund, pay all Water Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Water Maintenance and Operation Costs, the payment of which is not then immediately required) as such Water Maintenance and Operation Costs become due and payable. Thereafter, all remaining moneys in the Water Enterprise Fund shall be applied by the District at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth in this section.

(a) Water Installment Payments. The District shall, from available moneys in the Water Enterprise Fund and elsewhere, mail or wire to the Lender each Water Installment Payment due in accordance with the wiring instructions provided in accordance with Section 4.2, and shall transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other debt service payments in accordance with the provisions of any Parity Obligation Documents relating to the Water Enterprise.

(b) Reserve Funds. The District shall, from available moneys in the Water Enterprise Fund and elsewhere, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for such reserve funds and/or accounts, if any, as may have been established in connection with Parity Obligation Documents relating to the Water Enterprise the amount required to be deposited therein pursuant to such Parity Obligation Documents relating to the Water Enterprise, as applicable.

(c) Other Payments. The District shall, from available moneys in the Water Enterprise Fund and elsewhere, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference: (i) pay all other amounts when and as due and payable under this Agreement; and (ii) transfer all other amounts to otherwise comply with the Parity Obligation Documents relating to the Water Enterprise.

(d) Subordinate Obligations. The District shall, from available moneys in the Water Enterprise Fund and elsewhere, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer all other amounts to otherwise comply with the Subordinate Obligation Documents relating to the Water Enterprise.

(e) Surplus. Moneys on deposit in the Water Enterprise Fund which are not necessary to make any of the payments required above may be expended by the District at any time

for capital expenditures or for any other purpose permitted by law, including but not limited to transfers to the Rate Stabilization Fund or other unpaid amounts due on obligations subordinate hereto.

Section 5.3 Rate Stabilization Funds.

(a) Water Rate Stabilization Fund. The District hereby agrees and covenants to establish and maintain, so long as any Water Installment Payments remain outstanding, the Water Rate Stabilization Fund. Amounts in the Water Rate Stabilization Fund shall be disbursed, allocated and applied by the District solely to the uses and purposes hereinafter described in this Agreement, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the District.

All amounts on deposit in the Water Rate Stabilization Fund are hereby irrevocably pledged to the payment of the Bonds and Contracts relating to the Water Enterprise as provided herein; provided that amounts on deposit in the Water Rate Stabilization Fund may be apportioned for such purposes as are expressly permitted herein. This pledge shall constitute a first lien on amounts on deposit in the Water Rate Stabilization Fund for the payment of Contracts and Bonds relating to the Water Enterprise in accordance with the terms hereof.

The District may withdraw all or any portion of the amounts on deposit in the Water Rate Stabilization Fund and transfer such amounts to the Water Enterprise Fund for application in accordance with Section 5.2 hereof. Amounts transferred from the Water Rate Stabilization Fund to the Water Enterprise Fund pursuant to this Section 5.3(a) during or within 270 days after the end of a Fiscal Year, may be taken into account as Water Revenues for purposes of the calculations in Sections 5.6 and 6.13(a) and (b) in such Fiscal Year to the extent provided in the definition of Water Revenues.

(b) Wastewater Rate Stabilization Fund. The District hereby agrees and covenants to establish and maintain, so long as any Wastewater Installment Payments remain outstanding, the Wastewater Rate Stabilization Fund. Amounts in the Wastewater Rate Stabilization Fund shall be disbursed, allocated and applied by the District solely to the uses and purposes hereinafter described in this Agreement, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the District.

All amounts on deposit in the Wastewater Rate Stabilization Fund are hereby irrevocably pledged to the payment of the Bonds and Contracts relating to the Wastewater Enterprise as provided herein; provided that amounts on deposit in the Wastewater Rate Stabilization Fund may be apportioned for such purposes as are expressly permitted herein. This pledge shall constitute a first lien on amounts on deposit in the Wastewater Rate Stabilization Fund for the payment of Contracts and Bonds relating to the Wastewater Enterprise in accordance with the terms hereof.

The District may withdraw all or any portion of the amounts on deposit in the Wastewater Rate Stabilization Fund and transfer such amounts to the Wastewater Enterprise Fund for application in accordance with Section 5.5 hereof. Amounts transferred from the Wastewater Rate Stabilization Fund to the Wastewater Enterprise Fund pursuant to this Section 5.3(b) during or within 270 days after the end of a Fiscal Year, may be taken into account as Wastewater Revenues for purposes of the calculations in Sections 5.6 and 6.13(a) and (b) in such Fiscal Year to the extent provided in the definition of Wastewater Revenues.

Section 5.4 Pledge of Wastewater Revenues. All Net Wastewater Revenues are hereby irrevocably pledged to the payment of the Wastewater Installment Payments as provided herein, and the Net Wastewater Revenues shall not be used for any other purpose while any of the Wastewater Installment Payments remain unpaid; provided that out of the Wastewater Revenues there may be apportioned such sums for such purposes as are expressly permitted herein. This pledge, together with the pledge created in favor of all other Parity Obligations secured by Wastewater Revenues, shall constitute a first lien on Net Wastewater Revenues, subject to application of Wastewater Revenues and all amounts on deposit in the Wastewater Enterprise Fund as permitted herein, for the payment of the Wastewater Installment Payments and all other Parity Obligations secured by Wastewater Revenues in accordance with the terms hereof

Section 5.5 Allocation of Wastewater Revenues. Subject to Section 5.3(b) below, in order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants that all Wastewater 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 “Wastewater Enterprise Fund,” which fund has been established and which fund the District agrees and covenants to continue to maintain and to hold separate and apart from other funds so long as any Wastewater Installment Payments remain unpaid.

The District shall, from the moneys in the Wastewater Enterprise Fund, pay all Wastewater Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Wastewater Maintenance and Operation Costs, the payment of which is not then immediately required) as such Wastewater Maintenance and Operation Costs become due and payable. Thereafter, all remaining moneys in the Wastewater Enterprise Fund shall be applied by the District at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth in this section.

(a) Wastewater Installment Payments. The District shall, from available moneys in the Wastewater Enterprise Fund and elsewhere, mail or wire to the Lender each Wastewater Installment Payment due in accordance with the wiring instructions provided in accordance with Section 4.2, and shall transfer to the applicable trustee for deposit in the respective payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other debt service payments in accordance with the provisions of any Parity Obligation Documents relating to the Wastewater Enterprise.

(b) Reserve Funds. The District shall, from available moneys in the Wastewater Enterprise Fund and elsewhere, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the applicable trustee for such reserve funds and/or accounts, if any, as may have been established in connection with Parity Obligation Documents relating to the Wastewater Enterprise the amount required to be deposited therein pursuant to such Parity Obligation Documents relating to the Wastewater Enterprise, as applicable.

(c) Other Payments. The District shall, from available moneys in the Wastewater Enterprise Fund and elsewhere, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference: (i) pay all other amounts when and as due and payable under this Agreement; and (ii) transfer all other amounts to otherwise comply with the Parity Obligation Documents relating to the Wastewater Enterprise.

(d) Subordinate Obligations. The District shall, from available moneys in the Wastewater Enterprise Fund and elsewhere, thereafter, without preference or priority and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer all other amounts to otherwise comply with the Subordinate Obligation Documents relating to the Wastewater Enterprise.

(e) Surplus. Moneys on deposit in the Wastewater Enterprise Fund which are not necessary to make any of the payments required above may be expended by the District at any time for capital expenditures or for any other purpose permitted by law, including but not limited to transfers to other unpaid amounts due on obligations subordinate hereto.

Section 5.6 Additional Contracts and Bonds Relating to the Water Enterprise. The District may at any time execute any Contract or issue any Bonds relating to the Water Enterprise, as the case may be, in accordance herewith; provided that:

(a) The Net Water Revenues for the last audited Fiscal Year of the District, or for any consecutive twelve calendar month period during the eighteen calendar month period, preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract relating to the Water Enterprise, as the case may be, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the District, shall have produced a sum equal to at least 120% of the Debt Service secured by Water Revenues for such Fiscal Year or other twelve month period; and

(b) The Net Water Revenues for the last audited Fiscal Year of the District, or for any consecutive twelve calendar month period during the eighteen calendar month period, preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract relating to the Water Enterprise, as the case may be, including adjustments to give effect as of the first day of such twelve month period to increases or decreases in rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the District, shall have produced a sum equal to at least 120% of the Debt Service secured by Water Revenues for such Fiscal Year or other twelve month period, plus the Debt Service secured by Water Revenues which would have accrued on any Contracts executed or Bonds issued relating to the Water Enterprise since the end of such Fiscal Year or other twelve month period, assuming that such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year or other twelve month period, plus the Debt Service secured by Water Revenues which would have accrued had such proposed additional Contract been executed or proposed additional Bonds been issued at the beginning of such Fiscal Year or other twelve month period.

Notwithstanding the foregoing, Bonds issued or Contracts executed relating to the Water Enterprise to refund Bonds or prepay Contracts relating to the Water Enterprise may be delivered without satisfying the conditions set forth above if total Debt Service secured by Water Revenues after the issuance of such refunding Bonds or execution of such refunding Contracts executed is not greater than total Debt Service secured by Water Revenues would have been prior to the issuance of such Bonds or execution of such Contracts.

Notwithstanding the foregoing provisions, the District may issue Bonds and Contracts relating to the Water Enterprise the payment of which are subordinate to Bonds and Contracts relating to the

Water Enterprise and which are subordinate to the payment by the District of the Water Installment Payments without meeting the test provided in this Section 5.6.

Section 5.7 Additional Contracts and Bonds Relating to the Wastewater Enterprise.

The District may at any time execute any Contract or issue any Bonds relating to the Wastewater Enterprise, as the case may be, in accordance herewith; provided that:

(a) The Net Wastewater Revenues for the last audited Fiscal Year of the District, or for any consecutive twelve calendar month period during the eighteen calendar month period, preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract relating to the Wastewater Enterprise, as the case may be, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the District, shall have produced a sum equal to at least 120% of the Debt Service secured by Wastewater Revenues for such Fiscal Year or other twelve month period; and

(b) The Net Wastewater Revenues for the last audited Fiscal Year of the District, or for any consecutive twelve calendar month period during the eighteen calendar month period, preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract relating to the Wastewater Enterprise, as the case may be, including adjustments to give effect as of the first day of such twelve month period to increases or decreases in rates and charges for the Wastewater Service approved and in effect as of the date of calculation, as evidenced by a special report prepared by an Independent Certified Public Accountant or Independent Financial Consultant on file with the District, shall have produced a sum equal to at least 120% of the Debt Service secured by Wastewater Revenues for such Fiscal Year or other twelve month period, plus the Debt Service secured by Wastewater Revenues which would have accrued on any Contracts executed or Bonds issued relating to the Wastewater Enterprise since the end of such Fiscal Year or other twelve month period, assuming that such Contracts had been executed or Bonds had been issued at the beginning of such Fiscal Year or other twelve month period, plus the Debt Service secured by Wastewater Revenues which would have accrued had such proposed additional Contract been executed or proposed additional Bonds been issued at the beginning of such Fiscal Year or other twelve month period.

Notwithstanding the foregoing, Bonds issued or Contracts executed relating to the Wastewater Enterprise to refund Bonds or prepay Contracts relating to the Wastewater Enterprise may be delivered without satisfying the conditions set forth above if total Debt Service secured by Wastewater Revenues after the issuance of such refunding Bonds or execution of such refunding Contracts executed is not greater than total Debt Service secured by Wastewater Revenues would have been prior to the issuance of such Bonds or execution of such Contracts.

Notwithstanding the foregoing provisions, the District may issue Bonds and Contracts relating to the Wastewater Enterprise the payment of which are subordinate to Bonds and Contracts relating to the Wastewater Enterprise and which are subordinate to the payment by the District of the Wastewater Installment Payments without meeting the test provided in this Section 5.7.

Section 5.8 Investments. All moneys held by the District in the Water Enterprise Fund and the Wastewater Fund shall be invested in Permitted Investments, and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein.

Section 5.9 No Reserve. The Installment Payments shall not be secured by any reserve fund or account, and such payments are not payable, and are not secured by, any reserve fund or account established with respect to any Parity Obligations.

Section 5.10 Rebate Fund.

(a) Establishment. The District shall establish a separate fund designated the “Rebate Fund” when required in accordance herewith. Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of the interest portion of the Tax-Exempt Installment Payments will not be adversely affected, the District shall deposit in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section and the Tax Certificate. All money at any time deposited in the Rebate Fund shall be held by the District in trust for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by this Section and the Tax Certificate, unless and to the extent that the District receives an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of the interest portion of the Tax-Exempt Installment Payments will not be adversely affected, if such requirements are not satisfied.

(i) Computation. Within 55 days of the end of each fifth Bond Year (as such term is defined in the Tax Certificate), the District will calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Treasury Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (*e.g.*, the temporary investments exceptions of Section 148(f)(4)(B) and the construction expenditures exception of Section 148(f)(4)(C) of the Code), and taking into account whether the election pursuant to Section 148(f)(4)(C)(vii) of the Code (the “1½% Penalty”) has been made), for this purpose treating the last day of the applicable Bond Year as a computation date, within the meaning of Section 1.148-1(b) of the Treasury Regulations (the “Rebatable Arbitrage”). The District shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Transfer. Within 55 days of the end of each fifth Bond Year, an amount shall be deposited to the Rebate Fund by the District from any Net Water Revenues and Net Wastewater Revenues legally available for such purpose, if and to the extent required so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with clause (i) of this subsection (a). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, the District shall withdraw the excess from the Rebate Fund and then credit the excess to the Water Enterprise Fund and the Wastewater Enterprise Fund, on a pro rata basis.

(iii) Payment to the Treasury. The District shall pay to the United States Treasury, out of amounts in the Rebate Fund:

(A) Not later than 60 days after the end of: (X) the fifth Bond Year; and (Y) each applicable fifth Bond Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Bond Year; and

(B) Not later than 60 days after the payment of all of the Tax-Exempt Installment Payments, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Bond Year, and any income attributable to the Rebatable Arbitrage,

computed in accordance with Section 148(f) of the Code and Section 1.148-3 of the Treasury Regulations.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the District shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source equal to such deficiency prior to the time such payment is due. Each payment required to be made pursuant to this subsection (a) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T (prepared by the District), or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after prepayment and payment of the Tax-Exempt Installment Payments and the payments described in subsection (a) above being made may be withdrawn by the District and utilized in any manner by the District.

(c) Survival of Defeasance. Notwithstanding anything in this Section to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance or payment in full of the Tax-Exempt Installment Payments.

ARTICLE VI

COVENANTS OF THE DISTRICT

Section 6.1 Compliance with Installment Agreement and Ancillary Agreements. The District will punctually pay the 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 which are required to be observed and performed by it, and will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the 2024 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 Lender 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 Lender or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The 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 Parity Obligations 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 the Net Water Revenues or the Net Wastewater Revenues except as provided in Sections 5.1, 5.4, 5.6 and 5.7 hereof. In addition, 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 Net Water Revenues or the Net Wastewater Revenues as

may from time to time be deposited therein (as provided in Sections 5.2 and 5.5), provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

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 Water Enterprise or the Wastewater Enterprise or any part thereof. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water Enterprise or the Wastewater Enterprise, 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 Installment Payments and if the proceeds of such sale are deposited in the Water Enterprise Fund or the Wastewater Enterprise, as applicable.

Nothing herein shall restrict the ability of the District to sell any portion of the Water Enterprise or the Wastewater Enterprise if such portion is immediately repurchased by the District and if such arrangement cannot by its terms result in: (i) the purchaser of such portion of the Water Enterprise or the Wastewater Enterprise exercising any remedy which would deprive the District of or otherwise interfere with its right to own and operate such portion of the Water Enterprise or the Wastewater Enterprise; or (ii) the creation of a payment obligation of the District structurally or contractually senior to the obligation to make Installment Payments.

Section 6.4 Against Competitive Facilities. To the extent permitted by law, the District covenants that it will not acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, District or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any water system competitive with the Water Enterprise or the Wastewater Enterprise.

Section 6.5 Tax Covenants. Notwithstanding any other provision of this Agreement, absent an opinion of nationally recognized bond counsel that the exclusion from gross income of the interest component of the Tax-Exempt 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 covenant, 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 moneys or property which would cause the Tax-Exempt 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 moneys or property, regardless of the source, and will not take or omit to take any action which would cause the Tax-Exempt Installment Payments to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(c) **Federal Guarantee.** The District will not take or omit to take any action that would cause the Water 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 moneys or property, regardless of the source, and will not take any action or refrain from taking any action that would cause the 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 Tax-Exempt 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 Tax-Exempt Installment Payments and will comply with the covenants and requirements stated therein and incorporated by reference herein.

The District hereby designates this Agreement as a “qualified tax-exempt obligation” under Section 265(b)(3) of the Code.

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 or to issue Parity Obligations, the interest with respect to which has been determined by nationally recognized bond counsel not to be subject to federal income taxation.

Section 6.6 Operation and Maintenance of the Water Enterprise and Wastewater Enterprise. The District will maintain and preserve the Water Enterprise and Wastewater Enterprise in good repair and working order at all times and will operate the Water Enterprise and Wastewater Enterprise in an efficient and economical manner and will pay all Water Maintenance and Operation Costs and Wastewater Maintenance and Operation Costs 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 Water Enterprise or the Wastewater Enterprise, or the Water Revenues and Wastewater Revenues or the funds or accounts created hereunder or on any funds in the hands of the District pledged to pay the Installment Payments or to the owners of Parity Obligations prior or superior to the lien of the Installment Payments or which might impair the security of the Installment Payments.

Section 6.8 Compliance with Contracts. The District will neither take nor omit to take any action under any contract, if the effect of such act or failure to act would in any manner materially adversely impair the ability of the District to pay Installment Payments; and the District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all other contracts affecting or involving the Water Enterprise or the Wastewater Enterprise to the extent that the District is a party thereto.

Section 6.9 Insurance.

(a) The District will procure and maintain or cause to be procured and maintained insurance on the Water Enterprise and the Wastewater Enterprise with responsible insurers in such amounts and against such risks (including damage to or destruction of the Water Enterprise and the Wastewater Enterprise) as are usually covered in connection with water systems similar to the Water Enterprise and the Wastewater Enterprise so long as such insurance is available from reputable insurance companies.

Without limiting the foregoing, the District shall procure and maintain or cause to be procured and maintained, with responsible insurers, public liability and worker's compensation insurance covering claims against the District (including its directors, officers and employees) for bodily injury or death, or damage to property occasioned by reason of the District's operations, including any use of the Water Enterprise and the Wastewater Enterprise, and such insurance shall afford protection in such amounts as are usually covered in connection with operations similar to the Water Enterprise and the Wastewater Enterprise; provided, that such insurance coverage may be satisfied under a self-insurance program which is actuarially sound.

In the event of any damage to or destruction of the Water Enterprise or the Wastewater Enterprise caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water Enterprise or the Wastewater Enterprise. The District shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Water Enterprise or the Wastewater Enterprise shall be free and clear of all claims and liens.

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement, then the excess Net Proceeds shall be applied by the District in any manner permitted by law, including but not limited to prepay the Installment Payments and other Parity Obligations on a pro rata basis, in the manner provided in Section 7.1(b) herein and in the Parity Obligation Documents.

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

(c) Any insurance required to be maintained by paragraph (a) above and, if the District determines to procure and maintain insurance pursuant to paragraph (b) above, such insurance, may be maintained through participation by the District in an insurance program administered by a joint exercise of powers authority for public agencies.

Section 6.10 Eminent Domain of Water Enterprise and Wastewater Enterprise. Any amounts received as awards as a result of the taking of all or any part of the Water Enterprise or the Wastewater Enterprise 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 and extension or replacement facilities of the Water Enterprise or the Wastewater Enterprise; or (b) be applied to prepay or redeem the Installment Payments and any Parity Obligations, on a pro rata basis, in the manner provided in Section 7.1(b) herein and in the Parity Obligation Documents.

If such eminent domain proceedings have had no effect, or at most an immaterial effect, upon the Net Water Revenues or the Net Wastewater Revenues and the ability of the District to pay the Installment Payments under this Agreement and the Parity Obligation Documents, and a Written Order of the District to such effect has been filed with the Lender, then the District shall be permitted to deposit such proceeds in the Water Enterprise Fund or the Wastewater Enterprise Fund, as applicable.

Section 6.11 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 District, which records shall be available for inspection by the Lender at reasonable hours and under reasonable conditions.

(b) The District will prepare and file with the Lender annually within two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2023) financial statements of the District for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon. Such audit report shall include statements of the status of each account pertaining to the Water Enterprise and the Wastewater Enterprise, showing the amount and source of all deposits therein, the amount and purpose of the withdrawals therefrom and the balance therein at the beginning and end of said Fiscal Year.

(c) The District will deliver a copy of its operating budget to the Lender annually within thirty (30) days after the commencement of such Fiscal Year.

(d) The District shall furnish at the Lender's request such additional information that the Lender may from time to time reasonably request.

Section 6.12 Protection of Security and Rights of the Lender. The District will preserve and protect the security hereof and the rights of the Lender to the Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 6.13 Amounts of Rates and Charges.

(a) Covenant Regarding Water Revenues. The District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water Enterprise during each Fiscal Year which (together with existing unencumbered fund balances which are maintained in the form of cash or cash equivalents, and which are lawfully available to the District for payment of any of the following amounts during such Fiscal Year) are reasonably expected, at the commencement of such Fiscal Year, to be at least sufficient, after making allowances for contingencies and error in the estimates, to pay the following amounts in the following order of priority:

(i) All Water Maintenance and Operation Costs of the Water Enterprise estimated by the District to become due and payable in such Fiscal Year;

(ii) The Water Installment Payments and Debt Service on any Parity Obligations related to the Water Enterprise which are payable from the Net Water Revenues as they become due and payable during such Fiscal Year, without preference or priority; and

(iii) All payments required to meet any other obligations of the District which are charges, liens, encumbrances upon or payable from the Water Revenues of the Water Enterprise during such Fiscal Year, including payments due on Subordinate Obligations relating to the Water Enterprise.

(b) Covenant Regarding Net Water Revenues. In addition to the covenant set forth in the preceding clause (a) of this Section, the District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water Enterprise during each Fiscal Year

which are reasonably expected, at the commencement of such Fiscal Year, to be at least sufficient to yield Net Water Revenues which are at least equal to 120% of the Water Installment Payments and Debt Service on any Parity Obligations relating to the Water Enterprise which are payable from the Net Water Revenues, when and as the same come due and payable during such Fiscal Year.

(c) Covenant Regarding Wastewater Revenues. The District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater Enterprise during each Fiscal Year which (together with existing unencumbered fund balances which are maintained in the form of cash or cash equivalents, and which are lawfully available to the District for payment of any of the following amounts during such Fiscal Year) are reasonably expected, at the commencement of such Fiscal Year, to be at least sufficient, after making allowances for contingencies and error in the estimates, to pay the following amounts in the following order of priority:

(i) All Wastewater Maintenance and Operation Costs of the Wastewater Enterprise estimated by the District to become due and payable in such Fiscal Year;

(ii) The Wastewater Installment Payments and Debt Service on any Parity Obligations related to the Wastewater Enterprise which are payable from the Net Wastewater Revenues as they become due and payable during such Fiscal Year, without preference or priority; and

(iii) All payments required to meet any other obligations of the District which are charges, liens, encumbrances upon or payable from the Wastewater Revenues of the Wastewater Enterprise during such Fiscal Year, including payments due on Subordinate Obligations relating to the Wastewater Enterprise.

(d) Covenant Regarding Net Wastewater Revenues. In addition to the covenant set forth in the preceding clause (c) of this Section, the District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater Enterprise during each Fiscal Year which are reasonably expected, at the commencement of such Fiscal Year, to be at least sufficient to yield Net Wastewater Revenues which are at least equal to 120% of the Wastewater Installment Payments and Debt Service on any Parity Obligations relating to the Wastewater Enterprise which are payable from the Net Wastewater Revenues, when and as the same come due and payable during such Fiscal Year.

Section 6.14 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 Water Enterprise and the Wastewater Enterprise or any part thereof, or upon the Water Revenues or Wastewater Revenues when the same shall become due. The District will duly observe and conform to all valid regulations and requirements of any governmental authority relative to the operation of the Water Enterprise or the Wastewater Enterprise, 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 6.15 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 Lender 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 Installment Payments.

Section 6.17 Observance of Laws and Regulations. To the extent necessary to assure its performance hereunder, the District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America, or of the State 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, license, privilege or franchise now owned or hereafter acquired by the District, respectively, including its right to exist and carry on its business, to the end that such contracts, rights and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 6.18 Collection of Rates and Charges. The District will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates and charges applicable to the services and facilities furnished by the Water Enterprise and the Wastewater Enterprise to such land and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the District may discontinue such service from the Water Enterprise or the Wastewater Enterprise (to the extent possible), and such service shall not thereafter be recommenced except in accordance with the District laws or rules and regulations governing such situations of delinquency.

Section 6.19 Prompt Reacquisition of Prior Projects and Financing of 2024 Expenses. The District will take all necessary and appropriate steps to reacquire the Prior Projects, as agent of the Lender, with all practicable dispatch and in an expeditious manner and in conformity with law so as to complete the same as soon as possible. The proceeds of such reacquisition shall be used to finance the 2024 Project and the 2024 Expenses.

Section 6.20 Waiver of Sovereign Immunity. Except for applicable requirements of the District pursuant to the laws of the State of California, the District hereby agrees not to assert the defense of any future right of sovereign immunity in any legal proceeding to enforce or collect upon the obligations of the District under this Agreement or the transactions contemplated hereby or thereby.

Section 6.21 Notices. The District covenants and agrees to provide notices to the Lender as set forth below:

(a) The District shall immediately notify the Lender by telephone, promptly confirmed in writing, of any event, action or failure to take any action which constitutes an Event of Default under this Agreement, together with a detailed statement by the District of the steps being taken by the District to cure such Event of Default.

(b) The District shall promptly notify the Lender in writing: (i) of any Material Litigation, or any investigation, inquiry or similar proceeding by any Governmental Authority with respect to any matter that relates to or could impact any of the Water Revenues, Wastewater Revenues, Net Wastewater Revenues or Net Water Revenues, (ii) of any action, suit or proceeding or any investigation, inquiry or similar proceeding by or before any court or other governmental authority, domestic or foreign, against the District or any of the Water Enterprise, Wastewater Enterprise, Water Revenues or the Wastewater Revenues which involve claims equal to or in excess of \$500,000 or that

seeks injunctive relief against a material portion of the Water Enterprise, Wastewater Enterprise, or the operations thereof; or (iii) of any loss or destruction of or damage to any portion of the Water Enterprise or the Wastewater Enterprise in excess of \$5,000,000.

(c) The District shall promptly notify the Lender in writing in the event of any termination or cancellation of any insurance policy which the District is required to maintain, or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting the District property in excess of an aggregate of \$100,000.

(d) The District shall promptly notify the Lender in writing of any event that may have a Material Adverse Effect.

(e) The District shall file with the Lender such additional information as the Lender may reasonably request in writing, within a reasonable period of time after the receipt of such written request by the Lender.

Section 6.22 Merger; Consolidation. The District shall not dissolve or otherwise dispose of all or substantially all of the assets of the District or consolidate with or merge into another person or entity or permit one or more other persons or entities to consolidate with or merge into the District; *provided, however*, that the District may consolidate with or merge into another entity or person or permit one or more other person or entities to consolidate with or merge into the District if each of the following conditions shall have been fulfilled:

(a) such merger or consolidation shall be with or into another governmental entity which shall assume in writing, reasonably satisfactory in form and substance to the Lender, or by operation of law the due and punctual performance and observance of all of the covenants, agreements and conditions of this Agreement;

(b) such merger or consolidation shall not adversely affect or impair to any extent or in any manner (1) the Wastewater Revenues or the Water Revenues, (2) the availability of the Wastewater Revenues or the Water Revenues for the payment and security of the obligations of the District under this Agreement, and (3) an opinion of its Bond Counsel, satisfactory in form and substance to the Lender, to such effect; and

(c) the District shall have given the Lender not less than sixty (60) days' prior written notice of such merger or consolidation and furnished to the Lender all such information concerning such merger or consolidation as shall have been reasonably requested by the Lender.

Section 6.23 Establish and Maintain Deposits. No later than six months after the Closing Date, the District shall establish and maintain a deposit relationship with the Lender. If the District fails to do so, the District shall immediately pay upon the written request of the Lender a fee of \$7,175.

Section 6.24 Release and Indemnification Covenants. The District shall indemnify the Lender and its officers, employees, agents, successors and assigns and hold them harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of the following:

(a) the use, maintenance, condition or management of, or from any work or thing done on or about the Water Enterprise and Wastewater Enterprise by the District, or its employees, agents, directors, contractors or officers;

(b) any breach or default on the part of the District in the performance of any of its obligations under this Agreement;

(c) any intentional misconduct or negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Water Enterprise and Wastewater Enterprise; and

(d) any intentional misconduct or negligence of any lessee of the District with respect to the Water Enterprise and Wastewater Enterprise.

No indemnification is made under this Section 6.20 or elsewhere in this Agreement for willful misconduct, gross negligence or breach of duty under this Agreement by the Lender, its officers, agents, employees, successors or assigns.

ARTICLE VII

PREPAYMENT OF INSTALLMENT PAYMENTS

Section 7.1 Prepayment.

(a) Optional Prepayment. The District may prepay the Installment Payments, in whole, but not in part, on any Installment Payment Date commencing February 1, 2025, at the following respective prepayment prices (expressed as percentages of the principal amount being prepaid), together with accrued interest thereon to the prepayment date:

<i>Prepayment Dates</i>	<i>Prepayment Price</i>
February 1, 2025 through February 1, 2028	103%
August 1, 2028 through February 1, 2031	102
August 1, 2031 and February 1, 2034	101
August 1, 2034 and any Installment Payment Date thereafter	100

(b) Mandatory Prepayment. The District shall prepay the unpaid principal balance of the Installment Payments in whole or in part on any date from and to the extent the District determines to apply any Net Proceeds for such purpose under Section 6.9 and 6.10 at a price equal to the principal amount to be prepaid plus interest accrued thereon to such date, without premium.

Section 7.2 Method of Prepayment. Before making any prepayment pursuant to Section 7.1, the District shall give written notice to the Lender specifying the date on which the Installment Payments will be paid, which date shall be not less than thirty (30) days from the date such notice is given. The District may elect whether it wants to prepay Tax-Exempt Installment Payments, Taxable Installment Payments, or a combination thereof. Any prepayments of Installment Payments in part shall be made in inverse order starting with the final Installment Payment and working backwards.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE LENDER

Section 8.1 Events of Default and Acceleration of Installment Payments. If one or more of the following Events of Default shall happen:

(a) if default shall be made by the District in the due and punctual payment of any Installment Payment or any payment with respect to any Parity Obligations when and as the same shall become due and payable;

(b) if default shall be made by the District in the performance of any of the other agreements or covenants required herein or in any Parity Obligation Document to be performed by it, and such default shall have continued for a period of thirty (30) days after the District shall have been given notice in writing of such default by the Lender; provided, however, that if in the reasonable opinion of the District the default stated in the notice can be corrected, but not within such thirty (30) day period, and corrective action is instituted by the District within such thirty (30) day period and diligently pursued in good faith until the default is corrected, such default shall not be an Event of Default hereunder;

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

(d) if payment of the principal of any Parity Obligations is accelerated in accordance with its terms;

(e) if any material representation, warranty or certification of the District shall have been false when made;

(f) the dissolution, termination of existence, insolvency or business failure of the District; or

(g) if any court of competent jurisdiction with jurisdiction to rule on the validity of any provision of this Agreement shall find or rule that this Agreement is not valid or not binding on the District.

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

This section however, is subject to the condition that, if at any time after the entire principal amount of the unpaid Installment Payments and the accrued interest thereon shall have been so declared

due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the District shall deposit with the Lender a sum sufficient to pay the unpaid principal amount of the Installment Payments and/or the unpaid payment of any other Parity Obligations referred to in clause (a) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the Installment Payments and such Parity Obligations if paid in accordance with their terms, and the reasonable expenses of the Lender, and any and all other defaults known to the Lender (other than in the payment of the entire principal amount of the unpaid Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Lender, or provision deemed by the Lender to be adequate shall have been made therefor, then and in every such case, the Lender, by written notice to the District, may rescind and annul such declaration 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 Water Revenues and Wastewater Revenues thereafter received shall be applied to the payment of applicable Installment Payments in accordance with Sections 5.1, 5.2, 5.4 and 5.5 hereof and all Water Revenues and Wastewater Revenues thereafter received shall be applied in the following order:

First, to the payment of the fees, costs and expenses of the Lender, if any, including reasonable compensation to its accountants and counsel;

Second, to the payment of the Water Maintenance and Operation Costs or Wastewater Maintenance and Operation Costs, as applicable; and

Third, to the payment of the entire principal amount of the unpaid Installment Payments and the entire unpaid principal amount of all Parity Obligations and the accrued interest thereon, on a pro rata basis, with interest on the overdue installments at the rate or rates of interest applicable to the Installment Payments and the Parity Obligations if paid in accordance with their respective terms.

Section 8.3 Other Remedies of the Lender. The Lender 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 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 Lender; 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 Lender shall have no security interest in or mortgage on the Water Enterprise, the Wastewater Enterprise, the 2024 Project or other assets of the District, and no default hereunder shall result in the loss of the Water Enterprise, the Wastewater Enterprise, the 2024 Project or other assets 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 Installment Payments to the Lender at the respective due dates or upon prepayment, the Water Enterprise Fund, the Wastewater Enterprise Fund and the other funds herein pledged for such payment, or shall affect or impair the right of the Lender, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Lender shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Lender to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Lender by 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 Lender.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned, the District and the Lender 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 Lender 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.

If any remedial action is discontinued or abandoned, the Lender shall be restored to its former position.

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.1 Discharge of Obligations.

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

(b) there shall have been deposited with the Lender or an independent escrow agent at or prior to the Installment Payment Dates or date (or dates) specified for prepayment, in trust for the benefit of the Lender or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the Installment Payments, sufficient moneys and non-callable Permitted Investments, issued by the United States of America and described in clause (a) of the definition thereof, 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 Installment Payments to their respective 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 or Independent Financial Consultant addressed to the Lender, and the Lender has received an opinion of Bond Counsel addressed

to it in form and substance satisfactory to the Lender in its sole discretion to the effect that such deposit and prepayment will not cause the interest component of Tax-Exempt Installment Payments to be included in gross income for federal income tax purposes;

then and in that event, the right, title and interest of the Lender herein and the obligations of the District hereunder shall, with respect to all or such portion of the 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 Lender and the obligation of the District to have such moneys and such Permitted Investments applied to the payment of such 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 Installment Payments plus interest thereon to the date of payment, the Lender shall pay over to the District as an overpayment of Installment Payments, all such moneys or such Permitted Investments held by it pursuant hereto other than such moneys and such Permitted Investments as are required for the payment or prepayment of the Installment Payments, which moneys and Permitted Investments shall continue to be held by the Lender in trust for the payment of the Installment Payments and shall be applied by the Lender to the payment of the Installment Payments of the District.

ARTICLE X

MISCELLANEOUS

Section 10.1 Liability of District Limited. The obligation of the District to make the Installment Payments is a special obligation of the District payable solely from Net Water Revenues and Net Wastewater 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. Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Net Water Revenues and Net Wastewater Revenues 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.

Section 10.2 Benefits of Installment Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the District and the Lender any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the District or the Lender shall be for the sole and exclusive benefit of the other party.

Section 10.3 Successor Is Deemed Included in all References to Predecessor. Whenever either the District or the Lender 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 Lender, and all agreements and covenants required hereby to be performed by or on behalf of the District or the Lender 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 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 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 Lender 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 Lender hereby declare that they would have executed this Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 10.7 Assignment. This Agreement and any rights hereunder may not be assigned by the Lender, as a whole or in part, unless the Lender has complied with Section 10.13 hereof.

Section 10.8 Net Contract. This Agreement shall be deemed and construed to be a net contract, and the District shall pay absolutely net during the term hereof the 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. THIS 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: Malaga County Water District
3580 S. Frank Avenue
Fresno, California 93725
Attention: General Manager

If to the Lender: Umpqua Bank
2998 Douglas Blvd. Suite 145
Roseville, California 95661
Attention: Dean Stephens
Email: deanstephens@umpquabank.com

Section 10.11 Effective Date. This Agreement shall become effective on the Closing Date, 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 Lender).

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

Section 10.13 Transfer. This Agreement is not subject to transfer or assignment by the District. The District acknowledges that the Lender may transfer or assign this Agreement in whole and not in part provided that:

(a) the transferring holder thereof shall first have complied with all applicable state and federal securities laws and regulations;

(b) the transferring holder thereof can transfer this Agreement only to a transferee who executes and delivers to the District a letter of the transferee substantially in the form attached as Exhibit B and who qualifies as an:

(i) a qualified institutional buyer pursuant to Rule 144A of the 1933 Securities Act; or

(ii) an “accredited investor” within the meaning of Section 2(15) of the 1933 Securities Act; and

(c) the transferring holder thereof will not prepare or furnish, or cause to be prepared or furnished, any disclosure regarding the District without the prior review and written consent of the District, in the District’s sole discretion.

Section 10.14 Waiver of Jury Trial; Judicial Reference. EACH PARTY AGREES TO WAIVE ITS RIGHT TO A JURY TRIAL IN ANY DISPUTE BROUGHT HEREUNDER. TO THE EXTENT SUCH WAIVER IS NOT ENFORCEABLE FOR ANY REASON, PARTY AGREES TO SUBMIT TO JUDICIAL REFERENCE PURSUANT TO SECTION 638, ET SEQ., OF THE CALIFORNIA CODE OF CIVIL PROCEDURE ANY CLAIM, DEMAND, ACTION, OR CAUSE OF ACTION ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY EXHIBIT HERETO, ANY CLOSING DOCUMENT OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY (WHETHER BASED ON CONTRACT, TORT, STATUTE OR ANY OTHER LEGAL THEORY (HEREINAFTER “DISPUTE”)). SUCH JUDICIAL REFERENCE WILL BE FILED AND PROSECUTED IN THE SACRAMENTO SUPERIOR COURT. PURSUANT TO SUCH JUDICIAL REFERENCE, THE PARTIES AGREE TO THE APPOINTMENT OF A SINGLE REFEREE AND TO USE THEIR BEST EFFORTS TO AGREE ON THE SELECTION OF A REFEREE. IF THE PARTIES TO THE DISPUTE ARE UNABLE TO AGREE ON A SINGLE REFEREE, A REFEREE WILL BE APPOINTED BY THE COURT TO HEAR ANY AND ALL DISPUTES HEREUNDER IN LIEU OF A JURY TRIAL. THE PARTIES AGREE THAT THE APPOINTED REFEREE WILL HAVE THE POWER TO DECIDE ALL ISSUES REGARDING THE DISPUTE IN THE APPLICABLE ACTION OR PROCEEDING, WHETHER OF FACT OR LAW, AND WILL REPORT A STATEMENT OF DECISION THEREON. THE PARTIES AGREE THAT THE PROVISIONS CONTAINED IN THIS AGREEMENT HAVE BEEN FAIRLY NEGOTIATED ON AN ARM’S-LENGTH BASIS, WITH ALL PARTIES BEING AFFORDED THE

OPPORTUNITY TO HAVE THE ADVICE AND COUNSEL OF THEIR INDEPENDENT ATTORNEY. ANY PARTY MAY FILE AN ORIGINAL COUNTERPART OR A COPY OF THIS SECTION WITH ANY COURT AS WRITTEN EVIDENCE OF THE CONSENT OF THE PARTIES TO THE APPLICATION OF JUDICIAL REFERENCE IN THE EVENT OF ANY DISPUTE.

Section 10.15 Amendments Permitted. This Agreement and the rights and obligations of the Lender and the District may be modified or amended at any time by an amendment hereto which shall become binding upon the written consents of the Lender and the District.

Section 10.16 EMMA Disclosures. The Lender acknowledges that, in connection with the District's compliance with any continuing disclosure undertakings (each, a "Continuing Disclosure Agreement") entered into by the District pursuant to SEC Rule 15c2-12 promulgated pursuant to the Securities and Exchange Act of 1934, as amended (the "Rule"), the District may be required to file with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system, or its successor ("EMMA"), notice of its incurrence of its obligations under this Agreement and notice of any accommodation, waiver, amendment, modification of terms or other similar events reflecting financial difficulties in connection with this Agreement, in each case including a description of the material terms thereof (each such notice, an "EMMA Notice"). The District shall not file or submit or permit the filing or submission of any EMMA Notice that includes any of the following unredacted information regarding the Lender: physical or mailing addresses, account information, e-mail addresses, telephone numbers, fax numbers, tax identification numbers, or titles or signatures of officers, employees or other signatories. The District acknowledges and agrees that the Lender is not responsible in connection with any EMMA Notice relating to this Agreement for the District's compliance or noncompliance (or any claims, losses or liabilities arising therefrom) with the Rule, any Continuing Disclosure Undertaking or any applicable securities laws, including but not limited to those relating to the Rule.

Section 10.17 OFAC; Patriot Act.

(a) The Lender hereby notifies the District that pursuant to the requirements of the Patriot Act it is required to obtain, verify and record information that identifies the District, which information includes the name and address of the District and other information that will allow the Lender to identify the District in accordance with the Patriot Act. The District hereby agrees that it shall promptly provide such information upon request by the Lender.

(b) The District shall (i) ensure that it is not and shall not be listed on the Specially Designated Nationals and Blocked Person List or other similar lists maintained by the Office of Foreign Assets Control ("OFAC"), the U.S. Department of the Treasury or included in any Executive Orders, that prohibits or limits the Lender from making any advance or extension of credit to the District or from otherwise conducting business with the District and (ii) to ensure that the proceeds under this Agreement shall not be used to violate any of the foreign asset control regulations of OFAC or any enabling statute or Executive Order relating thereto.

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

MALAGA COUNTY WATER DISTRICT, a county water district

By: _____
General Manager

UMPQUA BANK,
an Oregon chartered state bank

By: _____
Authorized Officer

EXHIBIT A

PURCHASE PRICE

1. The principal amount of payments to be made by the District hereunder is \$_____, of which \$_____ is allocable to the Tax-Exempt Installment Payments and \$_____ of which is allocable to Taxable Installment Payments.

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

<i>Installment Payment Date</i>	<i>Tax-Exempt Principal</i>	<i>Tax-Exempt Interest*+</i>	<i>Taxable Principal</i>	<i>Taxable Interest*</i>	<i>Total</i>
2/1/2025					
8/1/2025					
2/1/2026					
8/1/2026					
2/1/2027					
8/1/2027					
2/1/2028					
8/1/2028					
2/1/2029					
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8/1/2041					
2/1/2042					
8/1/2042					
2/1/2043					
8/1/2043					
2/1/2044					
8/1/2044					
Total					

* Assuming no Event of Default has occurred.

+ Assuming no Event of Taxability has occurred.

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

<i>Installment Payment Date</i>	<i>Tax-Exempt Principal</i>	<i>Tax-Exempt Interest*+</i>	<i>Taxable Principal</i>	<i>Taxable Interest*</i>	<i>Total</i>
2/1/2025					
8/1/2025					
2/1/2026					
8/1/2026					
2/1/2027					
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8/1/2041					
2/1/2042					
8/1/2042					
2/1/2043					
8/1/2043					
2/1/2044					
8/1/2044					
Total					

* Assuming no Event of Default has occurred.

+ Assuming no Event of Taxability has occurred.

EXHIBIT B

FORM OF LENDER LETTER

Board of Directors
Malaga County Water District
Fresno, California

Re: \$_____ Malaga County Water District 2024 Installment Sale Loan Agreement

Ladies and Gentlemen:

The undersigned, an authorized representative of _____ (the “Lender”) hereby represents and warrants to you as follows:

1. The Lender is a party to the above-referenced agreement (the “Agreement”) approved pursuant to that certain Resolution adopted by the Board of Directors of the Malaga County Water District (the “District”) on _____, 2024 (the “Resolution”).

2. The Lender has sufficient knowledge and experience in business and financial matters in general and lending to public agencies, to enable the Lender to evaluate the Agreement, the credit of the District, the collateral and the Agreement terms and the Lender will make or has made its own independent credit analysis and decision to enter into the Agreement based on an independent examination and evaluation of the transaction and the information deemed appropriate, without reliance on the District or its affiliates, its directors, officers, employees, attorneys or agents.

3. The Lender acknowledges that no official statement has been prepared in connection with the Agreement, that the execution and delivery of the Agreement is exempt from Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, pursuant to Section (d) of said Rule, and that the District will not be entering into a continuing disclosure agreement to provide ongoing disclosure respecting the Agreement or the security therefor. The Lender has been offered copies of or full access to all documents relating to the Agreement and all records, reports, financial statements and other information concerning the District and pertinent to the source of payments due under the Agreement as deemed material by the Lender, which the Lender has requested and to which the Lender would attach significance in making a lending decision.

4. The Lender confirms that its execution and delivery of the Agreement is suitable for and consistent with its loan portfolio and that the Lender is able to bear the economic risk of the execution and delivery of the Agreement, including a complete loss under the Agreement.

5. The Lender is executing and delivering the Agreement for not more than one account, solely for its own loan account, and not with a present view to, or in connection with, any distribution, resale, pledging, fractionalization, subdivision or other disposition thereof (subject to the understanding that disposition of Lender’s property will remain at all times within its control). Because the Lender intends to treat the execution and delivery of the Agreement as a loan and hold the Agreement in its loan portfolio, the Lender has not directed or requested a CUSIP number for this transaction, or applied for eligibility with The Depository Trust Company (DTC).

6. The Lender understands that: (i) the Agreement: (a) has not been registered under the Securities Act of 1933 (the “Securities Act”); (b) has not been registered or qualified under any state securities or “Blue Sky” laws; (c) will not be listed on any stock or other securities exchange; (d) will carry no rating from any rating service specific to the Agreement at the request of the District (although similar securities of the District may carry ratings); and (e) due to a lack of a rating and lack of registration with a securities depository may not be readily marketable and the Lender will be required to bear the risk of holding the Agreement for a certain period of time; and (ii) the Agreement has not been qualified under the Trust Indenture Act of 1939, as amended.

7. The Lender has been furnished with and has examined the Agreement, the Resolution and other documents, certificates and the legal opinions delivered in connection with the execution and delivery of the Agreement.

8. The Lender is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it was incorporated or formed and is authorized to execute and deliver the Agreement. The person executing this letter on behalf of the Lender is duly authorized to do so on the Lender’s behalf.

9. The Lender is a “qualified institutional buyer” (a “Qualified Institutional Buyer”) within the meaning of Rule 144A promulgated under the Securities Act, or an institutional “accredited investor” (an “Institutional Accredited Investor”) as defined in Section 501(a)(1), (2), (3) or (7) of Regulation D promulgated under the Securities Act.

10. The Lender understands and agrees that interest in the Agreement may be transferred: (i) in whole, and not in part, (ii) only to a person or entity that the Lender reasonably believes is either: (A) a Qualified Institutional Buyer that is receiving an interest in the Agreement for not more than one account, for their own account and not with a view to distributing such interest; or (B) an Institutional Accredited Investor that is receiving an interest in the Agreement for not more than one account and not with a view to distributing such interest; and (iii) only if such Qualified Institutional Buyer or Institutional Accredited Investor delivers to the District a completed and duly executed Investor Letter substantially in the form hereof. The Lender retains the right to participate its interests in the Agreement but only to Qualified Institutional Buyers or Institutional Accredited Investors.

11. Inasmuch as the Agreement represents a negotiated transaction, the Lender is not acting as a fiduciary of the District, but rather is acting solely in its capacity as the Lender, for its own loan account.

12. The Lender understands that the District and Stradling Yocca Carlson & Rauth LLP, will rely upon the accuracy and truthfulness of the representations and warranties contained herein and hereby consents to such reliance.

13. No person has made any direct or indirect representation or warranty of any kind to the Lender with respect to the economic return which may accrue to the Lender. The Lender has consulted with its own tax counsel and other advisors with respect to the Agreement. Notwithstanding the foregoing, the Lender understands that it is entitled to rely on the opinion of Bond Counsel with respect to the Agreement.

IN WITNESS WHEREOF, the Lender has executed this Lender Letter as of the date set forth below.

Dated: _____, _____

Very truly yours,

By: _____

Name: _____

Title: _____

EXHIBIT C

2024 PROJECT

<i>Component</i>	<i>Estimated Capital Cost</i>
Improvements to and capital facilities for Water Enterprise and Wastewater Enterprise that were financed and/or refinanced by the proceeds received in connection with:	TOTAL: \$3,022,500.00
a) That certain Installment Sale Agreement, dated as of May 28, 2013, by and between the District and Municipal Finance Corporation	\$500,000.00
b) That certain Installment Sale Agreement and Grant, effective August 7, 2017, by and between the District and the California State Water Resources Control Board	\$1,635,500.00
c) That certain Installment Purchase Agreement, dated as of March 10, 2022, by and between the District and First Foundation Public Finance	\$887,000.00

EXHIBIT D
CLOSING MEMORANDUM

[TO COME]

RESOLUTION NO. 1-15-2020B

**A RESOLUTION OF THE BOARD OF DIRECTORS OF THE MALAGA COUNTY
WATER DISTRICT ADOPTING A POLICY FOR DISCONTINUATION OF WATER
SERVICE TO RESIDENCES**

WHEREAS, by February 1, 2020, the Malaga County Water District as a community water system having more than 200 connections must have in place a written policy, in both English and Spanish, in addition to any other language spoken by 10 or more percent of the residential water customers pursuant to SB 998, now codified at Division 104, Part 12, Chapter 6, commencing with Section 116900 of the Health & Safety Code; and

WHEREAS, the District has developed a policy which conforms to the requirements of Health & Safety Code Section 116900 et seq. (SB – 998) a copy of which is attached and incorporated by reference as Exhibit A.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. The foregoing recitals are true and correct.
2. The Board approves and adopts the policy on discontinuation of residential water service attached and incorporated by reference as Exhibit A.
3. The General Manager is authorized and directed to have the policy translated to Spanish and to post the policy on the Board's website and to make the policy available to anyone upon request and without charge.

Passed and adopted by the Board of Directors of the Malaga County Water District at their meeting held on this 15th day of January 2020, by the following vote:

AYES: 5

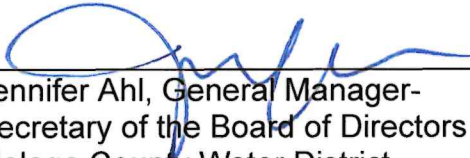
NOES: 0

ABSENT: 0



Charles E. Garabedian, Jr., President
Malaga County Water District

ATTEST:



Jennifer Ahl, General Manager-
Secretary of the Board of Directors
Malaga County Water District

POLICY ON DISCONTINUATION OF RESIDENTIAL WATER SERVICE FOR NON-PAYMENT

The Malaga County Water District operates a community water system providing water service to, among others, residences located within the District. The District shall adhere to the following policy, which shall be posted to the District's internet website on discontinuance of residential water service for non-payment.

1. Length of Delinquency. The District shall not discontinue residential water service for non-payment until payment by a customer has been delinquent for at least 60 days.

2. Procedure for Contacting Customers. Before discontinuation of residential water service for non-payment, the District shall contact the customer named on the account by telephone or written notice. When the District contacts the customer named on the account by telephone, the District shall offer to provide the customer this policy on discontinuation of residential water service for non-payment. The District shall offer to discuss with the customer options to avert discontinuation of residential service for non-payment, including but not limited to, alternative payment schedules, deferred payments, minimum payments, procedures for requesting amortization of the unpaid balance and a petition for bill review and appeal. When the District contacts the customer named on the account by written notice the notice of payment delinquency shall be mailed to the customer of the residence to which the residential service is provided. If the customer's address is not the address of the property to which the residential service is provided, the notice shall also be sent to the address of the property to which residential service is provided, addressed to "occupant". The notice shall include the following information:

- (A) The customer's name and address.
- (B) The amount of the delinquency.
- (C) The date by which payment or arrangement for a payment is required in order to avoid discontinuation of residential service.
- (D) A description of the process to apply for an extension of time to pay the delinquent charges.
- (E) A description of the procedure to petition for bill review and appeal.
- (F) A description of the procedure by which the customer may request a deferral, reduced or alternative payment schedule, including an amortization of the delinquent residential service charges, consistent with these policies.

2.2. Failure to Make Contact. If the District is unable to make contact with the customer or an adult occupying the residence by telephone, and written notice is

returned as undeliverable, the District shall make a good faith effort to visit the residence and leave or make other arrangements for placement in a conspicuous place of a notice of discontinuation of residential service for non-payment and a copy of this policy.

3. Effect of Appeal. If an adult at the residence contacted by the District either telephonically or by mail, or by posting the notice of potential discontinuation of service at a conspicuous location at the residence, appeals the water bill to the District the District shall not discontinue residential water service while the appeal is pending.

4. When Water Service May Not be Discontinued. The District shall not discontinue residential water service for non-payment, provided that all of the following conditions are met:

(A) The customer, or a tenant of the customer, submits to the District certification of a primary care provider that a discontinuation of the residential service will be life threatening, or pose a serious threat to the health and safety of, a resident of the premises where the residential water service is provided.

(B) The customer demonstrates that he or she is financially unable to pay the residential water service charges within the District's normal billing cycle. A customer is deemed to be financially unable to pay during the District's normal billing cycle if any member of the customer's household is a current recipient of Cal Works, Cal Fresh, General Assistance, MediCal, Supplemental Security Income/State Supplemental Payment Program, or California Special Supplement Nutrition Program for Woman's Infants and Children, or the customer declares that the household's annual income is less than 200% of the federal poverty level.

(C) The customer is willing to enter into an amortization agreement, alternative payment schedule, or a plan for deferred or reduced payment, consistent with this policy with respect to all delinquent charges.

(D) If a customer meets all the conditions of subparagraphs (A) through (C), above, the District shall offer the customer one or more of the following options:

- (a) Amortization of the unpaid balance.
- (b) Participation in an alternative payment schedule.
- (c) A partial or full reduction of the unpaid balance without additional charges to other ratepayers.
- (d) Temporary deferral of payment.

5. Nature of Payment Options Offered. The repayment options offered to a customer shall be structured in such a way as to allow the delinquent balance to be paid within 12 months. The District may grant a longer repayment period if it finds the longer period is necessary to avoid undue hardship to the customer based on the circumstances of the individual case.

6. Discontinuation of Service. Residential service may be discontinued no sooner than five business days after the District posts a final notice of intent to disconnect service in a prominent and conspicuous location at the property under either of the following circumstances:

(A) The customer fails to comply with an amortization agreement, an alternative payment schedule, or a deferral or reduction in payment plan of delinquent charges for 60 days or more.

(B) While undertaking an amortization agreement, an alternative payment schedule, or a deferral or reduction in payment plan for delinquent charges, the customer does not pay his or her current residential service charges for 60 days or more.

7. Providing Information on Restoration of Service. In the event the District does discontinue any residential service for non-payment it shall provide that customer with information on how to restore the residential service.

8. Reconnection of Customers Who Meet Poverty Related Standards. With respect to a residential customer who demonstrates household income below 200% of the Federal Poverty Line, the District shall do both of the following in the event that water service is discontinued for non-payment:

(A) Set a reconnection of service fee for reconnection during normal operating hours at \$50.00, but not to exceed the actual cost of reconnection if it is less than \$50.00. Reconnection fees shall be annually adjusted according to the Consumer Price Index beginning January 1, 2021. For the reconnection of residential service during non-operational hours, the District shall set a reconnection of service fee at \$150.00, but not to exceed the actual cost of reconnection if it is less.

(B) Waive interest charges on delinquent bills once every 12 months.

(C) A customer shall be deemed to have a household income of below 200% the Federal Poverty Line if any member of the household is a current recipient of any of the assistance programs identified in Section 4(B) of this policy.

9. Service to Residence Occupied by Tenants. Where the owner, manager or operator of any dwelling, structure, apartment, apartment complex or park is the customer of record, the District shall make good faith efforts to inform the occupants by

means of written notice, when the account is in arrears that the service will be terminated at least 10 days prior to the termination. The written notice shall further inform the resident occupants that they have the right to become customers, to whom the service will then be billed, without being required to pay any amount which may due on the delinquent account if water service to the residence occupied by the tenant is separately metered to that residence or if the resident pays the cost of establishing a separate metered connection, and the tenant agrees to all terms and conditions of service including applicable rates and charges.

10. Reporting. The District shall report the number of annual disconnections of residential water service for inability to pay on its website and to the State Water Resources Control Board.

11. Petition for Review of Bill. A customer may petition for review of the bill for water service to a residence by filing a written request or petition for review of the bill within thirty (30) days of receipt of the bill. The petition or request shall identify the bill sought to be reviewed and shall state the adjustment or changes to the bill requested, and the reasons for that request. The request or petition may be mailed or delivered to any employee at District Hall and shall be referred to the District Manager or District Administrator or his or her designee. The review will be conducted within ten (10) days of receipt of the written petition or request and a written determination will be mailed or delivered to the customer. If the customer is not satisfied with the determination, the customer may appeal to the District Board by mailing or delivering to the District Clerk a written appeal identifying those aspects of the determination with which the customer disagrees and why. The District Board's determination of the appeal shall be final.