



## **BOARD MEETING AGENDA SUBMITTAL**

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**TO:** GCSB Board of Directors

**FROM:** Jennifer Donabedian, Administrative Services Manager

**DATE:** September 10, 2024

**SUBJECT: Agenda Item 6E: Adoption of a Resolution Authorizing the Execution and Delivery by the District of an Installment Purchase Contract and Authorizing the Execution of other Necessary Documents and Other Actions Related to the Purchase of Employee Housing**

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### **RECOMMENDED ACTION:**

Staff recommends the following action:

*I move to adopt Resolution 27-2024 Authorizing the Execution and Delivery by the District of an Installment Purchase Contract and Authorizing the Execution of other Necessary Documents and Other Actions Related to the Purchase of Employee Housing.*

### **BACKGROUND:**

Due to the lack of rental properties located near the District, and the associated difficulties experienced in the attraction and retention of employees, the District is pursuing the purchase of residential properties to provide temporary rental housing. Bottom line, there are no rentals due to the rapid increase in popularity of short-term rentals. In addition, the cost of purchasing the available homes in Groveland is far beyond the financial means of the majority of our employees, especially those in our utility operations where living close to the District is required.

The District desires to finance certain acquisitions of property for employee housing from the proceeds of a tax-exempt borrowing from EverBank, N.A. The borrowing will be structured as an Installment Purchase Contract through which EverBank, N.A. will provide funds to acquire property and the District will repay the borrowed funds (solely from net revenues of the District's water and wastewater enterprises) on an installment basis, with annual payments due on September 17 of each year from 2025 through 2039.

Kutak Rock LLP, the District's bond counsel, has drafted an Installment Purchase Contract and negotiated the terms thereof with EverBank, N.A. and its counsel. Kutak Rock LLP has also worked with staff to prepare a resolution approving the Installment Purchase Contract and authorizing the District to execute related closing documents, including a tax certificate.

The Installment Purchase Contract will be entered into with Municipal Finance Corporation, a California nonprofit public benefit corporation, which will assign its right to receive installment payments to EverBank, N.A.

Under the Installment Purchase Contract, funds in the amount of \$310,555.00 (representing the amount borrowed (\$340,555.00) less fees of Kutak Rock LLP, Municipal Finance Corporation and EverBank, N.A.'s counsel), will be made available to the District immediately upon closing.

The Installment Purchase Contract includes the following provisions:

- (i) a description of the procedure by which the General Manager may requisition funds to pay for property purchases;
- (ii) a pledge of net revenues (i.e., revenues remaining after payment of operation and maintenance costs) of the District's water and wastewater enterprise to repay the installment payments;
- (iii) a covenant not to enter into additional debt except in compliance with the same conditions that the District is currently bound by under its 2019 and 2021 financings;
- (iv) a covenant to set water and wastewater rates and charges at levels that are expected to generate sufficient net water and wastewater revenues to cover payments due under the 2019 and 2021 financings as well as the Installment Purchase Contract;
- (v) a description of events of default; and
- (vi) a description of the conditions under which the District may prepay the installment payments prior to maturity in 2039.

Adoption of the approving resolution will authorize the District to execute the Installment Purchase Contract and related documents and to close the financing. Closing is currently anticipated to occur on September 17, 2024.

**ATTACHMENTS:**

1. Installment Purchase Contract
2. Resolution 27-2024

**FINANCIAL IMPACT:**

\$340,555 principle loan with 15 Year Term at 4.9% Tax Exempt Interest Rate. Could incur \$148,271.73 in interest over the term of the loan. Annual loan payment obligation is \$32,588.45. No prepayment penalty after year 7.

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**INSTALLMENT PURCHASE CONTRACT**

**between the**

**GROVELAND COMMUNITY SERVICES DISTRICT**

**and**

**MUNICIPAL FINANCE CORPORATION**

**Dated as of September 1, 2024**

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## INSTALLMENT PURCHASE CONTRACT

This INSTALLMENT PURCHASE CONTRACT, dated as of September 1, 2024 (the “**Installment Purchase Contract**”), is entered into by and between the GROVELAND COMMUNITY SERVICES DISTRICT, a community services district that duly organized and validly existing under the laws of the State of California (the “**District**”), and MUNICIPAL FINANCE CORPORATION, a corporation that is duly organized and validly existing under the laws of the State of California (the “**Corporation**”).

### RECITALS

A. The District is authorized by the laws of the State of California, including but not limited to Government Code Section 61060(d), (h) and (n), to acquire property and facilities for the benefit of the District and to finance the acquisition, construction and installation of such property and facilities through the execution of installment purchase contracts.

B. Due to the lack of rental homes within District boundaries and the south Tuolumne County region, the District has determined it to be operationally necessary to purchase property for the purpose of offering temporary rental housing for its employees (the “**Project**”).

C. The District proposes to finance the acquisition of the Project.

D. The Corporation has been formed for the purpose of, among other things, assisting public agencies such as the District in financing property and facilities useful to them, and the Corporation is authorized to assist the District in the financing, construction, acquisition, installation and improvement of the District’s property and facilities.

E. The Corporation has agreed to assist the District in financing the Project.

F. The District and the Corporation have duly authorized the execution of this Installment Purchase Contract.

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

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

### **ARTICLE I. DEFINITIONS**

Section 1.01 Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall for all purposes hereof, and of any amendment hereof, and of any opinion or report or other document mentioned herein or therein have the meanings defined herein, the following

definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein.

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

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

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

“Act” means the California Community Services District Law (Division 3 of Title 6 of the Government Code of the State of California, commencing with Section 61000).

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

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

“Assignment Agreement” means the Assignment Agreement, dated as of September 1, 2024, by and between the Corporation and the Lender relating to this Installment Purchase Contract.

“Authorized Officer” means the President of the Board of Directors of the District, the General Manager of the District or the Administrative Services Manager of the District.

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

“Closing Date” means September 17, 2024.

“Corporation” means Municipal Finance Corporation, a corporation that is organized and existing under the laws of the State of California, and any successor thereto.

“Debt Service” means, for any Fiscal Year, the sum of: (i) the Installment Payments (except to the extent that interest has been fully capitalized and is invested in Federal Securities which mature at times and in such amounts as are necessary to pay the interest to which such amounts are pledged) required to be paid hereunder during such Fiscal Year; (ii) the interest falling due during such Fiscal

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

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

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

“Default Rate” means the then-applicable interest rate hereunder plus 3.00% per annum.

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

“District” means the Groveland Community Services District, a community services district that is duly organized and existing under the Constitution and laws of the State of California, and its successors and assigns.

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

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

“Enterprise” means the entire water supply, treatment and delivery system owned or operated by the District, together with the entire wastewater collection, treatment and disposal system owned or operated by the District, including but not limited to all facilities, properties and improvements at any time owned or operated by the District for the supply, treatment and delivery of water and the collection, treatment and disposal of wastewater within the service area of the District, together with any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the District.



“Environmental Regulations” means all Laws and Regulations, now or hereafter in effect, with respect to hazardous materials, including, without limitation, the Comprehensive Environmental Response, Compensation, and Liability Act, as amended (42 U.S.C. Section 9601 *et seq.*) (together with the regulations promulgated thereunder, CERCLA), the Resource Conservation and Recovery Act, as amended (42 U.S.C. Section 6901 *et seq.*) (together with the regulations promulgated thereunder, RCRA), the Emergency Planning and Community Right-to-Know Act, as amended (42 U.S.C. Section 11001 *et seq.*) (together with the regulations promulgated thereunder, Title III), the Clean Water Act, as amended (33 U.S.C. Section 1321 *et seq.*) (together with the regulations promulgated thereunder, CWA), the Clean Air Act, as amended (42 U.S.C. Section 7401 *et seq.*) (together with the regulations promulgated thereunder, CAA) and the Toxic Substances Control Act, as amended (15 U.S.C. Section 2601 *et seq.*) (together with the regulations promulgated thereunder, TSCA), and any state or local similar Laws and Regulations and any so-called local, state or federal “superfund” or “superlien” law and any other applicable state, local or federal environmental laws or regulations.

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

“Event of Taxability” means, with respect to this Installment Purchase Contract: (i) the application of the proceeds of this Installment Purchase Contract in such a manner that this Installment Purchase Contract becomes an “arbitrage bond” within the meaning of Tax Code Sections 103(b)(2) and 148, and with the result that interest components of the Installment Payments are or become includable in the Lender’s gross income (as defined in Tax Code Section 61); or (ii) if as the result of any act, failure to act or use of the proceeds of this Installment Purchase Contract or any misrepresentation or inaccuracy in any of the representations, warranties or covenants contained in this Installment Purchase Contract by the District or the enactment of any federal legislation or the promulgation of any federal rule or regulation after the date of this Installment Purchase Contract, the interest component of Installment Payments is or becomes includable in the Lender’s gross income (as defined in Tax Code Section 61); and (iii) the District does not undertake any remedial action afforded to it by the Internal Revenue Service.

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

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

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

“Governmental Loan” means a loan from the State or the United States of America, acting through any of its agencies, to finance improvements to the Enterprise, and the obligation of the District

to make payments to the State or the United States of America under the loan agreement memorializing said loan on a parity basis with the payment of Installment Payments.

“Gross Revenues” means all gross charges (including surcharges, if any) received for, and all other gross income and receipts derived by the District from, the ownership and operation of the Enterprise or otherwise arising from the Enterprise, including but not limited to: (i) connection charges; (ii) investment earnings on amounts held in the Revenue Fund or in any other fund established with respect to the Enterprise; (iii) the proceeds of any *ad valorem* property taxes levied for the purpose of paying bonded indebtedness of the District relating to the Enterprise; and (d) rental income related to the Enterprise. Gross Revenues do not include: (1) refundable deposits made to establish credit; and (2) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the District for the purpose of paying special assessment bonds or special tax obligations of the District relating to the Enterprise. Gross Revenues shall also include interest with respect to any Parity Obligations reimbursed to or on behalf of the District by the United States of America. Gross Revenues shall also be increased by the amounts, if any, transferred during such Fiscal Year from a Rate Stabilization Fund to the Revenue Fund.

“Independent Financial Consultant” means a financial consultant or firm of such consultants that is 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; (iii) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make reports to the District; and (iv) is registered as a “municipal advisor,” as defined in Section 15B of the Securities Exchange Act of 1934, as amended.

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

“Interest Payment Date” means September 17 of each year commencing September 17, 2025.

“Laws and Regulations” means federal, regional, state and local laws, statutes, rules, ordinances, regulations, codes, licenses, authorizations, decisions, injunctions, interpretations, orders or decrees of any court or other governmental authority having jurisdiction as may be in effect from time to time.

“Lender” means initially, EverBank, N.A., and thereafter any successor or assign.

“Maintenance and Operation Costs” of the Enterprise means the reasonable and necessary costs and expenses paid by the District to maintain and operate the Enterprise, including but not limited to: (i) costs of electricity and other forms of energy supplied to the Enterprise; (ii) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Enterprise in good repair and working order; (iii) the reasonable administrative costs of the District attributable to the operation and maintenance of the Enterprise; (iv) the costs of purchasing, producing and supplying water to the Enterprise; and (v) the costs of procuring supplies for and operating wastewater collection, treatment and disposal facilities for the Enterprise. Maintenance and Operation Costs do not include: (1) debt service payable on obligations incurred by the District with respect to the Enterprise, including but not limited to Debt Service Payments; (2) depreciation, replacement and obsolescence charges or reserves therefor; or (3) amortization of intangibles or other bookkeeping entries of a similar nature.

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

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

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

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

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

“Parity Obligations” means the 2019 IPC, the 2021 Agreement and all other bonds, notes, loan agreements, installment sale agreements, leases or other obligations of the District, now or hereafter existing, which are payable from and secured by a pledge of and lien upon all or any portion of the Net Revenues on a parity with the payment of the Installment Payments pursuant to Section 4.01 hereof.

“Permitted Investments” means any investment that is a legal investment under the laws of the State for the moneys proposed to be invested therein.

“Project” means the project described in Exhibit A attached hereto, including any Alternate Project.

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

“Revenue Fund” means, collectively, the fund or funds maintained by the District into which it deposits Gross Revenues.

“State” means the State of California.

“Taxable Rate” means 6.71% per annum.

“Tax Code” means the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder, as the same may be amended from time to time, and any successor provisions

of law. Reference to a particular section of the Tax Code shall be deemed to be a reference to any successor to any such section.

“2019 IPC” means the Installment Purchase Contract, dated as of December 1, 2019, by and between the District and the Corporation.

“2021 Agreement” means the Loan Agreement, dated as of January 1, 2021, by and between the District and the Corporation.

## **ARTICLE II. SALE AND PURCHASE OF THE PROJECT**

Section 2.01 Sale and Purchase of the Project. The Corporation hereby agrees to cause the Project, and any additions or modifications thereto to be acquired, constructed or installed, as applicable, by the District as its agent, and the District shall enter into contracts and provide for, as agent of the Corporation, the complete acquisition, construction and installation of the Project. The District hereby agrees that it will cause the construction, acquisition and installation of the Project to be diligently performed upon satisfactory completion of design work and compliance with the California Environmental Quality Act and approval by the Board of Directors of the District, unforeseeable delays beyond the reasonable control of the District only excepted. It is hereby expressly understood and agreed that the Corporation shall be under no liability of any kind or character whatsoever for the payment of any cost of the Project and that all such costs and expenses shall be paid by the District, regardless of whether the funds deposited in the Acquisition Fund are sufficient to cover all such costs and expenses. The Lender on the Closing Date will wire the fee of \$15,000 to special counsel to the District.

In consideration for the Installment Payments as set forth in Section 3.01, the Corporation agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Corporation, the Project at the purchase price specified below and otherwise in the manner and in accordance with the provisions of this Installment Purchase Contract.

All right, title and interest in each component of the Project shall vest in the District immediately upon the acquisition, construction or installment thereof. Such vesting shall occur without further action by the Corporation or District and the Corporation shall, if requested by the District, if necessary, to assure such automatic vesting, deliver any and all documents required to assure such vesting.

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

The Corporation, upon the effective date hereof, agrees to cause to be deposited in the Acquisition Fund the aggregate amount of \$310,555.00 respecting its purchase of the Project hereunder. In the event that the money so deposited as first above provided is insufficient to pay all the costs of the Acquisition of the Project, the Corporation shall have no obligation whatsoever to use or provide any additional funds for the purposes described in this Article II.

In the event that the Corporation fails to observe or perform any agreement, condition, covenant or term contained herein required to be observed or performed by it, the District may institute such action or proceeding against the Corporation as the District may deem necessary to compel the observance or performance of such agreement, condition, covenant or term, or to recover damages for the nonobservance or nonperformance thereof; provided, however, that the District shall have no right to terminate this Installment Purchase Contract as a remedy to such failures. The District may, at its own cost and expense and in its own name or in the name of the Corporation, prosecute or defend any action or proceeding or take any other action involving third persons which the District deems reasonably necessary in order to protect or secure its rights hereunder, and in such event the Corporation agrees to cooperate fully with the District and to take all action necessary to effect the substitution of the District for the Corporation in any action or proceeding if the District shall so request.

Section 2.02 Indemnification and Expenses of the Corporation. The District hereby agrees to indemnify and hold harmless the Corporation and its directors, officers and employees if and to the extent permitted by law, from and against all claims, advances, damages and losses, including legal fees and expenses, arising out of or in connection with the acceptance or the performance of its duties hereunder and the Assignment Agreement; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder or under the Assignment Agreement by the Corporation.

Section 2.03 Corporation not Liable. The Corporation and its directors, officers and employees shall not be liable to the District or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on, or about or relating to the Project, and in no event shall the Corporation be liable for any incidental, indirect, special or consequential damage in connection herewith or arising hereunder.

Section 2.04 Disclaimer of the Corporation. The District acknowledges and agrees that the Corporation makes no representation or warranty, express or implied, as to the Enterprise or the Project, except as expressly set forth in this Installment Purchase Contract. The District acknowledges that all risks relating to the Enterprise or the Project or the transactions contemplated hereby, are to be borne by the District, and the benefits of any and all implied warranties and representations of the Corporation are hereby waived by the District.

Section 2.05 Acquisition Fund. There is hereby established with the District a fund known as the "Acquisition Fund," which the District shall maintain and hold in an account that is separate from the Revenue Fund and each of the District's other funds and accounts. On the Closing Date, \$310,555.00 shall be deposited into the Acquisition Fund, and the District agrees to cause the Lender to disburse Delivery Costs in the total amount of \$30,000 on the District's behalf pursuant to a requisition of the District executed on the Closing Date. The moneys in the Acquisition Fund shall be applied to the payment of the costs of Acquisition of the Project or to reimburse the District for previous costs expended in the acquisition or construction of the Project, and of expenses incidental thereto.

Before any payment is made from the Acquisition Fund, the General Manager of the District shall cause to be filed with the Administrative Services Manager of the District a Requisition in the form set forth in Exhibit C hereto. Upon receipt of such Requisition, the Administrative Services Manager of the District shall pay the amount set forth therein.

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

The District hereby grants to the Lender a first priority security interest in the Acquisition Fund to secure the District's obligations hereunder. If the Lender declares all of the principal amount of the unpaid Installment Payments and the accrued interest thereon to be due and payable immediately, any remaining balance in the Acquisition Fund shall be applied to pay unpaid Installment Payments, if so directed by the Lender.

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

Section 3.01 Payment of the Installment Payments. The total principal amount of the Installment Payments owed and to be paid by the District to the Lender, as assignee of the Corporation under the Assignment Agreement, for the Project is \$340,555, plus interest thereon, calculated at the rate of 4.90% per annum. The Installment Payments shall, subject to any rights of prepayment of the District provided in Article VI, be due in installments in the amounts and on the dates described in Exhibit B attached hereto.

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

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

Section 3.02 Interest Component of the Installment Payments. The Installment Payments shall bear interest from the Closing Date until the payment of the principal thereof and the prepayment premiums, if any, thereon, shall have been made or provided for in accordance with the provisions of Article VI hereof, whether at maturity, upon prepayment or otherwise. Interest accrued on the Installment Payments from the Closing Date and from each Interest Payment Date to, but not including, the next succeeding Interest Payment Date shall be paid on each such succeeding Interest Payment Date and shall be computed on the basis of a year of 360 days and twelve 30-day months. In the event of an Event of Default hereunder, the interest component of the portion of the Installment Payment shall be calculated based on the Default Rate. In the event of an Event of Taxability, the interest component of the portion of the Installment Payment shall be calculated based on the Taxable Rate.

Section 3.03 Establishment of Accounts. The funds and accounts and flow of funds set forth in this Article III are hereby established and shall control to the extent inconsistent with any other terms of this Installment Purchase Contract.

Section 3.04 Pledges of Net Revenues and Other Funds; Debt Service Fund. The District hereby irrevocably pledges all of the Net Revenues to the punctual payment of the Installment Payments and any Parity Obligations, and such Net Revenues, except as otherwise permitted herein, shall not be used for any other purposes while any of the Installment Payments are due hereunder. The pledge of Net Revenues to secure the Installment Payments and any Parity Obligations shall constitute a first lien on the Net Revenues for the payment of such Installment Payments and such Parity Obligations in accordance with the terms hereof and thereof.

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

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

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

Section 3.05 Receipt and Deposit of Gross Revenues; Establishment and Maintenance of Accounts for Gross Revenues; Use and Withdrawal of Gross Revenues. The District covenants and

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

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

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

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

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

Section 3.06 Investment of Funds. Amounts on deposit in any fund or account created pursuant to this Installment Purchase Contract shall be invested in Permitted Investments which will, as nearly as practicable, mature on or before the dates when such money is anticipated to be needed for disbursement hereunder. Interest or profit received on such investments shall be deposited to the Debt Service Fund in which such investments are then held. In computing the amount in any fund or account, Permitted Investments shall be valued at market value, exclusive of accrued interest.



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

**ARTICLE IV.  
PARITY OBLIGATIONS**

Section 4.01 Parity Obligations.

(a) So long as any Installment Payments are due hereunder, the District shall not issue or incur any obligations payable from Net Revenues or the Revenue Fund on a senior or superior basis to the Installment Payments.

(b) The District may at any time issue Parity Obligations payable from Net Revenues on a parity with the Installment Payments to provide financing for the Enterprise in such principal amount as shall be determined by the District. The District may issue or incur any such Parity Obligations subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Parity Obligations:

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

(2) The Net Revenues, calculated in accordance with Generally Accepted Accounting Principles, either: (i) as shown by the books of the District for the latest Fiscal Year, as verified by a certificate of the District; or (ii) as shown by the books of the District for any more recent twelve (12) month period selected by the District, as verified by a certificate or opinion of an Independent Financial Consultant employed by the District, plus in either case (at the option of the District) the Additional Revenues, shall be at least equal to one hundred and twenty-five percent (125%) of the amount of Maximum Annual Debt Service.

Notwithstanding the above, the District may issue Parity Obligations payable from Net Revenues on a parity basis with the Installment Payments to refund and defease any outstanding Parity Obligations if debt service on the refunding debt in each Fiscal Year following the defeasance is less than debt service for such Fiscal Years on the refunded Parity Obligations if such defeasance did not occur. With the prior written consent of the Lender, the District may also incur debt payable from Net Revenues that is payable on a basis subordinate to the payment of the Installment Payments.

**ARTICLE V.  
REPRESENTATIONS, COVENANTS AND WARRANTIES**

Section 5.01 Compliance with Installment Purchase Contract. The District will not suffer or permit any material default by it to occur under this Installment Purchase Contract, but will faithfully comply with, keep, observe and perform all of the agreements, conditions, covenants and terms hereof required to be complied with, kept, observed and performed by it.

Section 5.02 Observance of Laws and Regulations; Internal Revenue Code.

(a) The District will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any

law of the United States of America or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by it, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

(b) The District has complied with the Tax Code with respect to the Installment Payments, and the District shall not knowingly take or omit to take any action that, under existing law, may adversely affect the exclusion from gross income for federal income tax purposes, or the exemption from any applicable State tax of the interest on the Installment Payments.

Section 5.03 Prosecution and Defense of Suits. The District will promptly, upon request of the Corporation or the Lender, take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Project or any part thereof, whether now existing or hereafter developing, will prosecute all actions, suits or other proceedings as may be appropriate for such purpose and will indemnify and save the Corporation and the Lender harmless from all cost, damage, expense or loss, including reasonable attorneys' fees, which they or any of them may incur by reason of any such cloud, defect, action, suit or other proceeding.

Section 5.04 Accounting Records and Statements. The District will keep proper accounting records in which complete and correct entries shall be made of all transactions made by the District relating to the receipt, deposit and disbursement of the Gross Revenues, Net Revenues and Installment Payments, and such accounting records shall be available for inspection by the Lender or its agent duly authorized in writing on any Business Day upon reasonable notice at reasonable hours and under reasonable conditions prescribed by the District.

Section 5.05 Further Assurances. Whenever and so often as requested to do so by the Lender, the District will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Lender all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon it by this Installment Purchase Contract.

Section 5.06 Against Encumbrances. The District hereby represents that there is no pledge of or lien on Net Revenues senior to the pledge and lien securing the Installment Payments. The District will not make any pledge of or place any lien on the Net Revenues, provided that the District may at any time, or from time to time, pledge or encumber the Net Revenues in connection with the issuance or execution of Parity Obligations in accordance with Section 4.01 or other obligations permitted hereby, or subordinate to the pledge of Net Revenues herein.

Section 5.07 Against Sale or Other Disposition of Property. The District will not sell, lease, encumber or otherwise dispose of the Enterprise or any part thereof in excess of one-half of one percent of the book value of the Enterprise in any Fiscal Year, unless an Authorized Officer certifies that such sale, lease, encumbrance or disposition will not materially adversely affect the operation of the Enterprise or the Net Revenues; provided however, any real or personal property which has become non-operative or which is not needed for the efficient and proper operation of the Enterprise, or any material or equipment which has become worn out, may be sold or exchanged at not less than the fair market value thereof and the proceeds (if any) of such sale or exchange shall be deposited in the Revenue Fund.

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

Section 5.08 Against Competitive Facilities. To the extent permitted by law, the District covenants that it will not acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, 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 supply and delivery system or wastewater collection and disposal system competitive with the Enterprise.

Section 5.09 Tax Covenants. The District shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, the interest with respect to the Installment Payments to become includable in gross income for federal income tax purposes. To that end, the District hereby makes the following specific covenants:

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

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

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

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

Section 5.10 Maintenance and Operation of the Enterprise; Budgets. The District will maintain and preserve the Enterprise in good repair and working order at all times and will operate the Enterprise in an efficient and economical manner. The District will pay all Maintenance and Operation Costs of the Enterprise as they become due and payable.

Section 5.11 Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Net Revenues or any part thereof or on any funds in the control of the District prior or superior to the lien of the Installment Payments or which might impair the security of the Installment Purchase Contract; provided that the District shall not be obligated to make such payment so long as the District contests such payment in good faith.

Section 5.12 Compliance with Contracts. The District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, expressed or implied, required to be performed by it contained in all contracts for the use of the Enterprise and all other contracts affecting or involving the Enterprise to the extent that the District is a party thereto.

Section 5.13 Insurance. The District will procure and maintain insurance on the Enterprise with commercial insurers or through participation in a joint powers insurance authority, in such amounts, with such deductibles and against such risks (including accident to or destruction of the Enterprise) as are usually insurable in accordance with industry standards with respect to similar enterprises and consistent with the District's current coverage.

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

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

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

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

Section 5.14 Books and Accounts; Financial Statements. The District shall keep proper books of record and accounts of the Enterprise and the Debt Service Fund all separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Enterprise and relating to the funds created by this Installment Purchase Contract. Said books shall, upon prior request, be subject to the inspection by the Lender, or its representatives authorized in writing, upon not less than five (5) Business Days' prior notice to the District.

The District shall cause the books and accounts of the Enterprise, which shall include a statement of revenues and expenditures and changes in fund balances, a balance sheet and a statement of cash flow, to be audited annually by an independent certified public accountant or firm of certified public accountants. The District shall furnish or cause to be furnished to the Lender, at the District's

expense, within two hundred seventy (270) days after the close of each fiscal year, the audited financial statement of District at the close of and for such fiscal year, all in reasonable detail, with supporting schedules, audited by and with the report of District's auditor (the "**Audit**"), which may be in electronic .pdf format. If the Audit is filed on the Municipal Securities Rulemaking Board's "EMMA" website, to satisfy this requirement, the District may email a link to the posted Audit to the Lender. If the Audit is not available, the District will furnish unaudited financial statements to the Lender in the manner described in this Section and will then supply the Audit immediately upon the availability thereof.

No later than one month after its adoption, the District shall also send to the Lender a copy of the annual budget of the Enterprise and any amendment or supplement thereto and any other financial information reasonably requested by the Lender.

Section 5.15 Payment of Taxes and Compliance with Governmental Regulations. The District will pay and discharge all taxes, assessments and other governmental charges, if any, which may hereafter be lawfully imposed upon the Enterprise or any part thereof or upon the Net Revenues when the same shall become due and the District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Enterprise or any part thereof. However, the District shall not be required to make such payments, or to comply with any regulations or requirements, so long as the payment or validity or application thereof shall be contested in good faith.

Section 5.16 Amount of Rates and Charges. To the fullest extent permitted by law, so long as any Installment Payments remain outstanding, the District will fix and prescribe, at the commencement of each Fiscal Year: (a) rates, fees and charges for the services and facilities furnished by the water system of the Enterprise which are reasonably expected, at the commencement of each Fiscal Year, to be sufficient to yield Net Revenues which are at least equal to 125% of the aggregate amount of the Debt Service payable from Net Revenues of the water system of the Enterprise coming due and payable during such Fiscal Year; and (b) rates, fees and charges for the services and facilities furnished by the wastewater system of the Enterprise which are reasonably expected, at the commencement of each Fiscal Year, to be sufficient to yield Net Revenues which are at least equal to 125% of the aggregate amount of the Debt Service payable from Net Revenues of the wastewater system of the Enterprise coming due and payable during such Fiscal Year.

The District may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Net Revenues from such reduced rates, fees charges are reasonably expected to be sufficient to meet the requirements of this Section. For purposes of this calculation, amounts held by the District in the Rate Stabilization Fund as of the beginning of any Fiscal Year may, at the election of the District, be treated as Net Revenues which are received during such Fiscal Year, in an amount not exceeding 25% of the amount of Debt Service payable from Net Revenues coming due and payable during such Fiscal Year.

Section 5.17 Collection of Rates and Charges. The District will have in effect at all times rules and regulations requiring all users of the Enterprise to pay the assessments, rates, fees and charges applicable to the Enterprise provided or made available to such users. Such rules and regulations shall also provide for the billing thereof and for a due date and a delinquency date for each bill.

Section 5.18 Eminent Domain Proceeds. If all or any part of the Enterprise shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

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

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied to prepay the Installment Payments, and any Parity Obligations, on a pro rata basis in the manner provided in Section 6.01(b) and in the instruments authorizing such Parity Obligations.

Section 5.19 Notification of Material Adverse Effect. The District shall timely inform the Lender of any Material Adverse Effect upon learning of the existence of such an effect.

Section 5.20 Role of the Lender. The District acknowledges that: (a) the Lender is acting in this transaction solely for its own account and not as a fiduciary for the District or in the capacity of broker, dealer, municipal securities underwriter or municipal advisor; (b) the Lender has not provided, and will not provide, financial, legal (including securities law), tax, accounting or other advice to or on behalf of the District (including to any financial advisor or placement agent engaged by the District) with respect to the execution and delivery of this Installment Purchase Contract; (c) each of the District, its financial advisor (if any) and its placement agent (if any) will seek and obtain financial, legal (including securities law), tax, accounting and other advice (including as it relates to structure, timing, terms and similar matters) with respect to the execution and delivery of this Installment Purchase Contract from its financial, legal and other advisors (and not the Lender) to the extent that the District, its financial advisor (if any) or its placement agent (if any) desires such advice. The District acknowledges that the Lender has expressed no view regarding the legal sufficiency of its representations for purposes of compliance with any legal requirements applicable to any other party, including but not limited to the District's financial advisor (if any) or placement agent (if any), or the correctness of any legal interpretation made by counsel to any other party, including but not limited to counsel to the District's financial advisor (if any) or placement agent (if any), with respect to any such matters.

Section 5.21 Indemnification of Lender. The District shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Lender and its directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest, arising out of or as the result of the entering into of this Installment Purchase Contract or any other agreement entered into in connection herewith or therewith, the design or ownership of the Project, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage or return of any part of the Project or any accident in connection with the operation, use, condition, possession, storage or return of any item of the Project resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other

defects, whether or not discoverable by the District or the Lender; any claim for patent, trademark or copyright infringement; and any claim arising out of strict liability in tort. Notwithstanding the foregoing, this indemnification and hold harmless shall not include any liability arising out of or resulting from the gross negligence, willful misconduct or wrongful acts of Lender, its directors, officers, employees or agents. The indemnification arising under this Section shall continue in full force and effect notwithstanding the full payment of all obligations under this Installment Purchase Contract or the termination of the term of this Installment Purchase Contract for any reason. The District and the Lender mutually agree to promptly give notice to each other of any claim or liability hereby indemnified against following either's learning thereof.

Section 5.22 Further Representations, Covenants and Warranties of the District. The District represents, covenants and warrants as follows:

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

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

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

(d) Neither the execution and delivery of this Installment Purchase Contract nor the fulfillment of or compliance with the terms and conditions hereof, nor the consummation of the transactions contemplated hereby or thereby, 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 encumbrance whatsoever upon any of the property or assets of the District.

(e) The financial statements of the District for the year ended June 30, 2023 supplied to the Lender: (i) were prepared in accordance with Generally Accepted Accounting Principles, consistently applied; and (ii) fairly present the District's financial condition as of the date of the statements. Other than as described in such financial statements or otherwise disclosed to the Lender, there has been no material adverse change in the District's financial condition subsequent to June 30, 2023.

(f) The District is not currently, and has not been at any time, in default under any debt obligation secured by the Gross Revenues.

(g) As currently conducted, the District's activities with respect to the Enterprise are in all material respects in compliance with all applicable laws, administrative regulations of the State and of the United States and any agency or instrumentality of either, and any judgment or decree to which the District is subject.

(h) There is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to the best knowledge of the District, threatened against or

affecting the District, to restrain or enjoin the payment of Installment Payments under this Installment Purchase Contract, or in any way contesting or affecting the validity of this Installment Purchase Contract.

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

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

(k) The District will not take or, to the extent within its power, permit any action to be taken which results in the interest paid for the installment purchase of the Project under the terms of this Installment Purchase Contract being included in the gross income of the Corporation for purposes of federal income taxation or not being exempt from State income taxation.

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

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

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



(o) The District is in full compliance with all Laws and Regulations, including Environmental Regulations, and the District shall remain in compliance with such Laws and regulations, including Environmental Regulations.

(p) Since the most current date of the information, financial or otherwise, supplied by the District to the Lender: (i) there has been no change in the assets, liabilities, financial position or results of operations of the District which might reasonably be anticipated to cause a Material Adverse Effect; (ii) the District has not incurred any obligations or liabilities which might reasonably be anticipated to cause a Material Adverse Effect; and (iii) the District has not: (1) incurred any material indebtedness, other than the payments and trade accounts payable arising in the ordinary course of the District's business and not past due; or (2) guaranteed the indebtedness of any other person.

(q) The District is not and shall not at any time be listed on the Specially Designated Nationals and Blocked Person List or other similar lists maintained by the U.S. Department of the Treasury's Office of Foreign Assets Control ("OFAC"), and any successor thereto, or the Secretary of the Treasury or included in any Executive Orders which prohibit or limit the Lender from making any advance or extension of credit to District or from otherwise conducting business with District, and the District shall ensure that the proceeds of this Installment Purchase Contract shall not be used to violate any of the foreign asset control regulations of OFAC or any enabling statute or Executive Order relating thereto.

(r) The District shall, promptly following a request by the Lender, provide all documentation and other information that the Lender reasonably requests in order to comply with its ongoing obligations under applicable law or regulation, including, without limitation, "know your customer" and anti-money laundering rules and regulations, including the Patriot Act (USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001))), as amended from time to time, and any successor statute, and shall comply with all applicable Bank Secrecy Act laws and regulations, as amended.

Section 5.23 Representations, Covenants and Warranties of the Corporation. The Corporation represents, covenants and warrants to the District as follows:

(a) The Corporation is duly organized and in good standing under the laws of the State, has full legal right, power and authority to enter into this Installment Purchase Contract and to carry out and consummate all transactions contemplated by this Installment Purchase Contract and by proper action has duly authorized the execution and delivery and due performance of this Installment Purchase Contract.

(b) The Corporation is entering into this Installment Purchase Contract as a commercial arms-length transaction and is not acting in the capacity of a "Municipal Advisor" as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended.

(c) The execution and delivery of this Installment Purchase Contract and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the Corporation is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or

imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Corporation.

**ARTICLE VI.  
PREPAYMENT OF INSTALLMENT PAYMENTS**

Section 6.01 Prepayment.

(a) The Installment Payments are subject to prepayment prior to maturity at the option of the District in whole or in part on any date at the following prepayment prices (expressed as percentages of the principal amount of the Installment Payments to be prepaid) plus accrued interest with respect thereto to the date of prepayment:

<i>Prepayment Dates</i>	<i>Prepayment Price</i>
Closing Date through September 16, 2026	103%
September 17, 2026 through September 16, 2028	102
September 17, 2028 though September 16, 2030	101
September 17, 2030 and thereafter	100

(b) The District may or shall, as the case may be, prepay on any date from the Net Proceeds of condemnation awards, as provided in Section 5.18, all or any part of the principal amount of the unpaid Installment Payments, pro rata among the remaining Installment Payments, at a prepayment price equal to the sum of the principal amount prepaid plus accrued and unpaid interest thereon to the date of prepayment, without premium.

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

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

Section 6.02 Method of Prepayment. Before making any prepayment pursuant to Section 6.01, the District shall give written notice to the Lender specifying the date on which the prepayment will be made, which date shall be not less than thirty (30) days from the date such notice is given.

Section 6.03 Security Deposit. Notwithstanding any other provision of this Installment Purchase Contract, the District may secure the payment of all or a portion of the Installment Payments by a deposit with the Lender or, at the Lender's sole option, a bank or trust company acceptable to the Lender, as escrow holder under an escrow deposit and trust agreement, of either: (a) cash in an amount which is sufficient to pay such unpaid Installment Payments, including the principal and interest components thereof, in accordance with the Installment Payment schedule set forth in Exhibit B attached hereto; or (ii) non-callable Federal Securities or pre-refunded non-callable municipal

obligations rated at least “AA” and “Aa” by S&P and Moody’s, respectively, together with cash if required, in such amount as will, without re-investment, in the opinion of an independent certified public accountant (which opinion shall be addressed to the Lender), together with interest to accrue thereon, be fully sufficient to pay such unpaid Installment Payments on their payment dates so that such Installment Payments shall be defeased; provided that prior to any such deposit or defeasance, the District must provide an opinion of nationally recognized bond counsel addressed to the Lender to the effect that such deposit and defeasance will not cause the interest component of the Installment Payments to be included in gross income for federal income tax purposes. In the event of any shortfall, the District shall deposit from legally available funds such amounts as is necessary to make up such shortfall. In all cases, deposits of cash or securities made to secure the Installment Payments pursuant to this paragraph shall be kept in segregated escrow accounts or escrow subaccounts and such deposits shall not be commingled for any reason.

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

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

Section 7.01 Events of Default and Events of Mandatory Acceleration; Acceleration of Maturities. If one or more of the following Events of Default shall happen:

- (a) default shall be made in the due and punctual payment by the District of any Installment Payment when and as the same shall become due and payable;
- (b) default shall be made by the District in the performance of any of the agreements or covenants contained herein required to be performed by it, and such default shall have continued for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Lender. However, if in the reasonable opinion of the District the failure stated in the notice can be corrected, but not within such 30-day period, the Lender shall not unreasonably withhold its consent to an extension of such time (for a period not to exceed an additional sixty (60) days) if corrective action is instituted by the District within such 30-day period and diligently pursued until the default is corrected.
- (c) any financial statement or certificate furnished to the Corporation or the Lender in connection with the execution of this Installment Purchase Contract, or any representation or warranty made by the District, shall prove to be incorrect, false or misleading in any material respect when furnished or made;

(d) the District shall file a petition seeking arrangement or reorganization under federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property; or

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

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

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

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

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

Section 7.02 Application of Funds Upon Default. All moneys and investments in the funds and accounts held hereunder upon the date of the declaration of an Event of Default as provided in Section 7.01 and all Gross Revenues thereafter received shall be applied as follows:

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

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

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

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

Section 7.03 Other Remedies of the Corporation. The Corporation or the Lender, as assignee thereof, as applicable, may:

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

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

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

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

Section 7.04 Non-Waiver. Nothing in this Article VII or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Installment Payments to the Lender at the respective due dates or upon prepayment from the Gross Revenues, or, except as expressly provided herein, shall affect or impair the right of the Corporation or the Lender, as assignee of the Corporation, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Lender shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Lender by applicable law or by this Article VII may be enforced and exercised from time to time and as often as shall be deemed expedient.

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

Section 7.05 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Corporation or 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 any other law.

Section 7.06 Lender Exercise of Remedies. The rights and remedies provided to the Corporation under this Article VII have been assigned by the Corporation to the Lender pursuant to the Assignment Agreement and shall be exercised by solely by the Lender in its discretion.

## **ARTICLE VIII. MISCELLANEOUS**

Section 8.01 Liability of District Limited. Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Net Revenues legally available therefor in the Revenue Fund and the other funds provided herein for the payment of the Installment Payments or for the performance of any agreements or covenants contained herein required to be performed by it. The District may, however, but shall not be required to, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the District for such purpose.

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

Section 8.02 Benefits of Installment Purchase Contract Limited to Parties. Except as provided in Section 8.03, nothing contained herein, express or implied, is intended to give to any person other than the District or the Lender any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the District or the Lender shall be for the sole and exclusive benefit of the other party.

Section 8.03 Successor Is Deemed Included In All References to Predecessor. Whenever the District or the Corporation is named or referred to herein, such reference shall be deemed to include the successor and assigns to the powers, duties and functions that are presently vested in the District or the Lender, and all agreements and covenants required hereby to be performed by or on behalf of the District or the Corporation shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 8.04 Waiver of Personal Liability. No board member, officer or employee of the District or the Corporation shall be individually or personally liable for the payment of the Installment Payments, but nothing contained herein shall relieve any board member, officer or employee of the

District or the Corporation from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 8.05 Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents attached hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith,” “hereunder” and other words of similar import refer to this Installment Purchase Contract as a whole and not to any particular article, section, subdivision or clause hereof.

Section 8.06 Partial Invalidity. If any one or more of the agreements or covenants or portions thereof contained herein required to be performed by or on the part of the District or the Corporation shall be contrary to the law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The District and the Corporation hereby declare that they would have executed this Installment Purchase Contract, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 8.07 Assignment.

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

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

Section 8.08 California Law. This Installment Purchase Contract shall be construed and governed in accordance with the laws of the State of California.

Section 8.09 Notices. All written notices to be given hereunder shall be given by certified mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time namely:

If to the District:	Groveland Community Services District 18966 Ferretti Road Groveland, California 95321 Attention: General Manager
If to the Corporation:	Municipal Finance Corporation 2945 Townsgate Road, Suite 200 Westlake Village, California 91361 Attention: Bill Morton
If to the Lender:	EverBank, N.A. Mail Operations EverBank 301 West Bay Street, 8th Floor Jacksonville, Florida 32202 Attention: Trevor Mael, Director of Public Finance

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

Section 8.10 Effective Date. This Installment Purchase Contract shall become effective upon its execution and delivery and shall terminate when all Installment Payments shall have been fully paid (or provision for the payment thereof shall have been made to the written satisfaction of the Lender pursuant to Article VI hereof); provided that the obligation of the District to indemnify the Lender shall survive the termination of this Installment Purchase Contract.

Section 8.11 Execution in Counterparts. This Installment Purchase Contract may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 8.12 Restrictions on Agreement. The District and the Lender understand that this Agreement shall not be, and the District and the Lender shall not cause this Agreement to be: (a) assigned a rating by any credit rating agency; (b) registered with The Depository Trust Company or any other securities depository; (c) offered pursuant to any type of offering document or official statement; (d) assigned a DTC-registered CUSIP number by Standard & Poor's CUSIP Service; or (e) listed on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access website.

Section 8.13 Judicial Reference. TO THE EXTENT PERMITTED BY LAW, THE CORPORATION, THE DISTRICT AND THE LENDER HEREBY IRREVOCABLY WAIVE ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS INSTALLMENT PURCHASE CONTRACT, THE ASSIGNMENT AGREEMENT OR ANY OF THE RELATED DOCUMENTS OR THE TRANSACTION CONTEMPLATED HEREBY OR THEREBY. IF AND TO THE EXTENT THAT THE



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

Section 8.14 Amendments. This Installment Purchase Contract may be amended in writing as may be mutually agreed by the District and the Lender. Any amendment made in violation of this Section 8.12 shall be a nullity and void.

Section 8.15 Third-Party Beneficiary. The Lender shall be a third-party beneficiary of this Installment Purchase Contract.

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

**GROVELAND COMMUNITY SERVICES  
DISTRICT**

By: \_\_\_\_\_  
President of the Board

**MUNICIPAL FINANCE CORPORATION**

By: \_\_\_\_\_  
President

**EXHIBIT A**  
**DESCRIPTION OF THE PROJECT**

Acquisition of homes within District boundaries for rental to District employees

## EXHIBIT B

### INSTALLMENT PAYMENT SCHEDULE

1. The principal amount of Installment Payments to be made by the District hereunder is \$340,555.00.

2. The Installment Payments of principal and interest are payable in the amounts and on the Interest Payment Dates as follows (assuming that No Event of Default or Event of Taxability has occurred and is continuing):

<i>Installment Payment Date (Third Business Day Prior to)</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total</i>
09/17/2025	\$ 15,901.25	\$ 16,687.20	\$ 32,588.45
09/17/2026	16,680.41	15,908.03	32,588.44
09/17/2027	17,497.76	15,090.69	32,588.45
09/17/2028	18,355.15	14,233.30	32,588.45
09/17/2029	19,254.55	13,333.90	32,588.45
09/17/2030	20,198.02	12,390.43	32,588.45
09/17/2031	21,187.72	11,400.73	32,588.45
09/17/2032	22,225.92	10,362.53	32,588.45
09/17/2033	23,314.99	9,273.46	32,588.45
09/17/2034	24,457.43	8,131.02	32,588.45
09/17/2035	25,655.84	6,932.61	32,588.45
09/17/2036	26,912.98	5,675.47	32,588.45
09/17/2037	28,231.71	4,356.74	32,588.45
09/17/2038	29,615.07	2,973.38	32,588.45
09/17/2039	<u>31,066.20</u>	<u>1,522.24</u>	<u>32,588.44</u>
TOTAL	\$340,555.00	\$148,271.73	\$488,826.73

**EXHIBIT C**

**FORM OF ACQUISITION FUND REQUISITION**

**\$340,555**

**Installment Purchase Contract, dated as of September 1, 2024**

**by and between**

**Groveland Community Services District and Municipal Finance Corporation**

REQUISITION NO. \_\_ FOR  
DISBURSEMENT FROM ACQUISITION FUND

The undersigned hereby states and certifies to the Administrative Services Manager of Groveland Community Services District (the “**District**”):

(i) that the undersigned is the duly appointed, qualified and acting General Manager of the District, a Community Services District that is organized and existing under the laws of the State of California, including but not limited to Division 3 of Title 6 of the California Government Code (the “**District**”), and as such, is familiar with the facts herein certified and is authorized to certify the same;

(ii) that, pursuant to Section 2.05 of that certain Installment Purchase Contract, dated as of September 1, 2024 (the “**IPC**”), by and between the District and Municipal Finance Corporation, the undersigned hereby requests the Administrative Services Manager of the District to disburse this date the following amounts from the Acquisition Fund established under the IPC to the payees designated on the attached Exhibit A;

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

(iv) that any approval required under the California Environmental Quality Act, as amended (Division 13 of the California Public Resources Code), prior to the expenditure of such amount for the purpose set forth on the attached Exhibit 1 has been received and is final; and

(v) that there has not been filed with or served upon the District notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to any of the payees named on the attached Exhibit 1, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen’s or mechanics’ liens accruing by mere operation of law.

Dated: \_\_\_\_\_, 20\_\_

GROVELAND COMMUNITY SERVICES  
DISTRICT

By: \_\_\_\_\_  
General Manager

EXHIBIT 1  
ACQUISITION FUND DISBURSEMENTS

<i>Item Number</i>	<i>Payee Name and Address</i>	<i>Purpose of Obligation</i>	<i>Amount</i>
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**Resolution No. 27-2024**

**A RESOLUTION OF THE GROVELAND COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF AN INSTALLMENT PURCHASE CONTRACT AND AUTHORIZING THE EXECUTION OF OTHER NECESSARY DOCUMENTS AND RELATED ACTIONS**

WHEREAS, the Groveland Community Services District (the “District”) is a local government agency that is formed and operating in accordance with Section 61000 *et seq.* of the California Government Code and located in Tuolumne County, California (the “County”); and

WHEREAS, the District is authorized to purchase property which is necessary for its operation; and

WHEREAS, due to the lack of rental homes within District boundaries and the south County region, the District has determined it to be operationally necessary to purchase property for the purpose of offering temporary rental housing for its employees in order to ensure that the operation, quality and reliability of District water, sewer, fire and park services is not compromised; and

WHEREAS, the District desires to finance the costs of acquiring, constructing and installing such rental housing (the “Project”); and

WHEREAS, to provide funds necessary to finance the Project, the District desires to enter into that certain Installment Purchase Contract (the “Installment Purchase Contract”) with Municipal Finance Corporation (the “Corporation”) in the form presented to this meeting, with such changes, insertions and omissions as are authorized pursuant to this resolution; and

WHEREAS, the Corporation intends to assign without recourse certain of its rights under and pursuant to the Installment Purchase Contract to EverBank, N.A. (the “Bank”) pursuant to an Assignment Agreement between the Bank and the Corporation; and

WHEREAS, the District desires to pledge Net Revenues of its Enterprise (as such terms are defined in the Installment Purchase Contract) to repay its obligations under the Installment Purchase Contract; and

WHEREAS, the District desires to appoint Kutak Rock LLP as special counsel (“Special Counsel”) in connection with the financing of the Project; and

WHEREAS, pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Code”), under certain circumstances, certain obligations the interest on which is exempt from federal income tax under Section 103 of the Code may be designated by the issuer as “qualified tax-exempt obligations,” thereby allowing certain financial institutions that are holders of such qualified tax-exempt obligations to deduct for federal income tax purposes a portion of such institutions’ interest expense that is allocable to such qualified tax-exempt obligations, all as determined in accordance with Sections 265 and 291 of the Code; and

WHEREAS, the Board of Directors of the District (the “Board”) wishes to designate the Installment Purchase Contract as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Code; and

WHEREAS, Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) (“SB 450”) requires that the Board obtain from an underwriter, municipal advisor or private lender and disclose, prior to authorization of the issuance of debt instruments such as the Installment Purchase Contract, with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest cost of the Installment Purchase Contract; (b) the sum of all fees and charges paid to third parties with respect to the Installment Purchase Contract; (c) the amount of proceeds of the Installment Purchase Contract expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Installment Purchase Contract; and (d) the sum total of all debt service payments on the Installment Purchase Contract calculated to the final maturity of the Installment Purchase Contract plus the fees and charges paid to third parties not paid with the proceeds of the Installment Purchase Contract; and

WHEREAS, in compliance with SB 450, the Board obtained from the Corporation the required good faith estimates and such estimates are disclosed and set forth on Exhibit A attached hereto; and

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

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Groveland Community Services District as follows:

SECTION 1. The foregoing recitals are true and correct.

SECTION 2. The form of Installment Purchase Contract submitted to this meeting and made a part hereof as though set forth herein is hereby approved. The President of the Board, and such other member of the Board as the President may designate, the General Manager of the District, the Administrative Services Manager of the District and such other officers of the District as the General Manager of the District may designate (each, an “Authorized Officer”) are, and each of them is, hereby authorized and directed, for and in the name of the District, to execute and deliver the Installment Purchase Contract in the form submitted to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, with the advice and approval of the District’s General Counsel and Special Counsel, such requirement or approval to be conclusively evidenced by the execution and delivery of the Installment Purchase Contract by such Authorized Officer, so long as the maturity of the Installment Payments (as such term is defined in the Installment Purchase Contract) payable thereunder does not exceed December 31, 2039, the interest rate with respect to the Installment



Payments does not exceed 4.90% and the principal amount of the Installment Payments does not exceed \$500,000.

SECTION 3. The Installment Payments due under the Installment Purchase Contract are hereby designated as “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Code. The Board hereby finds and determines that the aggregate face amount of all tax-exempt obligations (other than private activity bonds) issued by the District (and all subordinate entities thereof) during calendar year 2024 is not expected to exceed \$10,000,000.

SECTION 4. The Board hereby authorizes and directs the President of the Board, the General Manager of the District, the Administrative Services Manager of the District or a designee in writing to make appropriate arrangements to establish a special fund into which the proceeds of the financing received by the District are deposited for the purpose of paying the costs of the Project.

SECTION 5. The Board hereby appoints the firm of Kutak Rock LLP as Special Counsel in connection with the financing of the Project. The Board hereby authorizes the General Manager to execute and deliver an agreement with said firm for its services. Payment of fees and expenses with respect to such agreement shall be contingent upon the execution of the Installment Purchase Contract.

SECTION 6. In accordance with SB 450, good faith estimates of the matters required thereunder have been obtained from the Corporation and are set forth on Exhibit A attached hereto.

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

SECTION 8. This resolution shall take effect immediately.

PASSED AND ADOPTED by the Board of Directors of the Groveland Community Services District on September 10, 2024 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED:

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Nancy Mora, Board President

ATTEST:

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Rachel Pearlman, Board Secretary

## **EXHIBIT A**

### **SB 450 DISCLOSURE OF GOOD FAITH ESTIMATES**

The following information consists of estimates that have been provided by the Corporation and has been represented by such party to have been provided in good faith:

- (A) True Interest Cost of the Installment Purchase Contract: 4.90%
- (B) Finance Charge of the Installment Purchase Contract (Sum of all fees/charges paid to third parties): \$30,000
- (C) Net Proceeds of the Installment Purchase Contract to be Received (net of finance charges, reserves and capitalized interest, if any): \$310,555
- (D) Total Payment Amount through Maturity of the Installment Purchase Contract: \$488,827

The foregoing constitute good faith estimates only. The principal amount of the Installment Purchase Contract, the true interest cost of the Installment Purchase Contract, 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 Purchase Contract being different than the date assumed for purposes of such estimates; (b) the actual principal amount of the Installment Purchase Contract being different from the estimated amount used for purposes of such estimates; (c) the actual amortization of the Installment Purchase Contract 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 Purchase Contract 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 Purchase Contract and the actual principal amount of the Installment Purchase Contract will be determined by the District based on a variety of factors. The actual interest rates borne by the Installment Purchase Contract will depend on market interest rates at the time of sale thereof. The actual amortization of the Installment Purchase Contract 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.