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A RESOLUTION OF THE BOARD OF DIRECTORS OF THE DEL PUERTO WATER DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY OF AN INSTALLMENT PURCHASE AGREEMENT TO ACQUIRE A PERPETUAL CONTRACTUAL RIGHT TO PURCHASE WATER FROM THE UNITED STATES OF AMERICA, BUREAU OF RECLAMATION AND REFINANCING THE CAPITAL REPAYMENT OBLIGATION THEREUNDER, AUTHORIZING AND DIRECTING EXECUTION AND DELIVERY OF ALL NECESSARY DOCUMENTS, AND PROVIDING FOR OTHER MATTERS PROPERLY RELATED THERETO

WHEREAS, the Del Puerto Water District (the "District") Board of Directors (the "Board") has determined that it is in the best interest of the District to execute and deliver an Installment Purchase Agreement (the "Installment Purchase Agreement"), to finance the acquisition of a perpetual contract right from the United States of America, Bureau of Reclamation and to refinance the capital obligation thereunder and to approve certain documents in connection therewith; 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 such acquisition and refinancing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such acquisition and refinancing in the manner and upon the terms herein provided; and

WHEREAS, the Board wishes at this time to authorize all proceedings relating to such acquisition and refinancing and the execution and delivery of the installment purchase agreement and all agreements and documents relating thereto; and

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Del Puerto Water District hereby orders and determines as follows:

Section 1. Recitals and Findings. The Board hereby specifically finds and declares that each of the statements, findings and determinations of the District set forth in the recitals set forth above and in the preambles of the documents approved herein are true and correct and that such acquisition and refinancing will result in significant public benefits for landowners in the District.

Section 2. Approval of Installment Purchase Agreement. The Installment Purchase Agreement, in substantially the form presented to this meeting and, upon execution as authorized below, made a part hereof as though set forth in full herein, is hereby approved. The President, Vice President, General Manager, or any other person authorized by the Board or designee thereof is hereby authorized and directed to execute and deliver the Installment Purchase Agreement with such changes, insertions and omissions as may be recommended by General Counsel, and approved by the officers executing the same, said execution being conclusive evidence of such approval; provided however the Installment Purchase Agreement shall not exceed a principal amount of \$15,000,000.

Section 3. Authorized Representatives. The President, Vice-President, General Manager, Secretary, and any other person authorized by the Board to act on behalf of the District are hereby authorized, jointly and severally, for and in the name of and on behalf of the District, to execute and deliver any and all documents and certificates that may be required to be executed in connection with the execution and delivery of the Installment Purchase Agreement, and to do any and all things and take any and all actions which may be necessary or advisable, in their discretion, to effectuate the actions which the District has approved in this Resolution.

Section 4. Good Faith Estimates. The Board acknowledges that the good faith estimates required by Section 5852.1 of the California Government Code prepared on behalf of the District are disclosed in Exhibit A to this resolution and are available to the public at the meeting at which this resolution is approved.

Section 5. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

The foregoing Resolution was adopted at a regular meeting of the Board of Directors of the Del Puerto Water District held on the on the 21st day of October, 2020 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT: **None**

ATTEST:

_____, President

Secretary

CERTIFICATE

I, Anthea G. Hansen, Secretary to the Board of Directors of the DEL PUERTO WATER DISTRICT, do hereby certify that the above is a true and correct copy of a resolution adopted by the Board of Directors of said District at a meeting held on the 21st day of October, 2020.

Anthea G. Hansen

EXHIBIT A

Set forth below are good faith estimates of CoBank, ACB, the private lender, as required under Section 5852.1 of the California Government Code (the "Code") for the Installment Purchase Agreement to finance the acquisition of a perpetual contract right from the United States of America, Bureau of Reclamation and to refinance the capital obligation thereunder.

- a) The true interest cost of the installment payments is estimated at 2.20%, calculated as provided in Section 5852.1(a)(1)(A) of the Code.
- b) The finance charge of the Installment Purchase Agreement, including all fees and charges paid to third parties, is estimated at \$25,000.
- c) Proceeds of the Installment Purchase Agreement received by the District of \$11,725,000 less the finance charges set forth in (b) above, is equal to \$11,700,000.
- d) The total payment amount calculated as provided in Section 5852.1(a)(1)(D) of the Code is estimated at \$13,846,573.

The foregoing estimates constitute good faith estimates only as of October 20, 2020, and are based on information provided in the draft Installment Purchase Agreement at the time of preparation of such estimates and have no bearing on, and should not be misconstrued as, any not-to-exceed financial parameters authorized by the resolution. The actual principal amount of the Installment Purchase Agreement, the true interest cost thereof, 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 entering into the Installment Purchase Agreement being different than the date assumed for purposes of such estimates, (b) the actual principal amount of Installment Purchase Agreement executed by the District being different from the Principal Amount, (c) the actual amortization of the payments under the Installment Purchase Agreement being different than the amortization assumed for purposes of such estimates, (d) the actual interest rates at the time of execution of the Installment Purchase Agreement being different than those estimated for purposes of such estimates, (e) other market conditions, (f) alterations in the District's financing plan, or (g) a combination of such factors. The actual date of execution of the Installment Purchase Agreement and the actual principal amount of the Installment Purchase Agreement will be determined by the District based on the timing of the need for proceeds of the Installment Purchase Agreement and other factors. Factors such as the final loan repayment schedule, any changes to the interest rate on the Installment Purchase Agreement and timing of the execution of the Installment Purchase Agreement may be affected by factors beyond the control of the District or Co Bank.

VC

SHERMAN & HOWARD L.L.C.
DRAFT OCTOBER 20, 2020

INSTALLMENT PURCHASE AGREEMENT

by and between

DEL PUERTO WATER DISTRICT

and

COBANK, ACB

(CoBank CIF No. [CIF])

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INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, is made and entered into as of the Dated Date, by and between the District and the Bank.

WHEREAS, the District and the Bank have duly authorized the execution and delivery of this Agreement; and

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

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

ARTICLE I TRANSACTION TERMS AND DEFINITIONS

Section 1.01 Defined Transaction Terms Unless the context otherwise requires, the transaction terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein.

Act. Water District Law (Division 13 (commencing with Section 34000) of the California Water Code.

Closing Date. [CLOSING DATE], 2020.

District. Del Puerto Water District, a California water district duly organized and existing under and by virtue of the laws of the State, including the Act.

Existing Parity Obligations. The following obligations of the District which are secured by a lien on all or part of the Pledged Revenues on a parity basis with respect to the Installment Payments: NONE

Fixed Rate. []% per annum.

Installment Payment Date. (a) [] and [] of each year (or if said date is not a Business Day, then the following Business Day); or (b) any other date upon which Installment Payments become due and payable, whether by acceleration, prepayment or otherwise.

Notice Address.

With respect to the District:

17840 Ward Ave.
Patterson CA 95363
Tel: (209) 892-4470

With respect to the Bank:

For general correspondence purposes:
P.O. Box 5110
Denver, Colorado 80217-5110

For direct delivery purposes, when desired:
6340 South Fiddlers Green Circle
Greenwood Village, Colorado 80111-1914

Attention: Credit Information Services
Fax No.: (303) 224-6101

or such other address as such party may provide to the other party in writing from time to time.

Pledged Revenues. The charges levied and collected by the District upon all irrigable lands within the District or for the sale of water to customers within the service area of the District.

Reporting Deadline. The date which is 270 days after the close of each Fiscal Year.

Reserve Fund. The fund established under Section [3.12] by the District held by the Bank, or by a bank that is insured by the federal deposit insurance corporation.

Reserve Requirement. The amount of \$[RESERVE REQUIREMENT].

Section 9(d) Contract. The Contract between the United States and Del Puerto Water District Providing for Project Water Service from Delta Division and Facilities Repayment, dated September 28, 2020, as such contract may be amended or supplemented from time to time in accordance with its terms.

Section 1.02 Additional Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein.

Accountant's Report. A report signed by an Independent Certified Public Accountant.

Additional Revenues. With respect to the issuance of any Parity Obligations, any or all of the following amounts:

(i) An allowance for Pledged Revenues from any additions or improvements to or extensions of the Water System to be financed from the proceeds of such Parity Obligations or from any other source but in any case which, during all or any part of the most recent completed Fiscal Year for which audited financial statements are available or for any more recent 12-month period selected by the District, were not in service, all in an amount equal to the estimated additional average annual Pledged Revenues to be derived from such additions, improvements and extensions during the first full Fiscal Year in which each addition, improvement or extension is respectively to be in operation, all as shown by a certificate of the Manager.

(ii) An allowance for Pledged Revenues arising from any increase in the Pledged Revenues which has become adopted by the Board of Directors of the District prior to the incurring of such Parity Obligations but which, during all or any part of such Fiscal Year or such 12-month period, was not in effect, in an amount equal to the total amount by which the Pledged Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or such 12-month period, all as shown by a certificate of the Manager.

Agreement. This Installment Purchase Agreement, dated as of the Dated Date, by and between the District and the Bank, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

Bank. CoBank, ACB, a federally chartered instrumentality of the United States, and its successors and assigns.

Broken Funding Surcharge. An amount equal to the greater of (1) the sum of: (i) the present value of any funding losses imputed by the Bank to have been incurred as a result of any payment, conversion or failure; plus (ii) a per annum yield of 0.50% of the amount repaid, converted or not borrowed for the period such amount was scheduled to have been outstanding at such fixed rate, or (2) \$300.00. Any surcharge will be determined and calculated in accordance with methodology established by the Bank, a copy of which will be made available upon request. Notwithstanding the foregoing, in the event of a conflict between the provisions of this section and of the broken funding charge section of a forward fix agreement between the Bank and the District, the provisions of the forward fix agreement will control.

Bureau. The United States of America acting through the Bureau of Reclamation.

Business Day. Any day on which the Bank and the Federal Reserve Banks are open for business.

Debt Service. For any period of calculation, the sum of: (i) the interest payable with respect to the Installment Payments and all outstanding Parity Obligations in such period, assuming that all payments are made as scheduled (except to the extent the interest evidenced and represented thereby is capitalized); and (ii) the principal payable with respect to the Installment Payments and all outstanding Parity Obligations in such period, assuming that all payments are made as scheduled; provided, that:

(a) as to any such Parity Obligations bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall, for all purposes, be assumed to bear interest at a fixed rate equal to the higher of: (x) the actual rate on the date of calculation, or if such Parity Obligation is not yet outstanding, the initial rate (if established and binding), and (y) if such Parity Obligation has been outstanding for at least 12 months, the average rate over the 12 months immediately preceding the date of calculation, or if such Parity Obligation is outstanding for the 12 prior months, the average rate borne by reference to an index comparable to that to be utilized in determining the interest rate for the Parity Obligations to be executed;

(b) if any such Parity Obligations have 25% or more of the aggregate principal amount due in any one year, Debt Service shall be calculated as if the principal of, and interest on, such Parity Obligations were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of 20 years from the date of calculation; and

(c) the amount on deposit in a debt service reserve fund on any date of calculation shall be deducted from the amount of principal due at the final maturity of the Parity Obligations for which such debt service reserve fund was established and to the extent the amount in such debt service reserve fund is in excess of such amount of principal, such excess shall be applied to the full amount of principal due, in each preceding year, in descending order, until such amount is exhausted.

Event of Default. An event described in Section 8.01.

Federal Securities. (a) non-callable direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America; (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

Financing Documents. This Agreement, the Treasury Management Documents and any and all other documents from time to time evidencing, securing, or delivered to the Bank in connection with, this Agreement.

Fiscal Year. The period beginning on March 1 of each year and ending on the following February 28 (or 29, as applicable), or any other twelve-month period selected and designated as the official Fiscal Year of the District.

Generally Accepted Accounting Principles. The uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

Independent Certified Public Accountant. Any firm of certified public accountants appointed by the District and reasonably acceptable to the Bank, each of whom is independent of

the District and the Bank pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

Installment Payments. The installment payments of interest and principal scheduled to be paid by the District under and pursuant hereto.

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

Material Adverse Change. An event or occurrence which adversely affects in a material manner (a) the assets, liabilities, condition (financial or otherwise), business, facilities or operations of the District or the Water System, (b) the ability of the District to carry out its business in the manner conducted as of the date of this Agreement or Parity Obligations or to meet or perform its obligations under this Agreement or Parity Obligations on a timely basis, (c) the validity or enforceability of this Agreement or Parity Obligations, (d) the ability of the District to impose, assess, collect and apply the Pledged Revenues to the payment of Installment Payments, or (e) the exclusion of the interest component of the Installment Payments or Parity Obligations, as applicable, from gross income for federal income tax purposes or the exemption of such interest for state income tax purposes.

Parity Obligations. (a) this Agreement, including any amendments and supplements hereto; and (b) all contracts, notes, bonds or other obligations of the District payable from the Pledged Revenues on a parity with the Installment Payments payable hereunder.

Permitted Investments. Any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

- (a) Federal Securities;
- (b) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P and Moody's.
- (c) Interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State banks (including the Trustee), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P and Moody's; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation.
- (d) Commercial paper rated in the highest short-term rating category by S&P and Moody's.
- (e) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating in the highest rating category of S&P and Moody's.
- (f) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and

having a rating by S&P of at least AAAm-G, AAAm or AAm (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services).

- (g) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by S&P and Moody's, or (b) fully secured as to the payment of principal and interest by Federal Securities.
- (h) Obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by S&P and Moody's.
- (i) Bonds or notes issued by any state or municipality which are rated by S&P and Moody's in one of the two highest rating categories assigned by such rating agencies.
- (j) Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P and Moody's at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee in the event such rating at any time falls below A.
- (k) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

Project. The project described in Exhibit B hereto, together with any additions, modifications or changes thereto as authorized by the Board of Directors of the District.

Purchase Price. The principal amount plus interest thereon owed by the District to the Bank under the terms hereof as provided in Section 4.01.

Rate Stabilization Fund. Any account or fund designated by the District as such pursuant to Section 5.04.

Revenue Fund. The fund or account of such name into which the District shall deposit all of the Pledged Revenues upon receipt pursuant to Section 5.02.

State. The State of California.

Treasury Management Documents. (i) the Master Agreement for Cash Management and Transaction Services between the Bank and the District dated on or about the Dated Date, (ii) any Automated Clearing House Authorization forms pursuant to which Installment Payments are to be made, and (iii) any related document from time to time requested or required by the Bank.

Water System. The whole and each and every part of the water system of the District, including facilities for irrigation service, municipal and industrial water service, any other water

service and electric generation or transmission service, and including the portion thereof existing on the date hereof, and including all additions, betterments, extensions and improvements to such water system or any part thereof hereafter acquired or constructed.

Written Consent, Written Order, Written Request or Written Requisition. A written consent, order, request or requisition signed by or on behalf of: (a) the Bank by a duly authorized officer, or (b) the District by the President of its Board of Directors or its Manager.

ARTICLE II REPRESENTATIONS AND WARRANTIES

Section 2.01 Representations by the District. The District makes the following representations:

(a) The District is duly organized and existing under and pursuant to the Constitution and laws of the State, including the Act.

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

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

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

(e) The District has determined that it is necessary and proper for District uses and purposes that the District finance the Project in the manner provided for in this Agreement.

(f) The District is empowered to levy and collect the Pledged Revenues without review or approval by any State or local government agency, and all proceedings related to the imposition of the charges and/or assessments that comprise the Pledged Revenues were conducted in accordance with applicable law, including all notice, public hearing provisions and (to the extent applicable) any election requirements.

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

(h) All approvals, consents, authorization, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the ability of the District to perform its obligations under this Agreement, have been obtained or made, as the case may be, and are in full force and effect.

Section 2.02 Representations and Warranties by the Bank. The Bank makes the following representations and warranties:

(a) The Bank is a federally chartered instrumentality of the United States, has full legal right, power and authority to enter into this Agreement and to carry out and consummate all transactions contemplated by this Agreement and by proper action has duly authorized the execution and delivery and due performance of this Agreement.

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

(c) To the best knowledge of the Bank, there is no pending or threatened action or proceeding before any court or administrative agency which will materially adversely affect the ability of the Bank to perform its obligations under this Agreement.

(d) The Bank will not take or permit any action to be taken which results in interest paid for the installment purchase of the Project under the terms of this Agreement being included in the gross income for purposes of federal or State income taxation.

ARTICLE III SALE AND PURCHASE OF THE PROJECT

Section 3.01 Sale of the Project to Bank. In consideration for an upfront payment to be paid by the Bank for the financing of the Project, the District agrees to sell, and hereby sells, to the Bank, and the Bank agrees to purchase, and hereby purchases from the District, the Project.

Section 3.02 Purchase and Sale of the Project. In consideration for the Installment Payments to be paid by the District to the Bank under this agreement, the Bank agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Bank, the Project at the Purchase Price specified in Section 4.01 in the manner and in accordance with the provisions of this Agreement.

Section 3.03 Title. All right, title and interest in the Project shall vest in the District immediately. Such vesting shall occur without further action by the Bank or the District and the Bank shall, if requested by the District or if necessary to assure such automatic vesting deliver any and all documents required to assure such vesting.

ARTICLE IV INSTALLMENT PAYMENTS

Section 4.01 Purchase Price. The Purchase Price with respect to the Project to be paid by the District hereunder to the Bank is the sum of the principal amount of the District's obligations hereunder plus the interest to accrue at the Fixed Rate on the unpaid balance of such principal amount from the effective date hereof over the term hereof, subject to prepayment as provided in Article VII. The principal amount of the payments to be made by the District hereunder is set forth in Exhibit A hereto. The interest to accrue on the unpaid balance of such principal amount is as specified in Section 4.02 and Exhibit A hereto, and shall be paid by the District as and constitute interest paid with respect to the principal amount of the District's obligations hereunder.

Section 4.02 Installment Payments. The District shall, subject to any rights of prepayment provided in Article VII, pay the Bank the Purchase Price of the Project in installment payments of interest and principal in the amounts and on the Installment Payment Dates as set forth in Exhibit A hereto. Each Installment Payment shall be paid to the Bank in lawful money of the United States of America. In the event the District fails to make any of the payments required to be made by it under this section, such payment shall continue as an obligation of the District until such amount shall have been fully paid.

(a) The District agrees to pay interest on the outstanding principal amount of the Agreement at the Fixed Rate. The District covenants for the benefit of the Bank that it will not take any action or omit to take any action with respect to this Agreement, the proceeds thereof, any other funds of the District or any facilities financed or refinanced with the proceeds of this Agreement if such action or omission (i) would cause the interest on this Agreement to lose its exclusion from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), (ii) would cause interest on this Agreement to lose its exclusion from alternative minimum taxable income as defined in Section 55(b)(2) of Code. The foregoing covenant shall remain in full force and effect notwithstanding the payment in full or defeasance of this Agreement until the date on which all obligations of the Borrower in fulfilling the above covenant under the Code have been met.

(b) **Payment of Interest.** Interest will be calculated on the actual number of days each loan is outstanding on the basis of a year consisting of 360 days and will be payable semiannually in arrears on each Installment Payment Date or on such other day as the Bank will reasonably require in a written notice to the Borrower.

(c) **Obligations Absolute.** Subject to Section 10.01 hereof, the obligation of the District to make the Installment Payments is absolute and unconditional, and until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the District will not discontinue or suspend any Installment Payments required to be made by it under this section when due, whether or not the Water System or any part thereof is operating or operable, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and whether or not the Project has been completed, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

ARTICLE V SECURITY

Section 5.01 Pledge of the Pledged Revenues. The Pledged Revenues and all amounts in the Revenue Fund are hereby irrevocably pledged to the payment of the Installment Payments as provided herein, and, except to the extent permitted by Section 5.02 and Section 5.03, such proceeds shall not be used for any other purpose while any of the Installment Payments remain unpaid. This pledge shall constitute a first lien on proceeds of the Pledged Revenues for the payment of the Installment Payments in accordance with the terms hereof, and shall be on a parity with the pledge of Pledged Revenues made for any Parity Obligations issued or incurred by the District pursuant to Section 5.03.

Section 5.02 Deposit and Allocation of Pledged Revenues. In order to carry out and effectuate the pledge and lien contained in Section 5.01, the District agrees and covenants that all Pledged Revenues shall be received by the District in trust for the payment of the Installment Payments and the Parity Obligations (if any), and shall be deposited when and as received in a special fund designated as the "Revenue Fund," which fund the District hereby agrees and covenants to maintain and to hold separate and apart from other funds so long as any Installment Payments remain unpaid. All moneys in the Revenue Fund shall be applied by the District at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth in this Section.

(a) **Installment Payments and Parity Obligations.** Not later than each Installment Payment Date, the District shall, from the moneys in the Revenue Fund, transfer to (i) the Bank, or its assignee, the portion of each Installment Payment due and payable on that Installment Payment Date and (ii) on a parity basis, the payee(s) under any Parity Obligation(s) the Debt Service due with respect to such Parity Obligation(s). In the event of any insufficiency of amounts payable under this clause (a), amounts shall be transferred ratably without any discrimination or preference between the Installment Payments and the Debt Service due on any Parity Obligations.

(b) **Debt Service Reserve Funds.** On or before each Installment Payment Date, the District shall, from the remaining moneys in the Revenue Fund, thereafter, without preference or priority and, in the event of any insufficiency of such moneys, ratably without any discrimination or preference, transfer for deposit in debt service reserve funds and/or accounts, if any, as may have been established in connection with any Parity Obligations, that sum, if any, necessary to restore such reserve funds to the required amount.

(c) **Surplus.** On the Business Day following each Installment Payment Date, moneys on deposit in the Revenue Fund not necessary to make any of the payments required above may be expended by the District at any time for any purpose permitted by law, including but not limited to transfers to the Rate Stabilization Fund, to prepay the Installment Payments or any Parity Obligations, or to pay amounts due on obligations subordinate hereto.

Section 5.03 Incurrence of Parity Obligations. The District may at any time execute, issue or incur a Parity Obligation, but only with the prior written consent of the Bank.

Section 5.04 Rate Stabilization Fund. The District may establish during the term of this Agreement a "Rate Stabilization Fund." Amounts in the Rate Stabilization Fund shall be disbursed, allocated and applied by the District solely to the uses and purposes hereinafter described in this Agreement, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the District. The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for the payment of the Installment Payments and Debt Service on Parity Obligations. Amounts transferred from the Rate Stabilization Fund into the Revenue Fund pursuant to this Section 5.04 during, or within 270 days after the end of, a Fiscal Year, may not be taken into account as Pledged Revenues for purposes of the calculation in Section 6.23 in such Fiscal Year, as and to the extent permitted by Section 6.23.

Section 5.05 Reserve Fund. The District shall establish and maintain a special fund to be designated as the "Reserve Fund" The District shall establish and maintain a Reserve Fund in an amount equal to the Reserve Requirement no later than [____], 202[____], Amounts on hand in the Reserve Fund may be applied by or at the direction of the Bank only to the satisfaction of any obligations of the District hereunder which are not paid or satisfied when due (provided that such application of funds by the Bank shall not be deemed a cure of any default resulting from such nonpayment or a waiver of any such default). The District hereby pledges and grants to the Bank a security interest in the Reserve Fund (including all interest earned thereon) as security for the Installment Payments required under this Installment Purchase Agreement.

Section 5.06 Investments. All moneys held by the District in the Revenue Fund, Rate Stabilization Fund and Reserve Fund shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein.

ARTICLE VI COVENANTS OF THE DISTRICT

Section 6.01 Compliance with Agreement. The District will punctually pay the Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Bank to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Bank or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities. Each representation and warranty and all information set forth in any document submitted in connection with, or to induce the Bank to enter into this Agreement is correct in all material respects as of the Closing Date. It is expressly understood and agreed by and among the parties to this Agreement that, subject to Section 10.06 hereof, each of the agreements, conditions, covenants and terms contained

in this Agreement is an essential and material term of the purchase of and payment for the Project by the District pursuant to, and in accordance with, and as authorized under applicable law.

Section 6.02 Budgets; Full Disclosure. All budgets, projections, feasibility studies, and other documentation submitted by the District to the Bank in connection with, or to induce the Bank to enter into, this Agreement are based upon assumptions that are true and correct, and as of the Closing Date, no fact has come to light, and no event has occurred, that would cause any assumption made therein to be misleading or untrue. Neither this Agreement nor other certificate, statement, agreement, or document furnished to the Bank in connection with this Agreement (a) contains any untrue statement of a material fact, or (b) fails to state a material fact necessary in order to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading. The District is not aware of any Material Adverse Change that has not been disclosed in writing to the Bank.

Section 6.03 Accurate Financial Information. Each submission of financial information or documents relating to the District will constitute a representation and warranty by the District that such information and documents (a) are true and accurate in all material respects, and (b) do not fail to state a material fact necessary in order to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

Section 6.04 ERISA. The District and its subsidiaries are in compliance in all material respects with the applicable provisions of the Employee Retirement Income Security Act of 1974, and the regulations and published interpretations thereunder from time to time ("ERISA").

Section 6.05 Margin Stock. The District is not engaged or does not intend to engage principally, or as one of its important activities, in the business of extending credit for the purpose, immediately, incidentally or ultimately, of purchasing or carrying margin stock (within the meaning of Regulation U, T or X as promulgated by the Board of Governors of the Federal Reserve System of the United States of America (the "Board")). No part of the proceeds of this Agreement made by the Bank to the District has been or will be used, immediately, incidentally or ultimately, to purchase or carry any margin stock or to extend credit to others for the purpose of purchasing or carrying any margin stock or in any way that is inconsistent with the provisions of the regulations of the Board. The District does not hold or intend to hold margin stock in such amounts that more than 25% of the reasonable value of the assets of the District.

Section 6.06 Water System Condition. The Water System reasonably meets present demand in all material respects, is constructed in a good and professional manner, is in good working order and condition, and complies (or will comply, upon completion of the project to be financed with the proceeds of this Agreement) in all material respects with all applicable law.

Section 6.07 Rate Matters. The District's rates have been approved, if applicable, by any and all necessary governmental regulatory authorities, including, without limitation, each public service commission or public utilities commission that may have jurisdiction over the operations and rates of the District. Further, to the District's actual knowledge there is no pending or threatened proceeding before any governmental authority, the objective or result of which is or could be to materially reduce or otherwise materially adversely change any of the District's rates,

or otherwise have a material adverse effect on the condition, financial or otherwise, operations, properties, or business of the Water System.

Section 6.08 Litigation. There is no action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, government agency, public board or body, is pending and served or, to the District's actual current knowledge, threatened against the District: (i) in any way affecting the existence of the District or in any way challenging the respective powers of the several offices or the titles of the officials of the District to such offices; (ii) affecting or seeking to prohibit, restrain or enjoin the making, execution or delivery of this Agreement or the other Financing Documents or the application of the proceeds of this Agreement or the other Financing Documents; (iii) in any way contesting or affecting, as to the District, the validity or enforceability of this Agreement or the other Financing Documents; (iv) in any way contesting the powers of the District or its authority with respect to the adoption of the Resolution or the execution, delivery or performance of this Agreement or the other Financing Documents; or (v) in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby or that might materially adversely affect the ability of the District to perform and satisfy its obligations under this Agreement; nor to the best of the District's knowledge is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the proceedings authorizing this Agreement or the performance by the District of its obligations thereunder, or the authorization, execution, delivery or performance by the District of this Agreement or the other Financing Documents.

Section 6.09 Valid and Binding Obligation. This Agreement and each of the Financing Documents is a valid and binding obligation of the District enforceable in accordance with its terms.

Section 6.10 Pledge and Other Liens. The pledge in Section 5.01 of this Agreement constitutes a lien on and a pledge of all Pledged Revenues and there are no other liens on the Pledged Revenues, other than Existing Parity Obligations (if any), as of the Closing Date.

Section 6.11 No Default Event of Non-Appropriation. The District is not in default and has not failed to appropriate funds required under the terms, conditions or provisions of any agreement or instrument to which the District has issued debt in the past ten years.

Section 6.12 Against Encumbrances. The District will not make any pledge of or place any lien on the Pledged Revenues except as provided in Sections 5.01 and 5.03. The District may at any time, or from time to time, but only with the prior written consent of the Bank, incur evidences of indebtedness or incur other obligations for any lawful purpose which (i) are payable from and secured by a pledge of or lien on revenues of the District that do not constitute Pledged Revenues or for which the pledge of Pledged Revenues is subordinate to the pledge and lien created by this Agreement or (ii) constitute Parity Obligation incurred in conformity with Section 5.03.

Section 6.13 Against Sale or Other Disposition of Property. The District will not enter into any agreement or lease which materially impairs the operation of the Water System or any part thereof necessary to secure adequate Pledged Revenues for the payment of the Installment Payments, or which would otherwise impair the rights of the Bank hereunder or the operation of the Water System.

Section 6.14 Against Competitive Facilities. To the extent permitted by law, the District covenants that it will not acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any Water System competitive with the Water System.

Section 6.15 Tax Covenants. Notwithstanding any other provision of this Agreement, absent an opinion of qualified tax counsel that the exclusion from gross income of the interest component of the Installment Payments will not be adversely affected for federal income tax purposes, the District and the Bank covenant to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenant, without limiting the generality of the foregoing, as follows:

(a) **Private Activity.** The District and the Bank will not take or omit to take any action or make any use of any proceeds of this Agreement or of any other moneys or property which would cause the Installment Payments to be "private activity bonds" within the meaning of Section 141 of the Code.

(b) **Arbitrage.** The District and the Bank will make no use of any proceeds of this Agreement or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the Installment Payments to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(c) **Federal Guarantee.** The District and the Bank will make no use of any proceeds of this Agreement or take or omit to take any action that would cause the Installment Payments to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

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

(e) **Hedge Bonds.** The District and the Bank will make no use of any proceeds of this Agreement or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Installment Payments to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of the interest component of the Installment Payments for federal income tax purposes.

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

Section 6.16 Maintenance and Operation of the Water System. The District will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all operation and maintenance costs as they become due and payable.

Section 6.17 Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies in order to properly maintain the Water System.

Section 6.18 Compliance with Contracts. The District will neither take nor omit to take any action under any contract, including but not limited to the Section 9(d) Contract, if the effect of such act or failure to act would in any manner materially adversely impair the ability of the District to pay Installment Payments; and the District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all other contracts affecting or involving the Water System, including but not limited to the Section 9(d) Contract, to the extent that the District is a party thereto.

Section 6.19 Insurance.

(a) The District will procure and maintain or cause to be procured and maintained insurance on the Water System with responsible insurers acceptable to the Bank in such amounts and against such risks (including damage to or destruction of the Water System) as are usually covered in connection with water systems similar to the Water System, and make such increases in the type or amount of coverage as the Bank may reasonably request. In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the net proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System. The District shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such net proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and liens. All such policies will have additional insured, mortgagee and lender's loss payee clauses or endorsements, as applicable, in form and substance satisfactory to the Bank. At the Bank's request, the District agrees to deliver to the Bank such proof of compliance with this section as the Bank may require.

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

(c) Any insurance required to be maintained by paragraph (a) above and, if the District determines to procure and maintain insurance pursuant to paragraph (b) above, such insurance, may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with water systems similar to the Water System and is, in the opinion of an accredited actuary, actuarially sound.

Section 6.20 Accounting Records; Financial Statements and Other Reports.

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

(b) The District will prepare and file with the Bank annually, prior to the Reporting Deadline, financial statements of the District for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon.

(c) The District will provide the Bank with copies of its annual budget within 30 days following the adoption thereof and any interim updates of the budget.

Section 6.21 Protection of Security and Rights of the Bank. The District will preserve and protect the security hereof and the rights of the Bank to the Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 6.22 Payment of Taxes and Compliance with Governmental Regulations. The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System or any part thereof or upon the Pledged Revenues when the same shall become due. The District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System or any part thereof, but the District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 6.23 Levy and Collection of Pledged Revenues.

(a) To the fullest extent permitted by law, for each Fiscal Year, the District shall fix, prescribe and levy the Pledged Revenues in an amount that is reasonably expected to yield during such Fiscal Year an amount of Pledged Revenues that is equal to 110% of Debt Service for such Fiscal Year. For purposes of this calculation, any amounts transferred by the District from the Rate Stabilization Fund into the Revenue Fund for such Fiscal Year shall constitute "Pledged Revenues" for such Fiscal Year (so long as such amounts were not already counted as Pledged Revenues for such Fiscal Year).

(b) The District may make adjustments from time to time in its rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Pledged Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this section.

(c) For avoidance of doubt, so long as the District has complied with its obligations set forth in Section 6.23(a) above, the failure of the Pledged Revenues to meet the threshold set forth in Section 6.23(a) above at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with Section 6.23(a) at the commencement of the applicable Fiscal Year.

Section 6.24 Collection of Rates and Charges; Foreclosure.

(a) The District will have in effect at all times by-laws, rules and regulations requiring each customer to pay the Pledged Revenues and all other rates and charges applicable to the Water System, and providing for the billing thereof and for a due date and a delinquency date for each bill.

(b) To the fullest extent permitted by law, the District shall enforce the collection of delinquencies with respect to the Pledged Revenues, including by initiating any foreclosure actions or other remedies available to the District.

Section 6.25 Covenant to Prorate Pledged Revenues and Other Rates and Charges.

In the event that the District levies and collects the Pledged Revenues and other rates and charges on a single invoice, and the District receives only partial payment with respect to such invoice, the District shall allocate such partial payment among the Pledged Revenues and such other rates and charges on a pro rata basis.

Section 6.26 Further Assurances. The District will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Bank of the rights and benefits provided to it herein.

Section 6.27 Enforcement of Contracts. The District will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into, including but not limited to the Section 9(d) Contract, if such rescission or amendment would result in a default by the District in the payment of Installment Payments.

Section 6.28 Observance of Laws and Regulations. To the extent necessary to assure its performance hereunder, the District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District, respectively, including its right to exist and carry on its business, to the end that such contracts, rights and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 6.29 Compliance with Contracts. The District shall comply with the terms, covenants and provisions, express or implied, of all contracts for the use of the Project by the District, and all other contracts and agreements affecting or involving the Project to the extent that the District is a party thereto.

Section 6.30 Prosecution and Defense of Suits. The District shall promptly, upon request of the Bank, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Water System or the Pledged Revenues or any part thereof, whether now existing or hereafter developing, shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Bank harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding. The District shall defend against every suit, action or proceeding at any time brought against the Bank upon any claim arising out of the receipt, application or disbursement of any of the Installment Payments or involving the rights of the Bank under this Agreement; provided that the Bank at its election may appear in and defend any such suit, action or proceeding. The District shall indemnify and hold harmless the Bank against any and all liability claimed or asserted by any person, arising out

of such receipt, application or disbursement. The District shall promptly reimburse the Bank in the full amount of any attorneys' fees or other expenses which the Bank may incur in litigation or otherwise in order to enforce such party's rights under this Agreement.

ARTICLE VII PREPAYMENT OF INSTALLMENT PAYMENTS

Section 7.01 Prepayment. The District may prepay the principal component of the Installment Payments as a whole or in part, on any date from and after the Prepayment Date, at a prepayment price equal to the principal amount of the Installment Payments to be prepaid plus accrued interest thereon to the date of prepayment, and any applicable Broken Funding Surcharge.

Section 7.02 Notice of Prepayment. Before making any prepayment pursuant to Section 7.01, the District shall give written notice to the Bank specifying the date on which the Installment Payments will be prepaid and the amount to be prepaid, which date shall be not less than three (3) days from the date such notice is given.

ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES

Section 8.01 Events of Default and Acceleration of Installment Payments. If one or more of the following Events of Default shall happen:

(a) if default shall be made by the District in the due and punctual payment of any Installment Payment or Debt Service for any Parity Obligation when and as the same shall become due and payable;

(b) if default shall be made by the District in the performance of any of the other agreements or covenants required herein or in any Parity Obligation to be performed by it, and such default shall have continued for a period of 30 days after the District shall have been given notice in writing of such default by the Bank; provided, however, that if in the reasonable opinion of the District the default stated in the notice can be corrected, but not within such 30-day period, and corrective action is instituted by the District within such 30-day period and diligently pursued in good faith until the default is corrected, such default shall not be an Event of Default hereunder unless and until such default shall have continued for a period of 90 days after the District shall have been given notice of such default by the Bank;

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

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

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

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

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

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

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

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

Section 8.03 Other Remedies. The Bank shall have the right:

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

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

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

Notwithstanding anything contained herein, neither the Bank nor the Bank shall have a security interest in or mortgage on the Project, the Water System or other assets of the District (other than the Pledged Revenues).

Section 8.04 Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Installment Payments to the Bank at the respective due dates or upon prepayment from the Pledged Revenues and the other amounts herein pledged for such payment, or shall affect or impair the right of the Bank, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein. A waiver of any default or breach of duty or contract by the Bank shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Bank to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Bank by applicable law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Bank. If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned, the District and the Bank shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 8.05 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Bank is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Law or any other applicable law. If any remedial action is discontinued or abandoned, the Bank shall be restored to their former positions.

ARTICLE IX DISCHARGE OF OBLIGATIONS

Section 9.01 Defeasance. Notwithstanding any other provision of this Agreement, the District may on any date secure the payment of the Installment Payments, in whole or in part, by irrevocably depositing with the Bank or other fiduciary an amount of cash which, together with other available amounts, is either (a) sufficient to pay all such Installment Payments, including the principal and interest components thereof, when due under Section 4.01, or (b) invested in whole or in part in cash or Federal Securities in such amount as will, in the opinion of an Independent Certified Public Accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient and irrevocably pledged to the Bank to pay all such Installment Payments when due under Section 4.01. If a deposit is posted under this Section 9.01 for the payment of all remaining Installment Payments, all obligations of the District hereunder, and the pledge of Pledged Revenues and all other security provided by this Agreement for said obligations, shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all Installment Payments from such deposit. Said deposit shall be deemed to be

and shall constitute a special fund irrevocably pledged for the payment of such Installment Payments in accordance with the provisions hereof.

ARTICLE X MISCELLANEOUS

Section 10.01 Liability of District Limited. The obligation of the District to make the Installment Payments is a special obligation of the District payable solely from the Pledged Revenues and amounts on deposit in the Revenue Fund, and does not constitute a debt of the District or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction. Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Pledged Revenues and amounts in the Revenue Fund for the payment of amounts due hereunder or for the performance of any agreements or covenants required to be performed by it contained herein. The District may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the District for such purpose.

Section 10.02 Benefits of Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the District, the Bank, any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the District or the Bank shall be for the sole and exclusive benefit of the other party.

Section 10.03 Successor Is Deemed Included in all References to Predecessor. Whenever either the District or the Bank is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the District or the Bank, and all agreements and covenants required hereby to be performed by or on behalf of the District or the Bank shall bind and inure to the benefit of the respective successors thereof, whether so expressed or not. The District acknowledges and agrees that the Bank is an intended third-party beneficiary of the covenants and agreements set forth in this Agreement.

Section 10.04 Waiver of Personal Liability. No director, officer or employee of the District shall be individually or personally liable for the payment of the Installment Payments, but nothing contained herein shall relieve any director, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 10.05 Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby", "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.06 Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District or the Bank shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The District and the Bank hereby declare that they would have executed this Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 10.07 Assignment. This Agreement and any rights hereunder may be assigned by the Bank, as a whole or in part, without the necessity of obtaining the prior consent of the District. The District hereby acknowledges that in connection with any assignment of the Bank's rights hereunder, including, without limitation, the right to receive Installment Payments, to exercise any remedies and grant any consents hereunder, and references herein to the Bank shall mean and include the Bank and any assignee of the Bank as their respective interests may appear.

Section 10.08 Net Contract. This Agreement shall be deemed and construed to be a net contract, and the District shall pay absolutely net during the term hereof the Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 10.09 Conditions Precedent. The Bank's obligation to extend financing under this Agreement is subject to the condition precedent that the Bank receive, in form and substance satisfactory to the Bank, each of the following:

(a) **This Agreement.** A duly executed copy of this Agreement, and all instruments and documents contemplated hereby and thereby.

(b) **Banking Service Agreements.** A duly completed and executed copy of any banking service agreement, including the Treasury Management Agreements and any other agreement relating to the provision by the Bank of cash management services, required by the Bank from time to time, the Bank will be entitled to rely on (and will incur no liability to the District in acting on) any request or direction furnished in accordance with the terms thereof.

(c) **Evidence of Perfection.** Such evidence as the Bank may require that it has duly perfected liens as and to the extent required under this Agreement.

(d) **Evidence of Authority.** Such certified board resolutions, certificates of incumbency, and other evidence that the Bank may require that this Agreement, all instruments and documents executed in connection herewith have been duly authorized and executed.

(e) **Insurance.** Such evidence as the Bank may require that the District is in compliance with Section 6.19 above.

(f) Consents and Approvals. Evidence as the Bank may require that all regulatory and other consents and approvals referred to in Section 2.01(h) have been obtained and are in full force and effect.

(g) Opinion of Counsel. An opinion of counsel to the District (which counsel must be acceptable to the Bank).

Section 10.10 California Law. THIS AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE.

Section 10.11 Effective Date. This Agreement shall become effective upon its execution and delivery, and shall terminate when the Purchase Price shall have been fully paid (or provision for the payment thereof shall have been made in accordance with Section 9.01).

Section 10.12 Execution in Counterparts; Electronic Signatures. This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument. The parties agree that the electronic signature of a party to this Agreement or any other Financing Document shall be as valid as an original signature of such party and shall be effective to bind such party to this Agreement or such Financing Document. The parties agree that any electronically signed Financing Document (including this Agreement) shall be deemed (i) to be "written" or "in writing," (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. The parties presently intend to authenticate any Financing Documents to which they are a party by either signing such Financing Document or attaching thereto or logically associating therewith an electronic sound, symbol or process as their respective electronic signature. The words "execution," "signed," "signature," and words of like import in any Financing Document shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable Law, including the Federal Electronic Signatures in Global and National Commerce Act, or any similar state Laws based on the Uniform Electronic Transactions Act.

Section 10.13 Indemnification of Bank. The District hereby agrees to indemnify and hold harmless the Bank and its owners, officers, directors, and assigns, 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; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder by the Bank.

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

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

DEL PUERTO WATER DISTRICT

President of the Board of Directors

ATTEST

Secretary of the Board

COBANK, ACB

Vice President

**EXHIBIT A
PURCHASE PRICE**

1. The principal amount of payments to be made by the District hereunder is \$[NOT TO EXCEED \$15,000,000].

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

Installment Payment Date	Amount Attributable to Principal	Amount Attributable to Interest	Total

EXHIBIT B
THE PROJECT

The Project consists of the following: A permanent contractual right to purchase water in accordance with the Contract between the United States and Del Puerto Water District Providing for Project Water Service from Delta Division and Facilities Repayment, dated September 28, 2020, as amended.