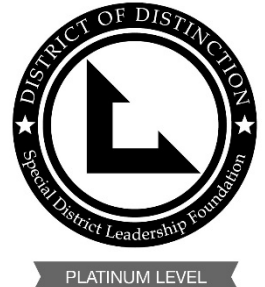




TOWN OF DISCOVERY BAY

A COMMUNITY SERVICES DISTRICT

SDLF Platinum-Level of Governance



President – Kevin Graves • Vice-President – Ashley Porter • Director – Bryon Gutow • Director – Michael Callahan • Director – Carolyn Graham

**NOTICE OF THE REGULAR MEETING
OF THE MEMBERS OF THE
DISCOVERY BAY PUBLIC FINANCING AUTHORITY
Wednesday August 17, 2022
REGULAR MEETING 7:00 P.M. (or after the adjournment of the regular District meeting)
COMMUNITY CENTER
1601 Discovery Bay Boulevard, Discovery Bay, California**

NOTICE Coronavirus COVID-19

In response to the current proclaimed State of Emergency, indoor masking recommendations, and recommended measures to promote social distancing imposed by State and local officials, the Public Financing Authority Board has arranged for members of the public to observe and address the meeting telephonically (if available) or in person.

TO ATTEND IN PERSON: The meeting will be held at the Community Center located at 1601 Discovery Bay Boulevard.

TO ATTEND BY WEBINAR:

Please register for the Regular Meeting of the Public Finance Authority by: (Copy and paste into your browser the registration URL. You will then be directed to download the webinar to your device and register with LogMeln, Inc.)

Registration URL: <https://attendee.gotowebinar.com/register/3994013796179728397>
Webinar ID#: 101-050-299

After registering, you will receive a confirmation email containing information about joining the webinar by computer or by phone.

For listen only mode dial: +1 (415) 655-0052 ID# 965-537-607

Download Agenda Packet and Materials at <http://www.todb.ca.gov/>

REGULAR MEETING 7:00 P.M. (or after the adjournment of the regular District meeting)

A. ROLL CALL

1. Call business meeting to order 7:00 p.m. (or after the adjournment of the regular District meeting).
2. Roll Call.

B. PUBLIC COMMENTS (Individual Public Comments will be limited to a 3-minute time limit)

During Public Comments, the public may address the Public Finance Authority Board (“PFAB”) on any issue within the PFAB’s jurisdiction which is not on the Agenda. The public may comment on any item on the Agenda at the time the item is before the PFAB for consideration. Any person wishing to speak will have 3 minutes to make their comment. There will be no dialog between the PFAB and the commenter as the law strictly limits the ability of PFAB members to discuss matters not on the agenda. We ask that you refrain from personal attacks during comment, and that you address all comments to the PFAB only. Any clarifying questions from the PFAB must go through the Chair. Comments from the public do not necessarily reflect the viewpoint of the PFAB members.

C. CONSENT CALENDAR

1. Approve Public Financing Authority Minutes from April 20, 2022.

D. DISCUSSION AND POSSIBLE ACTION

1. Discussion and Possible Action to Adopt PFA Resolution 2022-02 Authorizing the Issuance and Sale of Enterprise Revenue Refunding Bonds, Series 2022B, to Refinance the 2012 Enterprise Revenue Bonds in the Principal Amount Not to Exceed \$11,725,000 and Approving Related Documents and Actions.

E. CHAIR'S REPORT AND MEMBER COMMENTS

F. ADJOURNMENT

1. Adjourn to the next Public Financing Authority meeting at the Community Center located at 1601 Discovery Bay Boulevard, Discovery Bay, California.

"This agenda shall be made available upon request in alternative formats to persons with a disability, as required by the American with Disabilities Act of 1990 (42 U.S.C. § 12132) and the Ralph M. Brown Act (California Government Code § 54954.2). Persons requesting a disability related modification or accommodation in order to participate in the meeting should contact the Town of Discovery Bay, at (925) 634-1131, during regular business hours, at least forty-eight hours prior to the time of the meeting."

"Materials related to an item on the Agenda submitted to the Town of Discovery Bay after distribution of the agenda packet are available for public inspection in the District Office located at 1800 Willow Lake Road during normal business hours."



TOWN OF DISCOVERY BAY

A COMMUNITY SERVICES DISTRICT

SDLF Platinum-Level of Governance



PLATINUM LEVEL

President – Kevin Graves • Vice-President – Ashley Porter • Director – Bryon Gutow • Director – Michael Callahan • Director – Carolyn Graham

**MINUTES OF THE REGULAR MEETING
OF THE MEMBERS OF THE
DISCOVERY BAY PUBLIC FINANCING AUTHORITY
Wednesday April 20, 2022**

REGULAR MEETING 7:00 P.M. (or after the adjournment of the regular District meeting)

REGULAR MEETING 7:00 P.M. (or after the adjournment of the regular District meeting)

A. ROLL CALL AND PLEDGE OF ALLEGIANCE

1. Call business meeting to order 7:00 p.m. (or adjournment of the regular District meeting).
2. Roll Call – all members are present, Director Callahan joined via teleconference.

B. PUBLIC COMMENTS (Individual Public Comments will be limited to a 3-minute time limit)

None.

C. CONSENT CALENDAR

1. None.

D. DISCUSSION AND POSSIBLE ACTION

1. Discussion and Possible Action to Adopt PFA Resolution 2022-01 Authorizing the Issuance and Sale of Revenue Bonds Series 2022 to Finance Improvements to the Town of Discovery Bay's Water and Wastewater Enterprises and Approving Related Documents and Official Actions.

Presented by Finance Manager, Julie Carter.

- Request to adopt PFA Resolution 2022-01 authorizing the issuance of the bonds and also authorizing amendments that were made to previous bond documents to get them in parity. This legal process directs the Executive Director, Dina Breitstein to work with the bond team in the issuance of the bonds not to exceed \$18.5M.

No public comment.

Motion to approve Resolution 2022-01 by Director Bryon Gutow.

Second by Vice-President Ashley Porter.

Vote: Motion Carried – AYES: 5, NOES: 0, ABSTAINED: 0, ABSENT: 0

E. CHAIR'S REPORT AND MEMBER COMMENTS

1. None.

F. ADJOURNMENT

1. Meeting adjourned at 8:33 p.m. to the next Public Finance Authority meeting at the Community Center located at 1601 Discovery Bay Boulevard.

"This agenda shall be made available upon request in alternative formats to persons with a disability, as required by the American with Disabilities Act of 1990 (42 U.S.C. § 12132) and the Ralph M. Brown Act (California Government Code § 54954.2). Persons requesting a disability related modification or accommodation in order to participate in the meeting should contact the Town of Discovery Bay, at (925) 634-1131, during regular business hours, at least forty-eight hours prior to the time of the meeting."

"Materials related to an item on the Agenda submitted to the Town of Discovery Bay after distribution of the agenda packet are available for public inspection in the District Office located at 1800 Willow Lake Road during normal business hours."



Discovery Bay Public Financing Authority STAFF REPORT

Meeting Date

August 17, 2022

Prepared By: Julie Carter, Finance Manager
Submitted By: Dina Breitstein, Executive Director

Agenda Title

Discussion and Possible Action to Adopt PFA Resolution 2022-02 Authorizing the Issuance and Sale of Enterprise Revenue Refunding Bonds, Series 2022B, to Refinance the 2012 Enterprise Revenue Bonds in the Principal Amount Not to Exceed \$11,725,000 and Approving Related Documents and Actions.

Recommended Action

1. Adopt PFA Resolution 2022-02 which authorizes the issuance and sale of by the Discovery Bay Public Financing Authority (Authority) of Enterprise Revenue Refunding Bonds, Series 2022B, refinancing the 2012 Water and Wastewater Projects funded by the 2012 Enterprise Revenue Bonds (2012 Bonds).
2. Direct the Executive Director to work with the Municipal Advisor, Bond Counsel, Underwriter, and Trustee to proceed with the issuance of Discovery Bay Public Financing Authority, Series 2022B Water and Wastewater Enterprise Revenue Bonds in the not to exceed principal amount of \$11,725,000.

Executive Summary

In 2012, the Authority issued the 2012 Bonds to complete the 2012 Water Project (Well #7) and the 2012 Wastewater Projects (Emergency Storage Facilities, Ox Ditch, Lift Station F Rehab, and other smaller projects). The 2012 Bonds have a 10-year call date of 12/1/2022.

On July 11, 2022, the General Manager, Finance Manager and 2022 Bond Financing Team (Financing Team) (Jim Fabian from Fieldman/Rolapp & Associates and Nicki Tallman and Rick Brandis from the Oppenheimer Group) met to wrap up the 2022 Bond issuance. The Financing Team presented a proposal to refund the 2012 Bonds. The proposal stated that the private sector would provide the most savings for the District. The General Manager authorized the Financing Team to obtain quotes from the private sector to refund the 2012 Bonds.

On August 3rd, the Financing Team presented to the Finance Committee the results of the proposals received:

- 16 Financial Institutions were contacted to provide proposals for the refunding.
- 7 Institutions submitted proposals.
- Webster Bank, National Association provided the most favorable interest rate of 3.54%, along with the most favorable terms and closing dates (9/15/2022)
- Projected Savings over the 20-year term of \$975K, (which includes issuance costs to the District of \$147K)

REFINANCING SUMMARY

The Resolutions for both the Town of Discovery Bay CSD (2022-30) and for the Public Financing Authority (PFA 2022-02) authorizes and approves the form of all the base documents necessary to provide for the successful refunding of the 2012 Bonds and issuance Enterprise Revenue Refunding Bonds, Series 2022B. The adoption of each Resolution is necessary for the financing team to move forward with completing the issuance.

Fiscal Impact:

Amount Requested - \$11,725,000
Sufficient Budgeted Funds Available?: Yes

- Wastewater Debt Service repayment savings of \$41K per year in fiscal years 2022-2042.
- Water Debt Service repayment savings of \$5K per year in fiscal years 2022-2042.

Previous Relevant Board Actions for This Item

Attachments

1. PFA Resolution 2022-02
2. Indenture of Trust (2022 Bonds)
3. Water Installment Sale Agreement (2022 Bonds)
4. Wastewater Installment Sale Agreement (2022 Bonds)
5. Escrow Agreement (2012 Bonds)
6. Webster Bank's Term Sheet

AGENDA ITEM: D1

DISCOVERY BAY
PUBLIC FINANCING AUTHORITY
RESOLUTION 2022-02

RESOLUTION OF THE BOARD OF DIRECTORS OF THE DISCOVERY BAY PUBLIC FINANCING AUTHORITY AUTHORIZING THE ISSUANCE AND SALE BY THE DISCOVERY BAY PUBLIC FINANCING AUTHORITY OF ENTERPRISE REVENUE REFUNDING BONDS, SERIES 2022B (2012 WATER AND WASTEWATER PROJECTS REFINANCING) IN THE PRINCIPAL AMOUNT NOT TO EXCEED \$11,725,000 TO REFINANCE THE ACQUISITION AND CONSTRUCTION OF IMPROVEMENTS TO THE WATER AND WASTEWATER ENTERPRISES OF THE TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT AND APPROVING RELATED DOCUMENTS AND ACTIONS

RESOLVED, by the Board of Directors (the “**Board**”) of the Discovery Bay Public Financing Authority (the “**Authority**”), as follows:

WHEREAS, the Authority, a public entity that is duly organized and existing under a joint exercise of powers agreement and under the Constitution and laws of the State of California (the “**State**”), has the powers, among others, to issue bonds to provide financial assistance to its members pursuant to Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State, including but not limited to Article 4 thereof, known as the “Marks-Roos Local Bond Pooling Act of 1985,” Government Code Section 6584 *et seq.* (the “**Act**”);

WHEREAS, the Town of Discovery Bay Community Services District (the “**District**”) is a community services district duly organized and existing under the Community Services District Law of the State and a member of the Authority;

WHEREAS, the District has determined to refinance (a) the acquisition and construction of certain improvements and facilities (the “**2012 Water Project**”) to the District’s municipal water enterprise (the “**Water Enterprise**”), and (b) the acquisition and construction of certain improvements and facilities (the “**2012 Wastewater Project**”) to the District’s municipal wastewater enterprise (the “**Wastewater Enterprise**”);

WHEREAS, to assist the District to refinance the 2012 Water Project and the 2012 Wastewater Project, the Authority proposes to issue its revenue bonds under Article 4 of the Act (the “**Bond Law**”), designated as the Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Refunding Bonds, Series 2022B (2012 Water and Wastewater Projects Refinancing) (the “**2022B Bonds**”), pursuant to and secured by an Indenture of Trust (the “**2022B Indenture**”), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”);

WHEREAS, the 2022B Bonds are to be secured by (i) installment payments to be made by the District pursuant to a Water Installment Sale Agreement (the “**2022B Water Installment Sale Agreement**”), by and between the District and the Authority, which installment payments will be payable from net revenues of the Water Enterprise, and (ii) installment payments to be made by the District pursuant to a Wastewater Installment Sale Agreement (the “**2022B Wastewater**

Installment Sale Agreement”), by and between the District and the Authority, which installment payments will be payable from net revenues of the Wastewater Enterprise, which together will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest and premium (if any) on the 2022B Bonds when due and payable; and

WHEREAS, the District’s obligations under the 2022B Water Installment Sale Agreement will be on parity as to payment and security with the District’s obligations under (i) a Water Installment Sale Agreement, dated as of April 1, 2017, as supplemented and amended by a First Supplement to Water Installment Sale Agreement, dated as of May 1, 2022, each by and between the Authority and the District (as so supplemented and amended, the “**2017 Water Installment Sale Agreement**”), pursuant to which the District agreed to make certain installment payments to the Authority payable from the net revenues of the Water Enterprise, and (ii) a Water Installment Sale Agreement, dated as of May 1, 2022 (the “**2022A Water Installment Sale Agreement**”), by and between the Authority and the District, pursuant to which the District agreed to make certain installment payments to the Authority payable from the net revenues of the Water Enterprise;

WHEREAS, the District’s obligations under the 2022B Wastewater Installment Sale Agreement will be on parity as to payment and security with the District’s obligations under (i) a Wastewater Installment Sale Agreement, dated as of April 1, 2017, as supplemented and amended by a First Supplement to Wastewater Installment Sale Agreement, dated as of May 1, 2022 (as so supplemented and amended, the “**2017 Wastewater Installment Sale Agreement**”), each by and between the Authority and the District, pursuant to which the District agreed to make certain installment payments to the Authority payable from the net revenues of the Wastewater Enterprise, and (ii) a Wastewater Installment Sale Agreement, dated as of May 1, 2022 (the “**2022A Wastewater Installment Sale Agreement**”), by and between the Authority and the District, pursuant to which the District agreed to make certain installment payments to the Authority payable from the net revenues of the Wastewater Enterprise;

WHEREAS, the installment payments made by the District under the 2017 Water Installment Sale Agreement and the 2017 Wastewater Installment Sale Agreement secure the outstanding Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Bonds, Series 2017 (Water and Wastewater projects);

WHEREAS, the installment payments made by the District under the 2022A Water Installment Sale Agreement and the 2022A Wastewater Installment Sale Agreement secure the outstanding Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Bonds, Series 2022 (Water and Wastewater projects);

WHEREAS, the Authority and the District desire to enter into an Escrow Deposit and Trust Agreement (2012 Bonds) (the “**Escrow Agreement**”) with U.S. Bank Trust Company, National Association to effect the refunding of the bonds that funded the 2012 Water Project and the 2012 Wastewater Project;

WHEREAS, following distribution to various private placement investors of a request for proposals by Oppenheimer & Co. Inc., acting as private placement agent (the “**Private Placement Agent**”), the Authority and the District received a proposal in the form of a term sheet from Webster Bank, National Association (or, an affiliate thereof, hereinafter referred to as the “**Purchaser**”), pursuant to which the Purchaser has agreed to purchase the 2022B Bonds from the Authority; and

WHEREAS, there have been presented to the Board copies of 2022B Indenture, 2022B Water Installment Sale Agreement, 2022B Wastewater Installment Sale Agreement, the Escrow Agreement and certain other documents relating to the foregoing;

WHEREAS, the Authority and the District previously approved a debt management policy which complies with Government Code Section 8855, and the issuance of the 2022B Bonds and the execution and delivery of the 2022B Water Installment Sale Agreement and the 2022B Wastewater Installment Sale Agreement will be in compliance with said policy;

WHEREAS, pursuant to Section 5852.1 of the California Government Code, certain financial information relating to the 2022B Bonds is attached hereto as Appendix A, and such information has been disclosed and made public; and

WHEREAS, the Board has duly considered such transactions and wishes at this time to approve said transactions in the public interests of the Authority;

NOW, THEREFORE, it is hereby ORDERED and DETERMINED, as follows:

Section 1. Findings. The Board hereby specifically finds and declares that each of the statements, findings and determinations of the Authority that are set forth in the above recitals and in the preambles of the documents that are approved herein are true and correct and that: (a) the refinancing of the 2012 Water Project and the 2012 Wastewater Project will result in significant public benefits to the residents of the District of the type that is described in Section 6586 of the Act, in that having the Authority assist the District with respect to the refinancing of the 2012 Water Project and the 2012 Wastewater Project through the issuance of the 2022B Bonds and related transactions will result in demonstrable savings in effective interest rate to the District; and (b) the 2012 Water Project and 2012 Wastewater Project include facilities for the production, storage, transmission or treatment of water and wastewater within the meaning of Section 6586.5(c) of the Act.

Section 2. Issuance and Sale of 2022B Bonds. The Board hereby authorizes the issuance, and the sale to the Purchaser on a private placement basis through the Private Placement Agent, of the 2022B Bonds by the Authority under and pursuant to the Bond Law and the 2022B Indenture for the purpose of providing funds to: (a) refinance the 2012 Water Project and the 2012 Wastewater Project; and (b) pay the costs of issuing the 2022B Bonds; provided, however, that in no event shall the aggregate principal amount of the 2022B Bonds exceed \$11,725,000, nor shall the final maturity date of the 2022B Bonds be later than December 1, 2042, nor shall the all in true interest cost of the 2022B Bonds exceed 3.85%.

Section 3. Approval of 2022B Indenture and 2022B Bonds. The Board hereby approves the 2022B Indenture in the form on file with the Secretary, together with such additions thereto and changes therein as the Chairperson of the Board, the Executive Director or the Treasurer/Auditor, or any designee thereof (the "**Designated Officers**") shall deem necessary, desirable or appropriate upon consultation with the law firm of Jones Hall, A Professional Law Corporation, as bond counsel ("**Bond Counsel**"), the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone, are hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest to, the final form of the 2022B Indenture for and in the name and on behalf of the Authority. The Board hereby authorizes the delivery and performance of the 2022B Indenture. The form of the 2022B Bonds, as set forth in the form of the 2022B

Indenture (as the Indenture may be modified pursuant hereto), is hereby approved; and the Chairperson (or the Executive Director) and the Secretary are hereby authorized and directed to execute the 2022B Bonds by manual or facsimile signature in the name and on behalf of the Authority. The appointment of U.S. Bank Trust Company, National Association as Trustee under and pursuant to the 2022B Indenture, with the powers and duties of said office as set forth therein, is hereby approved.

Section 4. Approval of Installment Sale Agreements. (a) The Board hereby approves the 2022B Water Installment Sale Agreement in the form on file with the Secretary, together with such additions thereto and changes therein as the Designated Officers shall deem necessary, desirable or appropriate upon consultation with Bond Counsel, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone, are hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest to, the final form of the 2022B Water Installment Sale Agreement for and in the name and on behalf of the Authority. The Board hereby authorizes the delivery and performance of the 2022B Water Installment Sale Agreement.

(b) The Board hereby approves the 2022B Wastewater Installment Sale Agreement in the form on file with the Secretary, together with such additions thereto and changes therein as the Designated Officers shall deem necessary, desirable or appropriate upon consultation with Bond Counsel, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone, are hereby authorized and directed to execute, and the Secretary is hereby authorized and directed to attest to, the final form of the 2022B Wastewater Installment Sale Agreement for and in the name and on behalf of the Authority. The Board hereby authorizes the delivery and performance of the 2022B Wastewater Installment Sale Agreement.

Section 5. Approval of Escrow Agreement. The Board hereby approves the Escrow Agreement in the form on file with the Secretary, together with such additions thereto and changes therein as the Designated Officers shall deem necessary, desirable or appropriate upon consultation with Bond Counsel, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes. The Designated Officers, each acting alone, are hereby authorized and directed to execute the final form of the Escrow Agreement for and in the name and on behalf of the Authority. The Board hereby authorizes the delivery and performance of the Escrow Agreement.

Section 6. Approval of Term Sheet. The Purchaser has offered to purchase the 2022B Bonds on a direct placement basis pursuant to the terms of a Term Sheet (the “**Term Sheet**”), in the form on file with the Secretary. The Designated Officers, each acting alone, are hereby authorized to execute the Term Sheet, together with such additions thereto and changes therein as the Designated Officers shall deem necessary, desirable or appropriate upon consultation with Bond Counsel, the execution of which by a Designated Officer shall be conclusive evidence of the approval of any such additions and changes, and to take any and all actions necessary to effectuate a sale of the 2022B Bonds to the Purchaser in accordance with the Term Sheet, and any such actions previously taken are hereby ratified and approved.

Section 7. Professionals. In connection with the issuance of the 2022B Bonds, the Board approves the appointment of Jones Hall, A Professional Law Corporation, as Bond Counsel, Fieldman, Rolapp & Associates, Inc., as Municipal Advisor, and Oppenheimer & Co. Inc., as private

placement agent. The Designated Officers are each hereby authorized and directed to execute and deliver, on behalf of the Authority, engagement agreements with each of the foregoing firms, the execution thereof by a Designated Officer being conclusive evidence of their approval.

Section 8. Official Actions. The Chairperson of the Board, the Executive Director, the Treasurer/Auditor, the Secretary and any and all other officers of the Authority are hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions, including execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale of the 2022B Bonds and the consummation of the transactions as described herein.

Section 9. Prior Actions Ratified, Confirmed and Approved. All actions heretofore taken by any officer, agent or consultant of the Authority with respect to the 2022B Bonds, the 2022B Water Installment Sale Agreement, the 2022B Wastewater Installment Sale Agreement and the other agreements referred to herein, or in connection with or related to any of the agreements referred to herein are hereby ratified, confirmed and approved.

Section 10. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED, APPROVED AND ADOPTED THIS ____ DAY OF _____, 2022.

Kevin Graves
Chairperson

I, the undersigned Secretary of the Discovery Bay Public Financing Authority, hereby certify that the forgoing is a full, true and correct copy of a resolution duly adopted by the Board of Directors of the Discovery Bay Public Financing Authority at a regularly scheduled meeting thereof held on the ___ day of _____, 2022, by the following vote of the members thereof:

AYES:
NOES:
ABSENT:
ABSTAIN:

Dina Breitstein
Board Secretary

APPENDIX A

REQUIRED DISCLOSURES PURSUANT TO GOVERNMENT CODE SECTION 5852.1

The good faith estimates set forth herein are provided with respect to the 2022B Bonds in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the Authority by Fieldman Rolapp & Associates, Inc., the Authority's Municipal Advisor, in consultation with Oppenheimer & Co. Inc., acting as private placement agent.

Principal Amount. The Municipal Advisor has informed the Authority that, based on the financing plan and current market conditions, its good faith estimate of the aggregate principal amount of the 2022B Bonds to be sold is \$11,657,000 (the "Estimated Principal Amount").

True Interest Cost of the 2022B Bonds. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2022B Bonds is sold, its good faith estimate of the true interest cost of the 2022B Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the 2022B Bonds, is 3.54%.

Finance Charge of the 2022B Bonds. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2022B Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the 2022B Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the 2022B Bonds), is \$146,952. Such fees and charges include fees for bond counsel, municipal advisor, and private placement agent.

Amount of Proceeds to be Received. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2022B Bonds is sold plus net premium, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received from the sale of the 2022B Bonds, less the finance charge of the 2022B Bonds, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the 2022B Bonds, is \$11,510,048.

Total Payment Amount. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 2022B Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments to pay debt service on the 2022B Bonds, plus the finance charge for the 2022B Bonds, as described above, not paid with the proceeds of the 2022B Bonds, calculated to the final maturity of the 2022B Bonds, is \$16,353,303.

The foregoing estimates constitute good faith estimates only. The actual principal amount of the 2022B Bonds issued and sold, 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 sale of the 2022B Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of 2022B Bonds sold being different from the Estimated Principal Amount, (c) the actual amortization of the 2022B Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of the 2022B Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f) alterations in the financing plan, delays in the financing, or a combination of such factors. The

actual date of sale of the 2022B Bonds and the actual principal amount of 2022B Bonds sold will be determined by the District and the Authority based on the timing of the need for proceeds of the 2022B Bonds and other factors. The actual interest rates borne by the 2022B Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the 2022B Bonds 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 and the Authority.

INDENTURE OF TRUST

Dated as of September 1, 2022

by and between the

DISCOVERY BAY PUBLIC FINANCING AUTHORITY

and

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Trustee**

Relating to:

\$11,657,000

**Discovery Bay Public Financing Authority
(Contra Costa County, California)
Enterprise Revenue Refunding Bonds, Series 2022B
(2012 Water and Wastewater Projects Refinancing)**

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EXHIBIT A FORM OF BOND
EXHIBIT B FORM OF PURCHASER LETTER

INDENTURE OF TRUST

THIS INDENTURE OF TRUST, made and entered into and dated as of September 1, 2022, is by and between the **DISCOVERY BAY PUBLIC FINANCING AUTHORITY**, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the “**Authority**”), and **U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION**, a national banking association organized and existing under the laws of the United States of America with a corporate trust office in San Francisco, California, being qualified to accept and administer the trusts hereby created (the “**Trustee**”).

WITNESSETH:

WHEREAS, the Authority, a public entity that is duly organized and existing under a joint exercise of powers agreement and under the Constitution and laws of the State of California (the “**State**”), has the powers, among others, to issue bonds to provide financial assistance its members pursuant to Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State, including but not limited to Article 4 thereof, known as the “Marks-Roos Local Bond Pooling Act of 1985,” Government Code Section 6584 *et seq.* (the “**Act**”);

WHEREAS, the Town of Discovery Bay Community Services District (the “**District**”) is a community services district duly organized and existing under the Community Services District Law of the State, and a member of the Authority;

WHEREAS, the District has determined to refinance the acquisition and construction of certain improvements and facilities (the “**2012 Water Project**”) which constitute part of the District’s water enterprise (the “**Water Enterprise**”), and to refinance the acquisition and construction of certain improvements and facilities (the “**2012 Wastewater Project**”) which constitute part of the District’s wastewater enterprise (the “**Wastewater Enterprise**”);

WHEREAS, to assist the District to refinance the 2012 Water Project and the 2012 Wastewater Project, the Authority proposes to issue its revenue bonds under the provisions of Article 4 of the Act (as more fully defined herein, the “**Bond Law**”), designated as the “Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Refunding Bonds, Series 2022B (2012 Water and Wastewater Projects Refinancing)” (the “**Bonds**”), all pursuant to and secured by this Indenture of Trust;

WHEREAS, the Bonds are to be secured by (i) installment payments to be made by the District pursuant to a Water Installment Sale Agreement (the “**Water Installment Sale Agreement**”), by and between the District and the Authority, which installment payments will be payable from net revenues of the Water Enterprise, and (ii) installment payments to be made by the District pursuant to a Wastewater Installment Sale Agreement (the “**Wastewater Installment Sale Agreement**”), by and between the District and the Authority, which installment payments will be payable from net revenues of the Wastewater Enterprise, which together will be calculated to be sufficient, in time and amount, to enable the Authority to pay the principal of and interest and premium (if any) on the Bonds when due and payable;

WHEREAS, the Authority has determined that in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and interest thereon, the Authority has authorized the execution and delivery of this Indenture; and

WHEREAS, the Authority hereby certifies that all acts and proceedings required by law necessary to make the Bonds, when executed by the Authority, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of and the interest on all Bonds at any time issued and outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the owners thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; CONTENT OF CERTIFICATES AND OPINIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall, for all purposes of this Indenture and of any indenture supplemental hereto and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and plural forms of any of the terms herein defined. In addition, all capitalized terms used herein and not otherwise defined in this Section 1.01 shall have the respective meanings given such terms in the Water Installment Sale Agreement and the Wastewater Installment Sale Agreement.

“Act” means Articles 1 through 4 (commencing with section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code, as in existence on the Closing Date or as thereafter amended from time to time.

“Additional Payments” means the payments so designated and required to be paid by the District pursuant to Sections 4.9 and 4.10 of the Water Installment Sale Agreement and the Wastewater Installment Sale Agreement.

“Additional Wastewater Revenues” means, with respect to the issuance of any Wastewater Parity Obligations, any or all of the following amounts:

(a) An allowance for Wastewater Net Revenues from any additions or improvements to or extensions of the Wastewater Enterprise to be made with the proceeds of such Wastewater Parity Obligations and also for Wastewater Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of the latest Fiscal Year or for any more recent consecutive twelve (12) month period selected by the District, were not in service, all in an amount equal to ninety percent (90%) of the estimated additional average annual Wastewater Net Revenues to be derived from such additions, improvements and extensions for the first thirty-six (36) month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified Independent Engineer.

(b) An allowance for Wastewater Net Revenues arising from any increase in the charges made for service from the Wastewater Enterprise which has become effective (or adopted but not yet effective) prior to the incurring of such Wastewater Parity Obligations but which, during all or any part of the latest Fiscal Year or for any more recent consecutive twelve (12) month period selected by the District, was not in effect, in an amount equal to the total amount by which the Wastewater Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or twelve (12) month period, all as shown by the certificate or opinion of an Independent Accountant or Fiscal Consultant employed by the District.

“Additional Water Revenues” means, with respect to the issuance of any Water Parity Obligations, any or all of the following amounts:

(a) An allowance for Water Net Revenues from any additions or improvements to or extensions of the Water Enterprise to be made with the proceeds of such Water Parity Obligations and also for Water Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but in any case which, during all or any part of the latest Fiscal Year or for any more recent consecutive twelve (12) month period selected by the District, were not in service, all in an amount equal to ninety percent (90%) of the estimated additional average annual Water Net Revenues to be derived from such additions, improvements and extensions for the first thirty-six (36) month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified Independent Engineer.

(b) An allowance for Water Net Revenues arising from any increase in the charges made for service from the Water Enterprise which has become effective (or adopted but not yet effective) prior to the incurring of such Water Parity Obligations but which, during all or any part of the latest Fiscal Year or for any more recent consecutive twelve (12) month period selected by the District, was not in effect, in an amount equal to the total amount by which the Water Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or twelve (12) month period, all as shown by the certificate or opinion of an Independent Accountant or Fiscal Consultant employed by the District.

“Adjusted Annual Wastewater Gross Revenues” means, for any Fiscal Year or twelve (12) calendar month period, the Wastewater Gross Revenues during such Fiscal Year or twelve (12) calendar month period plus the deposits in the Wastewater Fund and/or the Bond Fund from the Wastewater Rate Stabilization Fund during or allocable to such Fiscal Year or twelve (12) calendar month period minus the deposits in the Wastewater Rate Stabilization Fund from the Wastewater Fund and/or the Bond Fund during or allocable to such Fiscal Year or twelve (12) calendar month period.

“Adjusted Annual Wastewater Net Revenues” means, for any Fiscal Year or twelve (12) calendar month period, the Adjusted Annual Wastewater Gross Revenues during such Fiscal Year or twelve (12) calendar month period minus the Wastewater Operation and Maintenance Costs during such Fiscal Year or twelve (12) calendar month period.

“Adjusted Annual Water Gross Revenues” means, for any Fiscal Year or twelve (12) calendar month period, the Water Gross Revenues during such Fiscal Year or twelve (12) calendar month period plus the deposits in the Water Fund and/or the Bond Fund from the Water Rate Stabilization Fund during or allocable to such Fiscal Year or twelve (12) calendar month period.

period minus the deposits in the Water Rate Stabilization Fund from the Water Fund and/or the Bond Fund during or allocable to such Fiscal Year or twelve (12) calendar month period.

“Adjusted Annual Water Net Revenues” means, for any Fiscal Year or twelve (12) calendar month period, the Adjusted Annual Water Gross Revenues during such Fiscal Year or twelve (12) calendar month period minus the Water Operation and Maintenance Costs during such Fiscal Year or twelve (12) calendar month period.

“Annual Wastewater Debt Service” means, for any Fiscal Year or twelve (12) month calendar period, the Wastewater Installment Payments and payments with respect to Wastewater Parity Obligations required to be made in such Fiscal Year or twelve (12) calendar month period.

“Annual Water Debt Service” means, for any Fiscal Year or twelve (12) month calendar period, the Water Installment Payments and payments with respect to Water Parity Obligations required to be made in such Fiscal Year or twelve (12) calendar month period.

“Authority” means the Discovery Bay Public Financing Authority, a joint exercise of powers authority duly organized and existing under the laws of the State.

“Authorized Denominations” means, for the Bonds, the original principal amount thereof, as reduced by payment or redemption as provided herein.

“Authorized Representative” means: (a) with respect to the Authority, its Chairperson, Vice Chairperson, Executive Director, Assistant Executive Director, Treasurer or any other person designated as an Authorized Representative of the Authority by a Written Certificate of the Authority signed by its Chairperson and filed with the District and the Trustee; and (b) with respect to the District, its General Manager, Finance Manager or any other person designated as an Authorized Representative of the District by a Written Certificate of the District signed by its Mayor and filed with the Trustee.

“Board of Directors” means the governing body of the Authority.

“Bond Counsel” means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys appointed by or acceptable to the Authority of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

“Bond Fund” means the fund by that name established and held by the Trustee pursuant to Section 5.01.

“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, as in existence on the Closing Date or as thereafter amended from time to time.

“Bonds” means the \$11,657,000 aggregate principal amount of Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Refunding Bonds, Series 2022B (2012 Water and Wastewater Projects Refinancing), authorized by and at any time Outstanding pursuant to the Bond Law and this Indenture.

“Business Day” means any day, other than a Saturday or Sunday or a day on which commercial banks in New York, New York, San Francisco, California, or San Francisco, California, or the Trust Office, are required or authorized by law to close or a day on which the New York Stock Exchange is closed.

“Closing Date” means September 15, 2022, being the date of delivery of the Bonds to the Original Purchaser.

“Code” means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

“Costs of Issuance” means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds and the application of the proceeds of the Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority, initial fees and expenses of the Trustee and its counsel, compensation to any financial consultants or underwriters, legal fees and expenses, filing and recording costs, rating agency fees, costs of preparation and reproduction of documents and costs of printing.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to Section 3.03.

“County” means the County of Contra Costa, a public body corporate and politic organized under the laws of the State.

“Date of Operation” means, (i) with respect to any uncompleted portion of a wastewater project, the estimated date by which such portion of such wastewater project will have been completed and, in the opinion of an Independent Engineer, will be ready for continuous and reliable operation by the District, and (ii) with respect to any uncompleted portion of a water project, the estimated date by which such portion of such water project will have been completed and, in the opinion of an Independent Engineer, will be ready for continuous and reliable operation by the District, as the context requires.

“Determination of Taxability” means any determination, decision or decree by the Commissioner of Internal Revenue, or any District Director of Internal Revenue, or any court of competent jurisdiction, to the effect that an Event of Taxability shall have occurred; provided, however, that the Authority shall have the opportunity to take such remedial action necessary to restore the tax-exempt status of the interest on the Bonds. A Determination of Taxability also shall be deemed to have occurred on the date when the Authority or the District files any statement, supplemental statement, or other tax schedule, return or document, which discloses that an Event of Taxability shall have occurred.

“Defeasance Obligations” means (a) cash, (b) direct non-callable obligations of the United States of America, (c) securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, (d) Refcorp interest strips, (e) CATS, TIGRS, STRPS, and (f) defeased municipal bonds rated AAA by S&P or Aaa by Moody’s (or any combination of the foregoing).

“District” means the Town of Discovery Bay Community Services District, a community services district organized under the laws of the State.

“Engineer’s Report” means a report signed by an Independent Engineer.

“Escrow Agent” means U.S. Bank Trust Company, National Association, as escrow agent under the Escrow Agreement, or its successors and assigns.

“Escrow Agreement” means the Escrow Deposit and Trust Agreement (2012 Bonds), dated as of September 1, 2022, by and among the Authority, the District and the Escrow Agent, as originally executed or as it may from time to time be amended or supplemented in accordance with its terms.

“Event of Default” means, (a) with respect to the Bonds, any of the events described in Section 7.01 of this Indenture, (b) with respect to the Water Installment Sale Agreement, any of the events described in Section 8.1 of the Water Installment Sale Agreement, and (c) with respect to the Wastewater Installment Sale Agreement, any of the events described in Section 8.1 of the Wastewater Installment Sale Agreement.

“Event of Taxability” means any action, inaction or event that has the effect of causing interest paid or payable on the Bonds to be includable, in whole or in part, in the gross income of the holder of the Bonds for federal income tax purposes.

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm’s length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm’s length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Authority and related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment. To the extent required by the applicable regulations under the Code, the term “investment” will include a hedge.

“Fiscal Consultant” means any consultant or firm of such consultants appointed by the Authority and the District and who, or each of whom: (a) is judged by the Authority and the District to have experience in matters relating to the financing of water or wastewater system enterprises; (b) is in fact independent and not under domination of the Authority or the District; (c) does not have any substantial interest, direct or indirect, with the Authority or the District other than as purchaser of the Bonds or any Water Parity Obligations or Wastewater Parity Obligations; and (d) is not connected with the Authority or the District as an officer or employee of the Authority or the District, but who may be regularly retained to make reports to the Authority or the District.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

“Fitch” means Fitch Ratings, and its successors and assigns.

“Generally Accepted Accounting Principles” means generally accepted accounting principles in the United States of America from time to time as set forth in (a) the opinions and pronouncements of the Accounting Principles Board and the American Institute of Certified Public Accountants, and (b) statements and pronouncements of the Governmental Accounting Standards Board, as modified by the opinions, statements and pronouncements of any similar accounting body of comparable standing having authority over accounting by governmental entities.

“Government Obligations” means, with respect to the Bonds: (a) 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, or (d) evidence of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligator and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

“Indenture” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions hereof.

“Independent Accountant” means any certified public accountant or firm of certified public accountants, appointed and paid by the Authority or the District, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the District; (b) does not have any substantial interest, direct or indirect, in the Authority or the District; and (c) is not connected with the Authority or the District as an officer or employee of the Authority or the District but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the District.

“Independent Counsel” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Authority, the Trustee or the District.

“Independent Engineer” means, (a) with respect to the Water System, any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to water treatment, collection and distribution systems and wastewater systems, and (b) with respect to the Wastewater System, any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to wastewater systems, appointed and paid by the District, and who or each of whom, in each case, (1) is in fact independent and not under the domination of the District; (2) does not have a substantial financial interest, direct or indirect, in the operations of the District; and (3) is not connected with the District as a director, officer or employee of the District, but may be regularly retained to make reports to the District.

“Information Services” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>) or, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other national information services providing information with respect to called bonds as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

“Installment Payment Date” means, (i) with respect to the Wastewater Installment Sale Agreement, the twenty-fifth (25th) day of each May and November during the Term thereof, commencing November 25, 2022, and (ii) with respect to the Water Installment Sale Agreement, the twenty-fifth (25th) day of each May and November during the Term thereof, commencing November 25, 2022.

“Interest Account” means the account by that name established in the Bond Fund pursuant to Section 5.02.

“Interest Payment Date” means each June 1 and December 1, commencing December 1, 2022.

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Original Purchaser” means Webster Bank, National Association, together with its successors and permitted assigns.

“Outstanding” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 11.10) all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under this Indenture except: (a) Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation; (b) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with Section 10.02, including Bonds (or portions thereof) described in Section 11.10; and (c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to this Indenture.

“Owner” whenever used herein with respect to a Bond, means the person in whose name the ownership of such Bond is registered on the Registration Books. Initially, the Owner is the Purchaser.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein, but only to the extent that the same are acquired at Fair Market Value (provided the Trustee may rely upon the Request of the Authority directing investment under the Indenture as a determination that such investment is a Permitted Investment):

(a) Government Obligations.

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

1. U.S. Export-Import Bank (Eximbank)

Direct obligations or fully guaranteed certificates of beneficial ownership

2. U.S. Farmers Home Administration (FmHA) Certificates of Beneficial Ownership
3. Federal Financing Bank
4. Federal Housing Administration Debentures (FHA)
5. General Services Administration
Participation Certificates
6. Government National Mortgage Association (GNMA or Ginnie Mae)
GNMA-guaranteed mortgage-backed bonds
GNMA-guaranteed pass-through obligations
7. U.S. Maritime Administration
Guaranteed Title XI financing
8. U.S. Department of Housing and Urban Development (HUD)
Project Notes
Local Authority Bonds
New Communities Debentures - U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

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

1. Federal Home Loan Bank System
Senior debt obligations
2. Federal Home Loan Mortgage Corporation (FHLMC or Freddie Mac)
Participation Certificate
Senior debt obligations
3. Federal National Mortgage Association (FNMA or Fannie Mae)
Mortgage-backed securities and senior debt obligations
4. Student Loan Marketing Association (SLMA or Sallie Mae)
Senior debt obligations
5. Resolution Funding Corp. (REFCORP)
obligations
6. Farm Credit System
Consolidated systemwide bonds and notes

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, which invest solely

in Government Obligations, if rated by S&P, having a rating at the time of investment of AAAM-G; and if rated by Moody's having a rating at the time of investment of Aaa, including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and / or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee.

(e) Certificates of deposit secured at all times by collateral described in (a) and/ or (b) above. Such certificates must be issued by commercial banks or savings and loan associations (including the Trustee or its affiliates). The collateral must be held by a third party and the Bondholders must have a perfected first security interest in the collateral.

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC or secured at all times by collateral described in (a) and /or (b) above.

(g) Commercial paper rated, at the time of purchase, "Prime-1" by Moody's and "A-1" or better by S&P.

(h) Federal funds or bankers acceptances with a maximum term of 180 days of any bank which has an unsecured, uninsured and unguaranteed obligation rating at the time of investment of "Prime-1" or better by Moody's and "A-1" or better by S&P.

(i) The Local Agency Investment Fund of the State, created pursuant to 16429.1 of the California Government Code.

(j) The County pooled investment fund.

(k) Municipal obligations rated "A" or higher by S&P.

(l) Other forms of investments that satisfy the District's Statement of Investment Policy as of the time of investment.

"Principal Account" means the account by that name established in the Bond Fund pursuant to Section 5.02.

"Rating Agencies" means, collectively, S&P, Moody's and Fitch.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month preceding such Interest Payment Date.

"Redemption Fund" means the fund by that name established pursuant to Section 5.06.

"Registration Books" means the records maintained by the Trustee pursuant to Section 2.5 for the registration and transfer of ownership of the Bonds.

“Revenues” means (a) all amounts received by the Authority or the Trustee pursuant or with respect to the Water Installment Sale Agreement and the Wastewater Installment Sale Agreement, including, without limiting the generality of the foregoing, all of the Water Installment Payments and the Wastewater Installment Payments (including both timely and delinquent payments, any late charges, and whether paid from any source) and prepayments, and (b) all interest, profits or other income derived from the investment of amounts in any fund or account established pursuant to this Indenture; but excluding any Additional Payments.

“S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, and its successors.

“SIFMA” means the Securities Industry and Financial Markets Association, its successors and assigns.

“SIFMA Index” means, with respect to any date, the **“SIFMA Municipal Swap Index”** (such index previously known as the “BMA Municipal Swap Index”) announced by Municipal Market Date on such date and based upon the weekly interest rate resets of variable rate issues the interest on which is exempt from federal income taxes included in a database maintained by Municipal Market Date which meets specified criteria established by SIFMA. If for any reason the SIFMA Index for any date is not announced or is otherwise unavailable on the applicable date, the SIFMA Index for such date shall be the SIFMA Index for the next preceding date within the preceding 180 days on which the SIFMA Index was available. If for any reason the SIFMA Index for any date is not announced or is otherwise unavailable on any date in the immediately preceding 180 days, the SIFMA Index for such date shall be an index selected by the District or the Authority which is a composite of bid-side yields of obligations (a) which (i) provide for a weekly adjustment of the interest rate, and (ii) which (A) must be purchased on demand of the owner thereof at any time upon notice of up to seven (7) days or (B) are payable in full not later than seven (7) days after the date of evaluation and (b) the interest on which is exempt from federal income taxes and is not subject to any personal “alternative minimum tax” or similar tax under the Code unless all securities the interest on which is exempt from federal income taxes are subject to such tax. If no such index is so selected by the District or Authority, the SIFMA Index for the applicable date shall be an index computed by the District or Authority which shall be equal to 95% of the yield applicable to 91-day United States Treasury bills, such yield to be computed on the basis of the coupon equivalent of the average per annum discount rate at which such Treasury bills shall have been sold at the most recent Treasury auction conducted prior to the applicable date.

“Sinking Account” means the account by that name established in the Bond Fund pursuant to Section 5.02.

“State” means the State of California.

“Subordinate Annual Wastewater Debt Service” means, for any Fiscal Year or twelve (12) calendar month period, the Subordinate Wastewater Payments required to be made in such Fiscal Year or twelve (12) calendar month period.

“Subordinate Wastewater Payments” means all payments scheduled to be paid by the District under all Wastewater Subordinate Obligations.

“Subordinate Annual Water Debt Service” means, for any Fiscal Year or twelve (12) calendar month period, the Subordinate Water Payments required to be made in such Fiscal Year or twelve (12) calendar month period.

“Subordinate Water Payments” means all payments scheduled to be paid by the District under all Water Subordinate Obligations.

“Supplemental Indenture” means any indenture hereafter duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending this Indenture; but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Taxable Rate” mean the rate of interest equal to 5.057%, calculated based on a 360-day year of twelve (12) thirty-day months.

“Term” means the period of time during which the Water Installment Sale Agreement or the Wastewater Installment Sale Agreement, as the context requires, is in effect, as provided in Section 4.2 of the Water Installment Sale Agreement and in Section 4.2 of the Wastewater Installment Sale Agreement, respectively.

“Term Bonds” means the Bonds maturing on December 1, 2042.

“Trustee” means U.S. Bank Trust Company, National Association, a national banking association organized and existing under the laws of the United States of America, or its successor, as Trustee hereunder as provided in Section 8.01.

“Trust Office” means the corporate trust office of the Trustee at One California Street, Suite 1000, San Francisco, California 94111, or at such other or additional offices as may be specified in writing to the Authority and the District, except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“Variable Interest Rate” means any variable interest rate or rates to be paid under any agreement or contract, the method of computing which variable interest rate shall be as specified in such agreement or contract, which agreement or contract shall also specify either (i) the payment period or periods or time or manner of determining such period or periods or time for which each value of such variable interest rate shall remain in effect, and (ii) the time or times based upon which any change in such variable interest rate shall become effective, and which variable interest rate may, without limitation, be based on the interest rate on certain bonds or may be based on interest rate, currency, commodity or other indices.

“Wastewater Balloon Contract” means, with respect to any to Wastewater Parity Obligations or Wastewater Subordinate Obligations, 25% or more of the principal of which matures on the same date or within a 12-month period (with sinking fund installments on any such obligations that are Term Wastewater Obligations deemed to be payments of matured principal), that portion of such Wastewater Obligations which matures on such date or within such 12-month period. For purposes of this definition, (i) the principal amount maturing on any date shall be reduced by the amount of such indebtedness which is required, by the documents governing such indebtedness, to be amortized by prepayment or redemption prior to its stated maturity date, and (ii) “Term Wastewater Obligations” means Wastewater Parity Obligations and Wastewater Subordinate Obligations that are payable on or before their specified maturity dates from sinking fund installments established for that purpose and calculated to retire such obligations on or before their specified maturity dates.

“Wastewater Contract Resource Obligation” means an obligation of the District, designated as a Wastewater Contract Resource Obligation and entered into pursuant to Section 4.12 of the Wastewater Installment Sale Agreement, to make payments for any other commodity or service to another person or entity (including without limitation a separate utility system), the payments under which without the application of said Section 4.12 would not be treated as Wastewater Operation and Maintenance Costs in accordance with Generally Accepted Accounting Principles.

“Wastewater Coverage Requirement” means, for any Fiscal Year or twelve (12) calendar month period:

(1) an amount of Adjusted Annual Wastewater Net Revenues equal, in each case, to at least (i) one hundred twenty-five percent (125%) of the Annual Wastewater Debt Service for such Fiscal Year or twelve (12) calendar month period, (ii) one hundred five percent (105%) of the sum of the Annual Wastewater Debt Service plus the Subordinate Annual Wastewater Debt Service for such Fiscal Year or twelve (12) calendar month period, and (iii) one hundred percent (100%) of all obligations of the District which are charges, liens or encumbrances upon or payable from the Wastewater Fund and/or the Bond Fund in such Fiscal Year or twelve (12) calendar month period; and

(2) an amount of Wastewater Net Revenues equal to at least one hundred percent (100%) of all obligations of the District which are charges, liens or encumbrances upon or payable from the Wastewater Fund and/or the Bond Fund in such Fiscal Year or twelve (12) calendar month period (including all amounts owed to any issuer of a municipal bond insurer then in effect in a reserve fund or a reserve account under the terms of such municipal bond insurer);

provided, that for purposes of determining compliance with the Wastewater Coverage Requirement, the following provisions shall apply:

(A) **Generally.** Except as otherwise provided by subparagraph (B) of this proviso with respect to Wastewater Variable Interest Rate Contracts and by subparagraph (C) of this proviso with respect to Wastewater Obligations with respect to which a Wastewater Payment Agreement is in force, interest on any Wastewater Obligation shall be calculated based on the actual amount of interest that is payable under such Wastewater Obligation;

(B) **Interest on Wastewater Variable Interest Rate Contracts.** Interest deemed to be payable on any Variable Interest Rate Contract for periods when the actual interest rate can be determined shall be the actual Variable Interest Rates and for periods when the actual interest rate cannot yet be determined shall be calculated on the assumption that the interest rate on such Variable Interest Rate Contract would be equal to the rate (the “assumed SIFMA Index rate”) that is ninety percent (90%) of the average SIFMA Index during the twelve (12) calendar month period immediately preceding the date in which such calculation is made;

(C) **Interest on Wastewater Obligations with respect to which a Wastewater Payment Agreement is in Force.** Interest deemed to be payable on any Wastewater Obligation with respect to which a Wastewater Payment Agreement is in force shall be based on the net economic effect on the District expected to be produced by the terms of such Wastewater Obligation and such Wastewater Payment Agreement, including but not limited to the effects that (i) such Wastewater Obligation would, but for

such Wastewater Payment Agreement, be treated as an obligation bearing interest at a Variable Interest Rate instead shall be treated as an obligation bearing interest at a fixed interest rate, and (ii) such Wastewater Obligation would, but for such Wastewater Payment Agreement, be treated as an obligation bearing interest at a fixed interest rate instead shall be treated as an obligation bearing interest at a Variable Interest Rate; and accordingly, the amount of interest deemed to be payable on any Wastewater Obligation with respect to which a Wastewater Payment Agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in such Wastewater Obligation plus the Wastewater Payment Agreement Payments minus the Wastewater Payment Agreement Receipts, and for the purpose of calculating as nearly as practicable the Wastewater Payment Agreement Receipts and the Wastewater Payment Agreement Payments under such Wastewater Obligation, the following assumptions shall be made:

(1) District Obligated to Pay Net Variable Payments. If a Payment Agreement has been entered into by the District with respect to a Wastewater Obligation resulting in the payment of a net variable interest rate with respect to such Wastewater Obligation and Wastewater Payment Agreement by the District, the interest rate on such Wastewater Obligation for future periods when the actual interest rate cannot yet be determined shall be assumed (but only during the period the Wastewater Payment Agreement is in effect) to be equal to the sum of (i) the fixed rate or rates stated in such Wastewater Obligation, minus (ii) the fixed rate paid by the Wastewater Qualified Counterparty to the District, plus (iii) the lesser of (A) the interest rate cap, if any, provided by a Wastewater Qualified Counterparty with respect to such Wastewater Payment Agreement (but only during the period that such interest rate cap is in effect) and (B) the assumed SIFMA Index rate; and

(2) District Obligated to Pay Net Fixed Payments. If a Wastewater Payment Agreement has been entered into by the District with respect to a Wastewater Obligation resulting in the payment of a net fixed interest rate with respect to such Wastewater Obligation and Wastewater Payment Agreement by the District, the interest on such Wastewater Obligation shall be included in the calculation of the Coverage Requirement (but only during the period the Wastewater Payment Agreement is in effect) by including for each Fiscal Year or twelve (12) calendar month period an amount equal to the amount of interest payable at the fixed interest rate pursuant to such Wastewater Payment Agreement; and

(D) For purposes of calculating the Annual Wastewater Debt Service or the Subordinate Annual Wastewater Debt Service on any Wastewater Balloon Contract, it shall be assumed that the principal of such Wastewater Balloon Contract, together with interest thereon at a rate equal to the assumed SIFMA Index rate, will be amortized in equal annual installments of principal and interest over a term of thirty (30) years from the date thereof.

“Wastewater Debt Service” means, during any period of computation, the amount obtained for such period by totaling the following amounts:

(a) The principal components of the Wastewater Installment Payments and of payments with respect to Wastewater Parity Obligations coming due and payable by their terms in such period; and

(b) The interest component of the Wastewater Installment Payments and of payments with respect to Wastewater Parity Obligations which would be due during such period on the aggregate principal amount of the Wastewater Installment Payments and payments with respect to Wastewater Parity Obligations that would be unpaid in such period if the Wastewater Installment Payments and payments with respect to Wastewater Parity Obligations are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Wastewater Installment Payments and payments with respect to Wastewater Parity Obligations no longer unpaid.

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

“Wastewater Fund” means the District’s existing Wastewater Fund established and held by the District with respect to the Wastewater Enterprise.

“Wastewater Gross Revenues” means for any Fiscal Year or other period, all gross income and revenue received by the District from the ownership and operation of the Wastewater Enterprise, including, without limiting the generality of the foregoing, (a) all rates, fees and charges received for, and all other income and receipts derived by the District from the operation of the Wastewater Enterprise or arising from the Wastewater Enterprise determined in accordance with generally accepted accounting principles, including all rates, fees and charges received by the District for the Wastewater Enterprise service and the other services of the Wastewater Enterprise, (b) all proceeds of insurance (if any) covering business interruptions loss relating to the Wastewater Enterprise, (c) all Wastewater Payment Agreement Receipts (d) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other monies to the extent that the use of such earnings and income is limited by or pursuant to law to the Wastewater Enterprise, including all income from the investment of amounts on deposit in the Wastewater Fund, and the Wastewater Rate Stabilization Fund, (e) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Wastewater Enterprise, and (f) all other monies howsoever derived by the District from the operation of the Wastewater Enterprise or arising from the Wastewater Enterprise, including major facility charges; provided, that the term “Wastewater Gross Revenues” shall not include contributions in aid of construction or refundable customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District. Notwithstanding the foregoing, there shall be deducted from Wastewater Gross Revenues any amounts transferred into the Wastewater Rate Stabilization Fund as contemplated by Section 4.11 of the Wastewater Installment Sale Agreement, and there shall be added to Gross Revenues any amounts transferred out of the Wastewater Rate Stabilization Fund as contemplated by Section 4.11 of the Wastewater Installment Sale Agreement.

“Wastewater Installment Payments” means the amounts payable by the District pursuant to Section 4.4 of the Wastewater Installment Sale Agreement, including any prepayments thereof pursuant to Article IX of the Wastewater Installment Sale Agreement.

“Wastewater Installment Sale Agreement” means that certain Installment Sale Agreement by and between the Authority as seller and the District as purchaser of the Wastewater Project, dated as of September 1, 2022, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Indenture.

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

“Wastewater Obligations” means all Wastewater Parity Obligations and all Wastewater Subordinate Obligations.

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

“Wastewater Parity Obligations” means any leases, loan agreements, installment sale agreements, bonds, notes, interest rate swap agreements, currency swap agreements, forward payment agreements, futures, or contracts providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, or contracts to exchange cash flows or a series of payments, or contracts, including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, currency, rate, spread, or similar exposure (except termination payments relating thereto which shall be payable on a subordinate basis) or other obligations of the District payable from and secured by a pledge of and lien upon any of the Wastewater Net Revenues on a parity with the Wastewater Installment Payments, entered into or issued pursuant to and in accordance with Section 4.8 of the Wastewater Installment Sale Agreement. The 2017 Wastewater Installment Sale Agreement and the 2022A Wastewater Installment Sale Agreement shall each constitute an existing Wastewater Parity Obligation.

“Wastewater Parity Payments” means all installment payments scheduled to be paid by the District under all Wastewater Parity Obligations.

“Wastewater Payment Agreement” means a written agreement for the purpose of managing or reducing the District’s exposure to fluctuations in interest rates or for any other interest rate, investment, asset or liability managing purposes, entered into either on a current or forward basis by the District and a Wastewater Qualified Counterparty as authorized under any applicable laws of the State in connection with, or incidental to (but not necessarily concurrent with), the entering into of any Wastewater Obligations, that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, options on such payments or any combination thereof, or any similar device.

“Wastewater Payment Agreement Payments” means the amounts periodically required to be paid by the District to all Wastewater Qualified Counterparties under all Wastewater Payment Agreements.

“Wastewater Payment Agreement Receipts” means the amounts periodically required to be paid by all Wastewater Qualified Counterparties to the District under all Wastewater Payment Agreements.

“Wastewater Qualified Counterparty” means a party (other than the District or a party related to the District) who is the other party to a Wastewater Payment Agreement and (1) (a) who is rated in at least one of the two highest rating categories assigned by at least two of the Rating Agencies (without regard to any gradations within a rating category), (b) whose senior debt obligations are rated at least one of the two highest rating categories assigned by at least two of the Rating Agencies to the obligations secured by Wastewater Parity Payments (without regard to any gradations within a rating category), or guaranteed by an entity so rated, (c) whose obligations under the Wastewater Payment Agreement are guaranteed for the entire term of the Wastewater Payment Agreement by a bond insurer or other institution which has been assigned a credit rating at least one of the two highest rating categories assigned by at least two of the Rating Agencies to the obligations secured by Wastewater Parity Payments, or (d) whose obligations under the Wastewater Payment Agreement are collateralized in such a manner as to obtain a rating at least one of the two highest rating categories assigned by at least two of the Rating Agencies to the obligations secured by Wastewater Parity Payments, and (2) who is otherwise qualified to act as the other party to a Wastewater Payment Agreement under all applicable laws of the State.

“Wastewater Rate Stabilization Fund” means the fund by that name previously established by the District and described in Section 4.11 of the Wastewater Installment Sale Agreement.

“Wastewater Subordinate Obligations” means any obligations of the District payable from and secured by a pledge of and lien upon any of the Wastewater Net Revenues subordinate to the Wastewater Installment Payments and any Wastewater Parity Obligations, entered into or issued pursuant to and in accordance with Section 4.8(c) of the Wastewater Installment Sale Agreement.

“Wastewater Variable Interest Rate Contracts” means, for any period of time, any Wastewater Obligations that bear a Variable Interest Rate during such period, except that no Wastewater Obligations shall be treated as a Wastewater Variable Interest Rate Contract if the net economic effect of interest rates on any payments thereunder is to produce obligations that bear interest at a fixed interest rate, and any Wastewater Obligations with respect to which a Wastewater Payment Agreement is in force shall be treated as a Wastewater Variable Interest

Rate Contract if the net economic effect of the Wastewater Payment Agreement is to produce obligations that bear interest at a Variable Interest Rate.

“Water Balloon Contract” means, with respect to any to Water Parity Obligations or Water Subordinate Obligations, 25% or more of the principal of which matures on the same date or within a 12-month period (with sinking fund installments on any such obligations that are Term Water Obligations deemed to be payments of matured principal), that portion of such Water Obligations which matures on such date or within such 12-month period. For purposes of this definition, (i) the principal amount maturing on any date shall be reduced by the amount of such indebtedness which is required, by the documents governing such indebtedness, to be amortized by prepayment or redemption prior to its stated maturity date, and (ii) “Term Water Obligations” means Water Parity Obligations and Water Subordinate Obligations that are payable on or before their specified maturity dates from sinking fund installments established for that purpose and calculated to retire such obligations on or before their specified maturity dates.

“Water Contract Resource Obligation” means an obligation of the District, designated as a Water Contract Resource Obligation and entered into pursuant to Section 4.12 of the Water Installment Sale Agreement, to make payments for any other commodity or service to another person or entity (including without limitation a separate utility system), the payments under which without the application of said Section 4.12 would not be treated as Water Operation and Maintenance Costs in accordance with Generally Accepted Accounting Principles.

“Water Coverage Requirement” means, for any Fiscal Year or twelve (12) calendar month period:

(1) an amount of Adjusted Annual Water Net Revenues equal in each case to at least (i) one hundred twenty-five percent (125%) of the Annual Water Debt Service for such Fiscal Year or twelve (12) calendar month period, (ii) one hundred five percent (105%) of the sum of the Annual Water Debt Service plus the Subordinate Annual Water Debt Service for such Fiscal Year or twelve (12) calendar month period, and (iii) one hundred percent (100%) of all obligations of the District which are charges, liens or encumbrances upon or payable from the Water Fund and/or the Bond Fund in such Fiscal Year or twelve (12) calendar month period; and

(2) an amount of Water Net Revenues equal to at least one hundred percent (100%) of all obligations of the District which are charges, liens or encumbrances upon or payable from the Water Fund and/or the Bond Fund in such Fiscal Year or twelve (12) calendar month period (including all amounts owed to any issuer of a municipal bond insurer then in effect in a reserve fund or a reserve account under the terms of such municipal bond insurer);

provided, that for purposes of determining compliance with the Water Coverage Requirement, the following provisions shall apply:

(A) **Generally.** Except as otherwise provided by subparagraph (B) of this proviso with respect to Water Variable Interest Rate Contracts and by subparagraph (C) of this proviso with respect to Water Obligations with respect to which a Water Payment Agreement is in force, interest on any Water Obligation shall be calculated based on the actual amount of interest that is payable under such Water Obligation;

(B) **Interest on Water Variable Interest Rate Contracts.** Interest deemed to be payable on any Water Variable Interest Rate Contract for periods when the actual interest rate can be determined shall be the actual Variable Interest Rates and for periods

when the actual interest rate cannot yet be determined shall be calculated on the assumption that the interest rate on such Variable Interest Rate Contract would be equal to the rate (the “assumed SIFMA Index rate”) that is ninety percent (90%) of the average SIFMA Index during the twelve (12) calendar month period immediately preceding the date in which such calculation is made;

(C) ***Interest on Water Obligations with respect to which a Water Payment Agreement is in Force.*** Interest deemed to be payable on any Water Obligation with respect to which a Water Payment Agreement is in force shall be based on the net economic effect on the District expected to be produced by the terms of such Water Obligation and such Water Payment Agreement, including but not limited to the effects that (i) such Water Obligation would, but for such Water Payment Agreement, be treated as an obligation bearing interest at a Variable Interest Rate instead shall be treated as an obligation bearing interest at a fixed interest rate, and (ii) such Water Obligation would, but for such Water Payment Agreement, be treated as an obligation bearing interest at a fixed interest rate instead shall be treated as an obligation bearing interest at a Variable Interest Rate; and accordingly, the amount of interest deemed to be payable on any Water Obligation with respect to which a Water Payment Agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in such Water Obligation plus the Water Payment Agreement Payments minus the Water Payment Agreement Receipts, and for the purpose of calculating as nearly as practicable the Water Payment Agreement Receipts and the Water Payment Agreement Payments under such Water Obligation, the following assumptions shall be made:

(1) District Obligated to Pay Net Variable Payments. If a Water Payment Agreement has been entered into by the District with respect to a Water Obligation resulting in the payment of a net variable interest rate with respect to such Water Obligation and Water Payment Agreement by the District, the interest rate on such Water Obligation for future periods when the actual interest rate cannot yet be determined shall be assumed (but only during the period the Water Payment Agreement is in effect) to be equal to the sum of (i) the fixed rate or rates stated in such Water Obligation, minus (ii) the fixed rate paid by the Water Qualified Counterparty to the District, plus (iii) the lesser of (A) the interest rate cap, if any, provided by a Water Qualified Counterparty with respect to such Water Payment Agreement (but only during the period that such interest rate cap is in effect) and (B) the assumed SIFMA Index rate; and

(2) District Obligated to Pay Net Fixed Payments. If a Water Payment Agreement has been entered into by the District with respect to an Water Obligation resulting in the payment of a net fixed interest rate with respect to such Water Obligation and Water Payment Agreement by the District, the interest on such Water Obligation shall be included in the calculation of the Coverage Requirement (but only during the period the Water Payment Agreement is in effect) by including for each Fiscal Year or twelve (12) calendar month period an amount equal to the amount of interest payable at the fixed interest rate pursuant to such Water Payment Agreement; and

(D) For purposes of calculating the Annual Water Debt Service or the Subordinate Annual Water Debt Service on any Water Balloon Contract, it shall be assumed that the principal of such Water Balloon Contract, together with interest thereon at a rate equal to the assumed SIFMA Index rate, will be amortized in equal annual installments of principal and interest over a term of thirty (30) years from the date thereof.

“Water Debt Service” means, during any period of computation, the amount obtained for such period by totaling the following amounts:

(a) The principal components of the Water Installment Payments and of payments with respect to Water Parity Obligations coming due and payable by their terms in such period; and

(b) The interest component of the Water Installment Payments and of payments with respect to Water Parity Obligations which would be due during such period on the aggregate principal amount of the Water Installment Payments and payments with respect to Water Parity Obligations that would be unpaid in such period if the Water Installment Payments and payments with respect to Water Parity Obligations are retired as scheduled, but deducting and excluding from such aggregate amount the amount of Water Installment Payments and payments with respect to Water Parity Obligations no longer unpaid.

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

“Water Fund” means the District’s existing Water Fund established and held by the District with respect to the Water Enterprise.

“Water Gross Revenues” means for any Fiscal Year or other period, all gross income and revenue received by the District from the ownership and operation of the Water Enterprise, including, without limiting the generality of the foregoing, (a) all rates, fees and charges received for, and all other income and receipts derived by the District from the operation of the Water Enterprise or arising from the Water Enterprise determined in accordance with generally accepted accounting principles, including all rates, fees and charges received by the District for the Water Enterprise service and the other services of the Water Enterprise, (b) all proceeds of insurance (if any) covering business interruptions loss relating to the Water Enterprise, (c) all Water Payment Agreement Receipts (d) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other monies to the extent that the use of such earnings and income is limited by or pursuant to law to the Water Enterprise, including all income from the investment of amounts on deposit in the Water Fund and the Water Rate Stabilization Fund, (e) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Water Enterprise, and (f) all other monies howsoever derived by the District from the operation of the Water Enterprise or arising from the Water Enterprise, including major facility charges; provided, that the term “Water Gross Revenues” shall not include contributions in aid of construction or refundable customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District. Notwithstanding the foregoing, there shall be deducted from Water Gross Revenues any amounts transferred into the Water Rate Stabilization Fund as contemplated by Section 4.11 of the Water Installment Sale Agreement, and there shall

be added to Water Gross Revenues any amounts transferred out of the Water Rate Stabilization Fund as contemplated by Section 4.11 of the Water Installment Sale Agreement.

“Water Installment Payments” means the amounts payable by the District pursuant to Section 4.4 of the Water Installment Sale Agreement, including any prepayments thereof pursuant to Article IX of the Water Installment Sale Agreement.

“Water Installment Sale Agreement” means that certain Water Installment Sale Agreement by and between the Authority as seller and the District as purchaser of the Water Project, dated as of September 1, 2022, as originally executed and as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of this Indenture.

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

“Water Obligations” means all Water Parity Obligations and all Water Subordinate Obligations.

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

“Water Parity Obligations” means any leases, loan agreements, installment sale agreements, bonds, notes, interest rate swap agreements, currency swap agreements, forward payment agreements, futures, or contracts providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, or contracts to exchange cash flows or a series of payments, or contracts, including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, currency, rate, spread, or similar exposure (except termination payments relating thereto which shall be payable on a subordinate basis) or other obligations of the District payable from and secured by a pledge of and lien upon any of the Water Net Revenues on a parity with the Water Installment Payments, entered into or issued pursuant to and in accordance with Section 4.8 of the Water Installment Sale Agreement. The 2017 Water Installment Sale Agreement and the 2022A Water Installment Sale Agreement shall each constitute an existing Water Parity Obligation.

“Water Parity Payments” means all installment payments scheduled to be paid by the District under all Water Parity Obligations.

“Water Payment Agreement” means a written agreement for the purpose of managing or reducing the District’s exposure to fluctuations in interest rates or for any other interest rate, investment, asset or liability managing purposes, entered into either on a current or forward basis by the District and a Water Qualified Counterparty as authorized under any applicable laws of the State in connection with, or incidental to (but not necessarily concurrent with), the entering into of any Water Obligations, that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, options on such payments or any combination thereof, or any similar device.

“Water Payment Agreement Payments” means the amounts periodically required to be paid by the District to all Water Qualified Counterparties under all Water Payment Agreements.

“Water Payment Agreement Receipts” means the amounts periodically required to be paid by all Water Qualified Counterparties to the District under all Water Payment Agreements.

“Water Qualified Counterparty” means a party (other than the District or a party related to the District) who is the other party to a Water Payment Agreement and (1) (a) who is rated in at least one of the two highest rating categories assigned by at least two of the Rating Agencies (without regard to any gradations within a rating category), (b) whose senior debt obligations are rated at least one of the two highest rating categories assigned by at least two of the Rating Agencies to the obligations secured by Water Parity Payments (without regard to any gradations within a rating category), or guaranteed by an entity so rated, (c) whose obligations under the Water Payment Agreement are guaranteed for the entire term of the Water Payment Agreement by a bond insurer or other institution which has been assigned a credit rating at least one of the two highest rating categories assigned by at least two of the Rating Agencies to the obligations secured by Water Parity Payments, or (d) whose obligations under the Water Payment Agreement are collateralized in such a manner as to obtain a rating at least one of the two highest rating categories assigned by at least two of the Rating Agencies to the obligations secured by Water Parity Payments, and (2) who is otherwise qualified to act as the other party to a Water Payment Agreement under all applicable laws of the State.

“Water Rate Stabilization Fund” means the fund by that name previously established by the District and described in Section 4.11 of the Water Installment Sale Agreement.

“Water Subordinate Obligations” means any obligations of the District payable from and secured by a pledge of and lien upon any of the Water Net Revenues subordinate to the Water Installment Payments and any Water Parity Obligations, entered into or issued pursuant to and in accordance with Section 4.8 of the Water Installment Sale Agreement.

“Water Variable Interest Rate Contracts” means, for any period of time, any Water Obligations that bear a Variable Interest Rate during such period, except that no Water Obligations shall be treated as a Water Variable Interest Rate Contract if the net economic effect of interest rates on any payments thereunder is to produce obligations that bear interest at a fixed interest rate, and any Water Obligations with respect to which a Water Payment Agreement is in force shall be treated as a Water Variable Interest Rate Contract if the net economic effect of the Water Payment Agreement is to produce obligations that bear interest at a Variable Interest Rate.

“Written Certificate,” “Written Request” and “Written Requisition “ of the Authority or the District mean, respectively, a written certificate, request or requisition signed in the name of the Authority or the District by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

“2012 Wastewater Project” means the land, improvements and other property described more fully in Exhibit B attached to the Wastewater Installment Sale Agreement and by this reference incorporated herein.

“2012 Water Project” means the land, improvements and other property described more fully in Exhibit B attached to the Water Installment Sale Agreement and by this reference incorporated herein.

“2017 Authority Bonds” means the \$8,825,000 original principal amount of Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Bonds, Series 2017 (Water and Wastewater Projects).

“2017 Wastewater Installment Sale Agreement” means that certain Wastewater Installment Sale Agreement, dated as of April 1, 2017, by and between the Authority and the District, as amended from time to time in accordance with the terms thereof, including as amended by that certain First Supplement to Wastewater Installment Sale Agreement, dated as of May 1, 2022, by and between the Authority and the District, securing a portion of the 2017 Authority Bonds.

“2017 Water Installment Sale Agreement” means that certain Water Installment Sale Agreement, dated as of April 1, 2017, by and between the Authority and the District, as amended from time to time in accordance with the terms thereof, including as amended by that certain First Supplement to Water Installment Sale Agreement, dated as of May 1, 2022, by and between the Authority and the District, securing a portion of the 2017 Authority Bonds.

“2022A Authority Bonds” means the \$16,860,000 original principal amount of Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Bonds, Series 2022 (Water and Wastewater Projects).

“2022A Wastewater Installment Sale Agreement” means that certain Wastewater Installment Sale Agreement, dated as of May 1, 2022, by and between the Authority and the District, as amended from time to time in accordance with the terms thereof, securing a portion of the 2022A Authority Bonds.

“2022A Water Installment Sale Agreement” means that certain Water Installment Sale Agreement, dated as of May 1, 2022, by and between the Authority and the District, as amended from time to time in accordance with the terms thereof, securing a portion of the 2022A Authority Bonds.

Section 1.02. Interpretation.

(a) Unless the context otherwise indicates, words expressed in the singular shall include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and shall be deemed to include the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(c) All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

ARTICLE II

THE BONDS

Section 2.01. Authorization of Bonds. The Authority hereby authorizes the issuance hereunder of the Bonds, which shall constitute special obligations of the Authority, for the purpose of providing funds to enable the District to refinance the acquisition and construction of the 2012 Wastewater Project and the 2012 Water Project. The Bonds are hereby designated the “Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Refunding Bonds, Series 2022B (2012 Water and Wastewater Projects Refinancing).” The aggregate principal amount of Bonds initially issued and Outstanding under this Indenture shall equal Eleven Million Six-Hundred Fifty-Seven Thousand Dollars (\$11,657,000). This Indenture constitutes a continuing agreement with the Trustee and the Owners from time to time of the Bonds to secure the full payment of the principal of and interest on all the Bonds, subject to the covenants, provisions and conditions herein contained.

Section 2.02. Terms of the Bonds. The Bonds shall be issued without coupons in Authorized Denominations. On the Closing Date, upon written request of the Authority, the Trustee shall authenticate a single Bond in the principal amount \$11,657,000 to the Original Purchaser. The Bond shall mature on December 1 and in the amounts set forth below and shall bear interest on each Interest Payment Date at the rates set forth below:

Maturity Date (December 1)	Principal Interest Rate	Amount
2042 T	\$11,657,000	3.54%

T: Denotes Term Bonds.

Upon initial delivery, the ownership of such Certificates shall be registered on the Registration Books in the name of the Original Purchaser and shall not be (i) assigned a rating by any rating agency, (ii) registered with The Depository Trust Company or any other securities depository, (iii) issued pursuant to any type of offering document or official statement, or (iv) assigned CUSIP numbers.

Interest on the Bonds shall be payable semi-annually calculated based on a 360-day year of twelve (12) thirty-day months on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately

preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed on the applicable Interest Payment Date by first class mail to the Owner at the address of such Owner as it appears on the Registration Books; provided however, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any Owner of Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Trustee at least five (5) days before the applicable Record Date. Subject to Section 2.10, principal of any Bond shall be paid by check of the Trustee upon presentation and surrender thereof at the Trust Office. Principal of and interest on the Bonds shall be payable in lawful money of the United States of America.

Notwithstanding anything herein to the contrary, so long as any Bonds are owned by the Original Purchaser: (i) the Trustee shall pay principal of and interest and premium on, if any, on the Bonds when due by wire transfer in immediately available funds to the Original Purchaser in accordance with such wire transfer instructions as shall be filed by the Original Purchaser with the Trustee from time to time; (ii) payments of principal on the Bonds shall be made without the requirement for presentation and surrender by the Original Purchaser, provided that principal which is payable at maturity or full redemption shall be made only upon presentation and surrender at the Office of the Trustee; and (iii) the Trustee shall not be required to give notice to the Original Purchaser of the mandatory sinking fund payments described in Section 4.01(a).

Each Bond shall be dated the Closing Date and shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or (b) unless it is authenticated on or before [November 15, 2022], in which event it shall bear interest from the Closing Date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

If a Determination of Taxability has occurred, then from and after the Determination of Taxability, the interest component of the Bonds shall be calculated at the Taxable Rate.

Section 2.03. Transfer of Bonds. Notwithstanding any other provision hereof, each Bond Owner of the Bonds shall (i) be an “accredited investor” within the meaning of Regulation D promulgated under the Securities Act or a “qualified institutional buyer” as defined in Rule 144A promulgated under the Securities Act, and (ii) execute and deliver a Purchaser Letter in the form of Exhibit B hereto to the Authority, the District, the Trustee and Bond Counsel.

Any Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by their duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. Whenever any Bonds or Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and shall deliver a new Bond or Bonds for a like aggregate principal amount and of like maturity. The Trustee may require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Trustee will not be required to register the transfer of any Bond during the period commencing on the date 15 days preceding the selection of Bonds for redemption and ending on the date of mailing of notice of such redemption, or any Bond which has been selected for

redemption in whole or in part, from and after the day of mailing of a notice of redemption of such Bonds selected for redemption in whole or in part.

Section 2.04. Exchange of Bonds. Any Bond may be exchanged at the Trust Office for a like aggregate principal amount of Bonds of other Authorized Denomination and of like maturity. The Trustee shall require the Bond Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such exchange.

The Trustee will not be required to exchange any Bond during the period commencing on the date 15 days preceding the selection of Bonds for redemption and ending on the date of mailing of notice of such redemption, or any Bond which has been selected for redemption in whole or in part, from and after the day of mailing of a notice of redemption of such Bonds selected for redemption in whole or in part.

Section 2.05. Registration Books. The Trustee will keep or cause to be kept, at the Trust Office, sufficient records for the registration and transfer of ownership of the Bonds, which shall at all reasonable times with reasonable prior notice be open to inspection during regular business hours by the Authority, the District and the Owners; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on such records, the ownership of the Bonds as hereinbefore provided.

Section 2.06. Form and Execution of Bonds. The Bonds shall be signed in the name and on behalf of the Authority with the manual or facsimile signatures of the Chairperson of the Board of Directors or its Executive Director and attested with the manual or facsimile signature of its Secretary or any assistant duly appointed by the Board of Directors, and shall be delivered to the Trustee for authentication by it. In case any officer of the Authority who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been authenticated or delivered by the Trustee or issued by the Authority, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though the individual who signed the same had continued to be such officer of the Authority. Also, any Bond may be signed on behalf of the Authority by any individual who on the actual date of the execution of such Bond shall be the proper officer although on the nominal date of such Bond such individual shall not have been such officer.

Only such of the Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit A, manually executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Without limiting the foregoing, the Bonds shall bear a legend to the following effect, unless the Authority instructs the Trustee otherwise, in writing, in compliance with applicable law:

“THE BOND EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS SO REGISTERED OR IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, OR UNLESS SOLD TO AN “ACCREDITED INVESTOR” WITHIN THE MEANING OF REGULATION D PROMULGATED UNDER THE

SECURITIES ACT OR A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT IN EACH CASE ACT PURCHASING FOR ITS OWN ACCOUNT AND NOT WITH A VIEW TO DISTRIBUTE THE CERTIFICATE, IN A TRANSACTION NOT INVOLVING A PUBLIC OFFERING, WHO DELIVERS TO THE AUTHORITY, THE DISTRICT, THE TRUSTEE AND BOND COUNSEL AN EXECUTED LETTER SUBSTANTIALLY IN THE FORM SET FORTH IN THE INDENTURE OF TRUST.”

Section 2.07. Temporary Bonds. The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds it will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, at the Trust Office and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of Authorized Denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.08. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Authority. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the Authority, at the expense of the Owner of such lost, destroyed or stolen Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof). The Authority may require payment by the Owner of a sum not exceeding the actual cost of preparing each new Bond issued under this Section 2.08 and of the expenses which may be incurred by the District, the Authority and the Trustee in the premises. Any Bond issued under the provisions of this Section 2.08 in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Authority whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

ARTICLE III

ISSUANCE OF BONDS; APPLICATION OF PROCEEDS

Section 3.01. Issuance of the Bonds. At any time after the execution of this Indenture, the Authority may execute and the Trustee shall authenticate and, upon the Written Request of

the Authority, deliver a single Bond to the Original Purchaser in the aggregate principal amount of Eleven Million Six-Hundred Fifty-Seven Thousand Dollars (\$11,657,000).

Section 3.02. Application of Proceeds of the Bonds. The proceeds received from the sale of the Bonds (\$11,657,000), being the principal amount of the Bonds, shall be deposited in trust with the Trustee or transferred as follows:

(a) The Trustee shall deposit the amount of \$_____ in the Costs of Issuance Fund; and

(b) The Trustee shall transfer to the Escrow Agent the amount of \$_____ for deposit in the escrow fund created under the Escrow Agreement.

The Trustee may, in its discretion, establish a temporary fund or account to facilitate the foregoing deposits.

Section 3.03. Establishment and Application of Costs of Issuance Fund. The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund." The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance upon submission of Written Requisitions of the Authority stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. Each Written Requisition of the Authority shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On October 1, 2022, or upon the earlier Written Request of the Authority, all amounts remaining in the Costs of Issuance Fund shall be transferred by the Trustee to the Project Fund and the Costs of Issuance Fund shall be closed.

Section 3.04. Validity of Bonds. The validity of the authorization and issuance of the Bonds is not dependent on and shall not be affected in any way by any proceedings taken by the Authority or the Trustee with respect to or in connection with the Water Installment Sale Agreement or the Wastewater Installment Sale Agreement. The recital contained in the Bonds that the same are issued pursuant to the Constitution and laws of the State shall be conclusive evidence of their validity and of compliance with the provisions of law in their issuance.

ARTICLE IV

REDEMPTION OF BONDS

Section 4.01. Terms of Redemption.

(a) **Sinking Account Redemption.** The Bonds maturing on December 1, 2042 (the "Term Bonds") are subject to mandatory redemption, in part by lot, from Sinking Account payments set forth in the following schedule on December 1, 2022, and on each December 1 thereafter, to and including December 1, 2042, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the Term Bonds have been optionally redeemed pursuant to Section 4.01(b), the total amount of Sinking Account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the Term Bonds so redeemed by reducing each such future Sinking Account payment

as shall be determined by the Authority and, in lieu of such determination, on a pro rata basis (as nearly as practicable) in integral multiples of \$5,000, as shall be designated pursuant to written notice filed by the Authority with the Trustee.

Redemption Date (December 1)	Principal Amount
2022	\$
2023	
2024	
2025	
2026	
2027	
2028	
2029	
2030	
2031	
2032	
2033	
2034	
2034	
2035	
2036	
2037	
2038	
2039	
2040	
2041	
2042 (Maturity)	

(b) **Optional Redemption.** The Term Bonds shall be subject to redemption, at the option of the District on December 1, 2024 and any Interest Payment Date thereafter, as a whole, from any available source of funds, from prepayments of the Water Installment Payments made at the option of the District pursuant to Section 9.2 of the Water Installment Sale Agreement or from prepayments of the Wastewater Installment Payments pursuant to Section 9.2 of the Wastewater Installment Sale Agreement, at a redemption price equal to (i) the principal amount of the Bonds to be redeemed, plus (ii) with accrued interest thereon to the date fixed for redemption, plus (iii) any premium required to be paid as specified in the table below.

Interest Payment Dates	Redemption Price (percentage of principal component redeemed)
December 1, 2024 through and including June 1, 2027	102%
December 1, 2028 through and including June 1, 2032	101
December 1, 2032 and thereafter	100

Section 4.02. Reserved.

Section 4.03. Notice of Redemption. Notice of redemption shall be mailed by first class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books and to the Information Services. Each notice of

redemption shall state the date of the notice, the redemption date, the place or places of redemption, whether less than all of the Bonds (or all Bonds of a single maturity) are to be redeemed, the CUSIP numbers (if any are assigned) and Bond numbers of the Bonds to be redeemed, the maturity or maturities of the Bonds to be redeemed and in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed. Each such notice shall also state that on the redemption date there will become due and payable on each of said Bonds the redemption price thereof, and that from and after such redemption date interest thereon shall cease to accrue, and shall require that such Bonds be then surrendered. Neither the failure to receive any notice nor any defect therein shall affect the proceedings for such redemption or the cessation of accrual of interest from and after the redemption date. Notice of redemption of Bonds shall be given by the Trustee, at the expense of the Authority, for and on behalf of the Authority.

Notice of any redemption of Bonds (other than redemptions pursuant to Section 4.01(a)) shall either (i) explicitly state that the proposed redemption is conditioned on there being on deposit in the applicable fund or account on the redemption date sufficient money to pay the full redemption price of the Bonds to be redeemed, or (ii) be sent only if sufficient money to pay the full redemption price of the Bonds to be redeemed is on deposit in the applicable fund or account.

The District has the right to rescind any notice of the optional redemption of Bonds under Section 4.01(b) by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default. The District and the Trustee have no liability to the Owners of the Bonds or any other party related to or arising from such rescission of prepayment. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Section 4.04. Partial Redemption of Bonds. Upon surrender of any Bonds redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new Bond or Bonds of Authorized Denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

Section 4.05. Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the redemption price of, together with interest accrued to the date fixed for redemption on, the Bonds (or portions thereof) so called for redemption being held by the Trustee, on the redemption date designated in such notice, the Bonds (or portions thereof) so called for redemption shall become due and payable, interest on the Bonds so called for redemption shall cease to accrue, said Bonds (or portions thereof) shall cease to be entitled to any benefit or security under this Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

All Bonds redeemed pursuant to the provisions of this Article shall be canceled by the Trustee upon surrender thereof and destroyed.

ARTICLE V

REVENUES; FUNDS AND ACCOUNTS; PAYMENT OF PRINCIPAL AND INTEREST

Section 5.01. Pledge and Assignment; Bond Fund.

(a) Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Revenues and any other amounts (including proceeds of the sale of the Bonds) held in any fund or account established pursuant to this Indenture are hereby pledged to secure the payment of the principal of and interest on the Bonds in accordance with their terms and the provisions of this Indenture. Said pledge shall constitute a lien on and security interest in such assets and shall attach, be perfected and be valid and binding from and after the Closing Date, without any physical delivery thereof or further act.

(b) The Authority hereby transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Bonds, all of the Revenues and all of the rights of the Authority in the Water Installment Sale Agreement (other than the rights of the Authority under Sections 4.9, 6.3 and 8.4 thereof) and in the Wastewater Installment Sale Agreement (other than the rights of the Authority under Sections 4.9, 6.3 and 8.4 thereof). The Trustee shall be entitled to and shall collect and receive all of the Revenues, and any Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and shall, subject to the provisions of Article VIII, take all steps, actions and proceedings which the Trustee determines to be reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the District under the Water Installment Sale Agreement and the Wastewater Installment Sale Agreement.

The assignment of the Water Installment Sale Agreement and the Wastewater Installment Sale Agreement to the Trustee is solely in its capacity as Trustee under this Indenture and the duties, powers and liabilities of the Trustee in acting thereunder shall be subject to the provisions of this Indenture, including, without limitation, the provisions of Article VIII hereof. The Trustee shall not be responsible for any representations, warranties, covenants or obligations of the Authority.

(c) Subject to Section 5.08, all Revenues shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated as the "Bond Fund" which the Trustee shall establish, maintain and hold in trust; except that all moneys received by the Trustee and required hereunder or under the Water Installment Sale Agreement and the Wastewater Installment Sale Agreement to be deposited in the Redemption Fund shall be promptly deposited in such Fund. All Revenues deposited with the Trustee shall be held, disbursed, allocated and applied by the Trustee only as provided in this Indenture.

(d) The Trustee shall provide written notice to the District, at least ten Business Days preceding each Interest Payment Date, of the amount of Revenues, derived from Water Installment Payments as required by the Water Installment Sale Agreement and the Wastewater Installment Sale Agreement, due to the Trustee on such Interest Payment Date, taking into account any investment earnings which shall be applied as a credit against such required payment. If, on the 5th Business Day preceding each Interest Payment Date, the Trustee is not in receipt of the total amount due to the Trustee on such Interest Payment Date, the Trustee shall provide a second similar notice to the District. Notwithstanding the foregoing, the failure of the Trustee to provide either of such notices shall in no way relieve the District of its obligation to make all

Installment Payments as required by the Water Installment Sale Agreement and the Wastewater Installment Sale Agreement.

Section 5.02. Allocation of Revenues. On each date on which principal of or interest on the Bonds becomes due and payable, the Trustee shall transfer from the Bond Fund and deposit into the following respective accounts (each of which the Trustee shall establish and maintain within the Bond Fund), the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(a) The Trustee shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to be at least equal to the amount of interest becoming due and payable on such date on all Bonds then Outstanding.

(b) The Trustee shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the principal amount of the Bonds coming due and payable on such date.

(c) The Trustee shall deposit in the Sinking Account an amount equal to the aggregate principal amount of the Term Bonds required to be redeemed on such date, if any, pursuant to Section 4.01(a).

Section 5.03. Application of Interest Account. All amounts in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Indenture).

Section 5.04. Application of Principal Account. All amounts in the Principal Account shall be used and withdrawn by the Trustee solely to pay the principal amount of the Bonds at their respective maturity dates.

Section 5.05. Application of Sinking Account. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of redeeming or purchasing (in lieu of redemption) Term Bonds pursuant to Section 4.01(a).

Section 5.06. Application of Redemption Fund. The Trustee shall establish and maintain the Redemption Fund, amounts in which shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds to be redeemed pursuant to Section 4.01(b); provided, however, that at any time prior to giving notice of redemption of any such Bonds, the Trustee may apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as shall be directed pursuant to a Written Request of the Authority, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the Bonds.

Section 5.07. Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to this Indenture shall be invested by the Trustee solely in Permitted Investments. Such investments shall be directed by the Authority pursuant to a Written Request of the Authority filed with the Trustee at least two (2) Business Days in advance of the making of such investments. In the absence of any such directions from the Authority, the Trustee shall

invest any such moneys in the money market fund set forth in the letter of authorization and direction executed by the Authority and delivered to the Trustee. If no specific money market fund had been specified by the Authority, the Trustee shall make a request to the Authority for investment directions and, if no investment directions are provided, such amount shall be held in cash, uninvested until specific investment directions are provided by the Authority to the Trustee. Permitted Investments purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. To the extent investments are registrable, such investments shall be registered in the name of the Trustee.

All interest or gain derived from the investment of amounts in any Fund or Account shall be retained therein. All interest or gain derived from the investment of amounts in Costs of Issuance Fund shall be retained therein. All interest or gain derived from the investment of amounts in Interest Account shall be retained therein. All interest or gain derived from the investment of amounts in any other funds or accounts established hereunder shall be transferred when received to the Interest Account.

For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder. The Trustee or an affiliate may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section 5.08.

Such investments shall be valued by the Trustee not less often than quarterly, at the market value thereof, exclusive of accrued interest. Deficiencies in the amount on deposit in any fund or account resulting from a decline in market value shall be restored no later than the succeeding valuation date.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority will not receive such confirmations to the extent permitted by law. The Trustee will furnish the Authority with account transaction statements as provided herein which shall include detail for all investment transactions made by the Trustee hereunder.

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

Section 5.08. Valuation and Disposition of Investments. All moneys held by the Trustee shall be held in trust, but need not be segregated from other funds unless specifically required by this Indenture. Except as specifically provided in this Indenture, the Trustee shall not be liable to pay interest on any moneys received by it, but shall be liable only to account to the Authority for earnings derived from funds that have been invested.

The Authority covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value.

ARTICLE VI

PARTICULAR COVENANTS

Section 6.01. Punctual Payment. The Authority shall punctually pay or cause to be paid the principal of and interest on all the Bonds in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of Revenues and other assets pledged for such payment as provided in this Indenture.

Section 6.02. No Extension of Payment of Bonds. The Authority shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section 6.02 shall be deemed to limit the right of the Authority to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Section 6.03. Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, and reserves the right to issue other obligations for such purposes.

Section 6.04. Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues and other assets purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of Article VIII and to the extent permitted by law, defend, preserve and protect said pledge and assignment of Revenues and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

Section 6.05. Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards, in which complete and accurate entries shall be made of all transactions made by it relating to the proceeds of Bonds, the Revenues, the Water Installment Sale Agreement, the Wastewater Installment Sale Agreement and all funds and accounts established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Authority and the District, during business hours and under reasonable circumstances. The Trustee shall deliver a monthly accounting of all funds and accounts except for any fund or account which has a balance of \$0.00 and has not had any activity since the last reporting date. The Trustee shall establish such other funds and accounts as it deems necessary to carry out its duties under this Indenture.

Section 6.06. No Additional Obligations. The Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Revenues in whole or in part.

Section 6.07. Tax Covenants.

(a) **Private Activity Bond Limitation.** The Authority will assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(b) **Federal Guarantee Prohibition.** The Authority will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code.

(c) **Rebate Requirement.** The Authority will take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

(d) **No Arbitrage.** The Authority will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be “arbitrage bonds” within the meaning of section 148 of the Code.

(e) **Maintenance of Tax-Exemption.** The Authority will take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

(f) **Record Retention.** The Authority will retain its records of all accounting and monitoring it carries out with respect to the Bonds for at least 3 years after the Bonds mature or are redeemed (whichever is earlier); however, if the Bonds are redeemed and refunded, the Authority will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Bonds.

(g) **Compliance with Tax Certificate.** The Authority will comply with the provisions of the Certificate as to Arbitrage and the Use of Proceeds Certificate with respect to the Bonds, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the Bonds.

Section 6.08. Installment Sale Agreements. The Trustee shall promptly collect all amounts due from the District pursuant to the Water Installment Sale Agreement and the Wastewater Installment Sale Agreement. Subject to the provisions of Article VIII, the Trustee shall enforce, and take all steps, actions and proceedings which the Trustee determines to be reasonably necessary for the enforcement of all of its rights thereunder as assignee of the Authority and for the enforcement of all of the obligations of the District under the Water Installment Sale Agreement and the Wastewater Installment Sale Agreement.

Section 6.09. Waiver of Laws. The Authority shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the Authority to the extent permitted by law.

Section 6.10. Reserved.

Section 6.11. Further Assurances. The Authority will make, execute and deliver any and all such further indentures, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture and for the better assuring and confirming unto the Owners of the Bonds of the rights and benefits provided in this Indenture.

Section 6.12. Continued Existence of the Authority. The Authority will take or cause to be taken all actions reasonably necessary to continue its existence until such time as the Bonds have been paid in full, including but not limited to the addition or substitution of one or more new members.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.01. Events of Default. The following events shall be Events of Default hereunder:

(a) Default in the due and punctual payment of the principal of any Bonds when and as the same shall become due and payable, whether at maturity as therein expressed, by acceleration, or otherwise.

(b) Default in the due and punctual payment of any installment of interest on any Bonds when and as the same shall become due and payable.

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such default shall have continued for a period of thirty (30) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee; provided, however, that if in the reasonable opinion of the Authority the default stated in the notice can be corrected, but not within such thirty (30) day period, such default shall not constitute an Event of Default hereunder if the Authority shall commence to cure such default within such thirty (30) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The occurrence and continuation of an event of default under and as defined in the Water Installment Sale Agreement or the Wastewater Installment Sale Agreement.

Section 7.02. Remedies Upon Event of Default. If any Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and shall at the written direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding, upon notice in writing to the Authority and the District, declare the principal of all of the Bonds then Outstanding, and the

interest accrued thereon, to be due and payable immediately, and upon any such declaration the same shall become and shall be immediately due and payable, anything in this Indenture or in the Bonds contained to the contrary notwithstanding.

Any such declaration is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority or the District shall deposit with the Trustee a sum sufficient to pay all the principal of and installments of interest on the Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Bonds to the extent permitted by law, and the reasonable fees, charges and expenses (including those of its attorneys) of the Trustee, and any and all other Events of Default known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Authority, the District and the Trustee, or the Trustee if such declaration was made by the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences and waive such Event of Default; but no such rescission and annulment shall extend to or shall affect any subsequent Event of Default, or shall impair or exhaust any right or power consequent thereon.

Section 7.03. Application of Revenues and Other Funds After Default. If an Event of Default shall occur and be continuing, all Revenues and any other funds then held or thereafter received by the Trustee under any of the provisions of this Indenture shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the Owners of the Bonds and payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Indenture;

(b) To the payment of the principal of and interest then due on the Bonds (upon presentation of the Bonds to be paid, and stamping or otherwise noting thereon of the payment if only partially paid, or surrender thereof if fully paid) in accordance with the provisions of this Indenture, as follows:

First: To the payment to the persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the persons entitled thereto of the unpaid principal of any Bonds which shall have become due, whether at maturity or by acceleration, with interest on the overdue principal at the rate borne by the respective Bonds (to the extent permitted by law), and, if the amount available shall not be sufficient to pay in full all the Bonds, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

Section 7.04. Trustee to Represent Bond Owners. U.S. Bank Trust Company, National Association is hereby irrevocably appointed (and the successive respective Owners of the Bonds, by taking and holding the same, shall be conclusively deemed to have so appointed the Trustee) as trustee and true and lawful attorney-in-fact of the Owners of the Bonds for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Owners under the provisions of the Bonds, this Indenture and applicable provisions of any law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Trustee to represent the Bond Owners, the Trustee in its discretion may, and upon the written request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of such Owners by such appropriate action, suit, mandamus or other proceedings as it shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Trustee or in such Owners under the Bonds, this Indenture or any other law; and upon instituting such proceeding, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the Revenues and other assets pledged under this Indenture, pending such proceedings. All rights of action under this Indenture or the Bonds or otherwise may be prosecuted and enforced by the Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in the name of the Trustee for the benefit and protection of all the Owners of such Bonds, subject to the provisions of this Indenture.

Section 7.05. Bond Owners' Direction of Proceedings. Anything in this Indenture to the contrary notwithstanding, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would expose it to liability.

Section 7.06. Limitation on Bond Owners' Right to Sue. Notwithstanding any other provision hereof, no Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Water Installment Sale Agreement, the Wastewater Installment Sale Agreement or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Owner or Owners shall have tendered to the Trustee reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have failed to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request shall have been given to the Trustee during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any

remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, this Indenture, the Water Installment Sale Agreement, the Wastewater Installment Sale Agreement or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

Section 7.07. Absolute Obligation of Authority. Nothing in Section 7.06 or in any other provision of this Indenture or in the Bonds contained shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, but only out of the Revenues and other assets herein pledged therefor, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Section 7.08. Termination of Proceedings. In case any proceedings taken by the Trustee or any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bond Owners, then in every such case the Authority, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the Authority, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

Section 7.09. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 7.10. No Waiver of Default. No delay or omission of the Trustee or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee or the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

Section 7.11. Parties Interested Herein. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the District, the Authority or the Trustee, their officers, employees and agents, and the Owners any right, remedy or claim under or by reason of this Indenture, or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the District, the Authority or the Trustee, their officers, employees and agents, and the Owners.

ARTICLE VIII

THE TRUSTEE

Section 8.01. Appointment of Trustee. U.S. Bank Trust Company, National Association, a national banking association organized and existing under and by virtue of the laws of the United States of America, is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Authority agrees that it will maintain a Trustee having a corporate trust office in the State, with (or if a member of a bank holding company system, its parent holding company shall have) a combined capital and surplus of at least fifty million dollars (\$50,000,000), and subject to supervision or examination by federal or State authority, so long as any Bonds are Outstanding. If such national banking association, bank or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section 8.01 the combined capital and surplus of such national banking association, bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is hereby authorized to pay the principal of and interest and maturity amount on the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Bonds paid and discharged.

Section 8.02. Acceptance of Trustee. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after curing of all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default hereunder has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill and diligence in their exercise, as a prudent person would use in the conduct of its own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty hereunder. The Trustee shall not be responsible for any misconduct or negligence on the part of any agent, receiver or attorney appointed with due care by it hereunder. The Trustee may conclusively rely upon an opinion of counsel as full and complete protection for any action taken or suffered by it hereunder.

(c) The Trustee shall not be responsible for any recital herein, or in the Bonds, or for any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby and the Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority hereunder.

(d) Except as provided in Section 3.02, the Trustee shall not be accountable for the use of any proceeds of sale of the Bonds delivered hereunder. The Trustee may become the Owner of Bonds secured hereby with the same rights which it would have if not the Trustee; may acquire and dispose of other bonds or evidences of indebtedness of the Authority with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any

committee formed to protect the rights of Owners of Bonds, whether or not such committee shall represent the Owners of the majority of the Bonds.

(e) The Trustee shall be protected in acting, in good faith and without negligence, upon any notice, request, consent, certificate, order, affidavit, letter, telegram, requisition, facsimile transmission, electronic mail or other paper or document believed by it to be genuine, and correct and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith and without negligence pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at their request unless the ownership of such Bond by such person shall be reflected on the Registration Books.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a Written Certificate of the Authority as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default hereunder of which the Trustee has been given notice or is deemed to have notice, as provided in Section 8.02(h) hereof, shall also be at liberty to accept a Written Certificate of the Authority to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder, under the Water Installment Sale Agreement or the Wastewater Installment Sale Agreement, except failure by the Authority to make any of the payments to the Trustee required to be made by the Authority pursuant hereto or failure by the Authority to file with the Trustee any document required by this Indenture to be so filed subsequent to the issuance of the Bonds, unless the Trustee shall be specifically notified in writing of such default by the Authority, and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default hereunder except as aforesaid.

(i) At any and all reasonable times the Trustee and its duly authorized agents, attorneys, experts, accountants and representatives, shall have the right (but not any duty) fully to inspect all books, papers and records of the Authority pertaining to the Bonds, and to make copies of any of such books, papers and records such as may be desired but which is not privileged by statute or by law.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises hereof.

(k) Notwithstanding anything elsewhere in this Indenture with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever

within the purview of this Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing the right of the Authority to the execution of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) Before taking any action under Article VII hereof or this Article VIII at the request or direction of the Owners, the Trustee may require payment or reimbursement of its fees and expenses, including fees and expenses of counsel and receipt of an indemnity bond satisfactory to it from the Owners to protect it against all liability, except liability which is adjudicated to have resulted from its own negligence or willful misconduct in connection with any action so taken. Before being required to take any action, the Trustee may require an opinion of Independent Counsel acceptable to the Trustee, which opinion shall be made available to the other parties hereto upon request, which counsel may be counsel to any of the parties hereto, or a verified certificate of any party hereto, or both, concerning the proposed action. If it does so in good faith, the Trustee shall be absolutely protected in relying thereon.

(m) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law.

(n) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be provided that the Trustee was negligent in ascertaining the pertinent facts.

Whether or not therein expressly so provided, every provision of this Indenture, the Water Installment Sale Agreement or the Wastewater Installment Sale Agreement relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article.

The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document.

(o) The Trustee shall have no responsibility for or liability in connection with assuring that all of the procedures or conditions to closing set forth in the contract for purchase of the Bonds have been met on the closing date or, that all documents required to be delivered on the Closing Date to the parties are actually delivered, except its own responsibility to receive the proceeds of the sale, deliver the Bonds or other certificates expressly required to be delivered by it and its counsel.

The Trustee may assume that parties to the contract for purchase of the Bonds have waived their rights to receive documents or to require the performance of procedures if the parties to whom such documents are to be delivered or for whom such procedures are to be performed do not require delivery or performance on or prior to the Closing Date.

(p) The Trustee shall have no responsibility with respect to any information, statement or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds.

(q) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay (“unavoidable delay”) in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Water Project, the Wastewater Project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar even and / or occurrences beyond the control of the Trustee.

(r) Whenever in the administration of the trusts imposed upon it by this Trust Agreement the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the Authority or the District, and such certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

(s) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions (“Instructions”) given pursuant to this Indenture and delivered using Electronic Means. “Electronic Means” shall mean the following communications methods: S.W.I.F.T., e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/ or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder; provided, however, that the Authority and the District shall each provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions (“Authorized Officers”) and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the Authority and the District whenever a person is to be added or deleted from the listing. If the Authority or the District elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee’s understanding of such Instructions shall be deemed controlling. The Authority understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The Authority and the District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the Authority, the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/ or authentication keys upon receipt by the Authority or the District. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee’s reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The Authority agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods

of transmitting Instructions than the method(s) selected by the Authority or the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(t) The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

(u) The Trustee may consult with counsel, including, without limitation, counsel of or to the Authority or District, with regard to legal questions, and, shall be full and complete authorization and protection in respect of any action taken or suffered by the Trustee hereunder in accordance therewith.

Section 8.03. Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon the occurrence of an Event of Default hereunder, but only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment of any Bond upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it respectively.

Section 8.04. Notice to Bond Owners of Default. If an Event of Default hereunder occurs with respect to any Bonds of which the Trustee has been given or is deemed to have notice, as provided in Section 8.02(h) hereof, then the Trustee shall immediately give written notice thereof, by first-class mail to the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the Authority to make any payment when due, the Trustee shall, within thirty (30) days of the Trustee's knowledge thereof, give such notice to the Bond Owners unless the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

Section 8.05. Intervention by Trustee. In any judicial proceeding to which the Authority is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of the Owners of any of the Bonds, the Trustee may intervene on behalf of such Bond Owners, and subject to Section 8.02(1) hereof, shall do so if requested in writing by the Owners of at least twenty-five percent (25%) of the Bonds.

Section 8.06. Removal of Trustee. The Owners of a majority of the Bonds may at any time, and the Authority may, so long as no Event of Default shall have occurred and then be continuing, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee, whereupon the Authority (with the written consent of the District) or such Owners, as the case may be, shall appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company meeting the requirements set forth in Section 8.01.

Section 8.07. Resignation by Trustee. The Trustee and any successor Trustee may at any time give written notice of its intention to resign as Trustee hereunder, such notice to be given to the Authority and the District by first class mail. Upon receiving such notice of resignation, the Authority (with the written approval of the District) shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become

effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the Authority shall cause notice thereof to be given by first class mail, postage prepaid, to the Bond Owners at their respective addresses set forth on the Registration Books.

Section 8.08. Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to Sections 8.06 or 8.07, respectively, and if the Owners shall not have approved a successor Trustee, then, with the prior written consent of the District, the Authority shall promptly appoint a successor Trustee. In the event the Authority shall for any reason whatsoever fail to appoint a successor Trustee within sixty (60) days following the delivery to the Trustee of the instrument described in Section 8.06 or within sixty (60) days following the receipt of notice by the Authority pursuant to Section 8.07, the Trustee may, at the expense of the Authority, apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of Section 8.01 hereof. Any such successor Trustee appointed by such court shall become the successor Trustee hereunder notwithstanding any action by the Authority purporting to appoint a successor Trustee following the expiration of such ninety-day period.

Within sixty (60) days following the appointment of a successor Trustee hereunder, the former Trustee shall deliver to such successor Trustee (a) all funds and accounts held by the former Trustee hereunder, and (b) any and all information and documentation as may be required or reasonably requested by the Authority or such successor Trustee in connection with the transfer to such successor Trustee of all the duties and functions of the Trustee hereunder. The Authority shall pay the reasonable costs and expenses of such former Trustee incurred in connection with such transfer.

Section 8.09. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall meet the requirements set forth in Section 8.01, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 8.10. Concerning any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the Request of the Authority, or of the Trustee's successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Should any instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor Trustee, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority.

Section 8.11. Appointment of Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under this Indenture, and

in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate co-trustee. The following provisions of this Section 8.11 are adopted to these ends. In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them. Should any instrument in writing from the Authority be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

Section 8.12. Indemnification; Limited Liability of Trustee. The Authority further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents and employees, harmless against any loss, expense, including legal fees and expenses, and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the reasonable costs and expenses of defending against any claim of liability or arising out of any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other disclosure utilized in connection with the sale of the Bonds, but excluding any and all losses, expenses and liabilities which are due to the negligence or misconduct of the Trustee, its officers, directors, agents or employees. No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder if repayment of such funds or adequate indemnity against such liability or risk is not assured to it. The Trustee shall not be liable for any action taken or omitted to be taken by it in accordance with the direction of the Owners of at least a majority of the principal amount of the Bonds relating to the time, method and place of exercising any trust or power or conducting any proceeding or remedy available to the Trustee under this Indenture or for any special, indirect, consequential or punitive damages. The obligations of the Authority hereunder and Section 8.03 shall survive the resignation or removal of the Trustee, or the discharge of this Indenture.

ARTICLE IX

MODIFICATION OR AMENDMENT OF THIS INDENTURE

Section 9.01. Amendments Permitted.

(a) This Indenture and the rights and obligations of the Authority and of the Owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time by an indenture or indentures supplemental thereto, which the Authority and the Trustee may enter

into when the written consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 11.09 hereof, shall have been filed with the Trustee. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture except as permitted herein, or deprive the Owners of the Bonds of the lien created by this Indenture on such Revenues and other assets (except as expressly provided in this Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof.

(b) This Indenture and the rights and obligations of the Authority, of the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the Authority and the Trustee may enter into without the consent of any Bond Owners, if the Trustee has been furnished an opinion of counsel that the provisions of such Supplemental Indenture shall not materially adversely affect the interests of the Owners of the Bonds, including, without limitation, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the Authority in this Indenture contained other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Indenture, or in regard to matters or questions arising under this Indenture, as the Authority may deem necessary or desirable;

(iii) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(iv) to modify, amend or supplement this Indenture in such manner as to cause interest on the Bonds to remain excludable from gross income under the Code; or

(v) to facilitate the issuance of Water Parity Obligations by the District pursuant to the Water Installment Sale Agreement or the issuance of Wastewater Parity Obligations by the District pursuant to the Wastewater Installment Sale Agreement.

(c) The Trustee may in its discretion, but shall not be obligated to, enter into any such Supplemental Indenture authorized by subsections (a) or (b) of this Section 9.01 which materially adversely affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

(d) Prior to the Trustee entering into any Supplemental Indenture hereunder, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of this Indenture

and that the adoption of such Supplemental Indenture will not, in and of itself, adversely affect the exclusion from gross income for purposes of federal income taxes of interest on the Bonds.

(e) Notice of any modification hereof or amendment hereto shall be given by the Authority to each rating agency which then maintains a rating on the Bonds, at least fifteen (15) days prior to the effective date of the related Supplemental Indenture.

Section 9.02. Effect of Supplemental Indenture. Upon the execution of any Supplemental Indenture pursuant to this Article IX, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the Authority, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 9.03. Endorsement of Bonds; Preparation of New Bonds. Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the Trustee so determines shall, bear a notation by endorsement or otherwise in form approved by the Authority and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand on the Owner of any Bonds Outstanding at the time of such execution and presentation of their Bonds for the purpose at the Trust Office or at such additional offices as the Trustee may select and designate for that purpose, a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the Authority and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the Authority and authenticated by the Trustee, and upon demand on the Owners of any Bonds then Outstanding shall be exchanged at the Trust Office, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same series and maturity.

Section 9.04. Amendment of Particular Bonds. The provisions of this Article IX shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by him.

ARTICLE X

DEFEASANCE

Section 10.01. Discharge of Indenture. Any or all of the Outstanding Bonds may be paid by the Authority in any of the following ways, provided that the Authority also pays or causes to be paid any other sums payable hereunder by the Authority:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem such Bonds; or
- (c) by delivering to the Trustee, for cancellation by it, all of such Bonds.

If the Authority shall also pay or cause to be paid all other sums payable hereunder by the Authority, then and in that case, at the election of the Authority (evidenced by a Written Certificate of the Authority, filed with the Trustee, signifying the intention of the Authority to discharge all such indebtedness and this Indenture), and notwithstanding that any of such Bonds shall not have been surrendered for payment, this Indenture and the pledge of Revenues and other assets made under this Indenture with respect to such Bonds and all covenants, agreements and other obligations of the Authority under this Indenture with respect to such Bonds shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the Authority, the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it pursuant to this Indenture which are not required for the payment of any of such Bonds not theretofore surrendered for such payment.

Section 10.02. Discharge of Liability on Bonds. Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 10.03) to pay or redeem any Outstanding Bonds (whether upon or prior to the maturity date of such Bonds), then all liability of the Authority in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payments, subject, however, to the provision of Section 10.04.

The Authority may at any time surrender to the Trustee for cancellation by it any Bonds previously issued and delivered, which the Authority may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, shall be deemed to be paid and retired.

Section 10.03. Deposit of Money or Securities with Trustee. Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Indenture and shall be:

- (a) lawful money of the United States of America in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity; or

(b) Defeasance Obligations, the principal of and interest on which when due will, in the written opinion of an Independent Accountant filed with the District, the Authority and the Trustee, provide money sufficient to pay the principal of and interest on the Bonds to be paid, as such principal and interest become due; provided, in each case, that (i) the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by Written Request of the Authority) to apply such money to the payment of such principal and interest with respect to such Bonds, and (ii) the Authority shall have delivered to the Trustee an opinion of Bond Counsel to the effect that such Bonds have been discharged in accordance with this Indenture (which opinion may rely upon and assume the accuracy of the Independent Accountant's opinion referred to above).

Section 10.04. Unclaimed Funds. Notwithstanding any provisions of this Indenture, and subject to applicable provisions of State law, any moneys held by the Trustee in trust for the payment of the principal of, or interest on, any Bonds and remaining unclaimed for a period ending on the earlier of 10 days prior to the date unclaimed funds would escheat to the state or (a) two (2) years after the principal of all of the Bonds has become due and payable (whether at maturity or by acceleration as provided in this Indenture), if such moneys were so held at such date, or (b) two (2) years after the date of deposit of such moneys if deposited after said date when all of the Bonds became due and payable, shall be repaid to the Authority free from the trusts created by this Indenture, and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the District as aforesaid, the Trustee may (at the cost of the District) first mail to the Owners of Bonds which have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the Bonds so payable and not presented and with respect to the provisions relating to the repayment to the Authority of the moneys held for the payment thereof.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Liability of Authority Limited to Revenues. Notwithstanding anything in this Indenture or in the Bonds contained, the Authority shall not be required to advance any moneys derived from any source other than the Revenues and other assets pledged under this Indenture for any of the purposes in this Indenture mentioned, whether for the payment of the principal of or interest on the Bonds or for any other purpose of this Indenture. Nevertheless, the Authority may, but shall not be required to, advance for any of the purposes hereof any funds of the Authority which may be made available to it for such purposes.

Section 11.02. Limitation of Rights to Parties and Bond Owners. Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the District and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the District and the Owners of the Bonds.

Section 11.03. Funds and Accounts. Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of

such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with corporate trust industry standards to the extent practicable, and with due regard for the requirements of Section 6.05 and for the protection of the security of the Bonds and the rights of every Owner thereof.

Section 11.04. Waiver of Notice; Requirement of Mailed Notice. Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in this Indenture any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

Section 11.05. Destruction of Bonds. Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the Authority of any Bonds, the Trustee may, upon Written Request of the Authority, in lieu of such cancellation and delivery, destroy such Bonds (in the presence of an officer of the Authority, if the Authority shall so require) as may be allowed by law, and deliver a certificate of such destruction to the Authority.

Section 11.06. Severability of Invalid Provisions. If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

Section 11.07. Notices. All written notices to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the District or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Authority: Discovery Bay Public Financing Authority
1800 Willow Lake Road
Discovery Bay, CA 94505
Attention: Executive Director
Phone: (925) 634-1131

If to the District: Town of Discovery Bay Community Services District
1800 Willow Lake Road
Discovery Bay, CA 94505
Attention: General Manager
Phone: (925) 634-1131

If to the Trustee: U.S. Bank Trust Company, National Association
One California Street, Suite 1000
San Francisco, CA 94111
Attention: Global Corporate Trust
Phone: (415) 677-3599
Fax: (415) 677-3768

If to the Original Purchaser : Webster Bank, National Association
999 Corporate Drive Suite 100
Ladera Ranch, California 92694
Attention: John Riddle
Phone: (949) 373-0568
jriddle@websterbank.com

The District, the Authority, the Trustee and the Original Purchaser, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 11.08. Evidence of Rights of Bond Owners. Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the Authority if made in the manner provided in this Section 11.08. The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer. The ownership of Bonds shall be proved by the Registration Books. Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in accordance therewith or reliance thereon.

Section 11.09. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the Authority or the District, or by any other obligor on the Bonds, or by any person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the District or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Bonds so owned which have been pledged in good faith may be regarded as Outstanding for the purposes of this Section 11.09 if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the Authority or the District or any other obligor on the Bonds. In case of a dispute as to such right, any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the Authority

and the District shall specify in a certificate to the Trustee those Bonds disqualified pursuant to this Section 11.09 and the Trustee may conclusively rely on such certificate.

Section 11.10. Money Held for Particular Bonds. The money held by the Trustee for the payment of the interest or principal due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of Section 10.04 hereof but without any liability for interest thereon.

Section 11.11. Waiver of Personal Liability. No member, officer, agent or employee of the Authority shall be individually or personally liable for the payment of the principal of or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

Section 11.12. Successor Is Deemed Included in All References to Predecessor. Whenever in this Indenture either the Authority or the Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the Authority or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 11.13. Execution in Several Counterparts. This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 11.14. Governing Law. This Indenture shall be governed by and construed in accordance with the laws of the State.

Section 11.15. Additional Rights of Original Purchaser. So long as the Original Purchaser is the Owner:

(a) Notwithstanding any other provision of this Indenture, the Original Purchaser shall have the right to consent to the appointment of a successor Trustee appointed by the Authority after the resignation or removal of the Trustee.

(b) Notwithstanding any other provision of this Indenture, the Original Purchaser shall have the right to consent to any supplement or amendment of this Indenture, the Water Installment Sale Agreement or the Wastewater Installment Sale Agreement.

(c) The District shall inform the Original Purchaser promptly upon the occurrence of an Event of Default or an Event of Taxability.

(d) The Original Purchaser is hereby expressly made a third-party beneficiary of this Indenture for so long as it is the Owner.

(e) To the extent it may legally agree to do so pursuant to applicable law, the Authority shall, or shall cause the District to, pay or reimburse the Original Purchaser for any and all charges, fees, costs and expenses that the Original Purchaser may reasonably pay or incur in

connection with the following (unless such charges, fees, costs and expenses are incurred by the Original Purchaser as a result of the Original Purchaser's gross negligence or willful misconduct): (i) the administration, enforcement, defense, or preservation of any rights or security hereunder; (ii) the pursuit of any remedies hereunder, or otherwise afforded by law or equity; (iii) any amendment, waiver, or other action with respect to or related to this Indenture whether or not executed or completed; or (iv) any litigation or other dispute in connection with this Indenture.

[Signature Page Follows on Next Page]

IN WITNESS WHEREOF, the DISCOVERY BAY PUBLIC FINANCING AUTHORITY has caused this Indenture to be signed in its name by the Chairperson of its Board and attested to by its Secretary, and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officers thereunto duly authorized, all as of the day and year first above written.

**DISCOVERY BAY PUBLIC FINANCING
AUTHORITY**

By: _____
Kevin Graves
Chairperson

Attest:

Dina Breitstein
Secretary

**U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION, as Trustee**

By: _____
Serena Kohne
Vice President

EXHIBIT A
FORM OF BOND

“THE BOND EVIDENCED HEREBY HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”), AND MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED UNLESS SO REGISTERED OR IN RELIANCE UPON AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, OR UNLESS SOLD TO AN “ACCREDITED INVESTOR” WITHIN THE MEANING OF REGULATION D PROMULGATED UNDER THE SECURITIES ACT OR A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A PROMULGATED UNDER THE SECURITIES ACT IN EACH CASE ACT PURCHASING FOR ITS OWN ACCOUNT AND NOT WITH A VIEW TO DISTRIBUTE THE CERTIFICATE, IN A TRANSACTION NOT INVOLVING A PUBLIC OFFERING, WHO DELIVERS TO THE AUTHORITY, THE DISTRICT, THE TRUSTEE AND BOND COUNSEL AN EXECUTED LETTER SUBSTANTIALLY IN THE FORM SET FORTH IN THE INDENTURE OF TRUST.”

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
CONTRA COSTA COUNTY

DISCOVERY BAY PUBLIC FINANCING AUTHORITY
(Contra Costa County, California)
Enterprise Revenue Refunding Bond, Series 2022B B
(2012 Water and Wastewater Projects Refinancing)

INTEREST RATE	MATURITY DATE	ORIGINAL ISSUE DATE	CUSIP
3.54%	December 1, 2042	September 15, 2022	N/A

REGISTERED OWNER: WEBSTER BANK, NATIONAL ASSOCIATION

PRINCIPAL AMOUNT: ONE MILLION SIX-HUNDRED SEVENTY EIGHT THOUSAND DOLLARS

The DISCOVERY BAY PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority, duly organized and existing under the laws of the State of California (the “Authority”), for value received, hereby promises to pay to the Registered Owner specified above or registered assigns (the “Registered Owner”), on the Maturity Date specified above, the Principal Amount specified above, in lawful money of the United States of America, and to pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond unless (i) this Bond is authenticated on or before an Interest Payment Date and after the close of business on the fifteenth day of the month preceding such interest payment date, in which event it shall bear interest from such Interest Payment Date, or (ii) this Bond is authenticated on or before November 15, 2022, in which event it shall bear interest from the Original Issue Date specified above; provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond, at the Interest Rate per annum specified above, payable semiannually on June 1 and December 1 in each year, commencing December 1, 2022 (collectively, the “Interest

Payment Dates”), calculated on the basis of a 360-day year composed of twelve 30-day months. Principal hereof are payable upon presentation and surrender hereof at the corporate trust office (the “Trust Office”) of U.S. Bank Trust Company, National Association, as trustee (the “Trustee”), in San Francisco, California, or such other place as designated by the Trustee. Interest hereon is payable by check of the Trustee mailed on the applicable Interest Payment Date to the Registered Owner hereof at the Registered Owner’s address as it appears on the registration books of the Trustee as of the close of business on the fifteenth day of the month preceding each Interest Payment Date (a “Record Date”), or, upon written request filed with the Trustee at least five days prior to such Record Date by a Registered Owner of at least \$1,000,000 in aggregate principal amount of Bonds, by wire transfer in immediately available funds to an account in the United States designated by such Registered Owner in such written request.

This Bond is not a debt of the Town of Discovery Bay Community Services District (the “District”), Contra Costa County, the State of California, or any of its political subdivisions, and neither the District, said County, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties of the Authority other than the Revenues.

This Bond is one of a duly authorized issue of bonds of the Authority designated as the “Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Refunding Bonds, Series 2022B (2012 Water and Wastewater Projects Refinancing)” (the “Bonds”), in an aggregate principal amount of Eleven Million Six-Hundred Fifty-Seven Thousand Dollars (\$11,657,000), all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities or interest rates) and all issued pursuant to the provisions of Article 4 of Chapter 5 of Division 7 of Title 1 (commencing with section 6584) of the California Government Code (the “Bond Law”), and pursuant to an Indenture of Trust, dated as of September 1, 2022, by and between the Authority and the Trustee (the “Indenture”), and a resolution of the Board of Directors of the Authority, adopted on August [], 2022, authorizing the issuance of the Bonds. Reference is hereby made to the Indenture (copies of which are on file at the office of the Authority) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Revenues, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Authority thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Authority to aid the District in refinancing the acquisition and construction of (i) certain improvements and facilities which constitute part of the water enterprise (the “2012 Water Project”) of the District pursuant to a Water Installment Sale Agreement, dated as of September 1, 2022, by and between the Authority as seller and the District as purchaser (the “Water Installment Sale Agreement”), and (ii) certain improvements and facilities which constitute part of the wastewater enterprise (the “2012 Wastewater Project”) of the District pursuant to a Wastewater Installment Sale Agreement, dated as of September 1, 2022, by and between the Authority and the District (the “Wastewater Installment Sale Agreement”).

The District’s obligations under the Water Installment Sale Agreement will be on parity as to payment and security with the District’s obligations with respect to that certain Water Installment Sale Agreement, dated as of April 1, 2017, by and between the Authority and the District, and with respect to that certain Water Installment Sale Agreement, dated as of May 1, 2022, by and between the Authority and the District, each as amended from time to time in accordance with the terms thereof.

The District's obligations under the Wastewater Installment Sale Agreement will be on parity as to payment and security with the District's obligations with respect to that certain Wastewater Installment Sale Agreement, dated as of April 1, 2017, by and between the Authority and the District, and with respect to that certain Water Installment Sale Agreement, dated as of May 1, 2022, by and between the Authority and the District, each as amended from time to time in accordance with the terms thereof.

This Bond and the interest hereon and all other Bonds and the interest thereon are special obligations of the Authority, and are payable from, and are secured by a charge and lien on the Revenues as defined in the Indenture, consisting primarily of installment payments to be made by the District under the Water Installment Sale Agreement as the purchase price for the 2012 Water Project and of installment payments to be made by the District under the Wastewater Installment Sale Agreement as the purchase price for the 2012 Wastewater Project. As and to the extent set forth in the Indenture, all of the Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest on the Bonds.

The rights and obligations of the Authority and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall extend the fixed maturity of any Bonds, or reduce the amount of principal thereof, or extend the time of payment, or change the method of computing the rate of interest thereon, or extend the time of payment of interest thereon, without the consent of the owner of each Bond so affected.

The Bonds are subject to optional and mandatory redemption upon the terms, at the times, upon notice and with the effect provided in the Indenture, which provisions are hereby incorporated by reference in this Bond as if fully set forth herein.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

This Bond is transferable by the Registered Owner hereof, in person or by their attorney duly authorized in writing, at the Trust Office of the Trustee or such other place as designated by the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer, a new Bond or Bonds, of Authorized Denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor. This Bond may be exchanged at the Trust Office of the Trustee for Bonds of the same tenor, aggregate principal amount, interest rate and maturity, of other Authorized Denominations.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time, form and manner as required by the Bond Law and the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by

the Bond Law or any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not be entitled to any benefit under the Indenture or become valid or obligatory for any purpose until the certificate of authentication hereon endorsed shall have been signed by the Trustee.

IN WITNESS WHEREOF, the Discovery Bay Public Financing Authority has caused this Bond to be executed in its name and on its behalf with the facsimile signature of the Chairperson of the Board of Directors and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date.

**DISCOVERY BAY PUBLIC FINANCING
AUTHORITY**

By: _____
Chairperson

Attest:

Secretary

FORM OF TRUSTEE'S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Dated: _____

**U.S. BANK TRUST COMPANY, NATIONAL
ASSOCIATION**, as Trustee

By: _____

FORM OF ASSIGNMENT

For value received, the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within Bond and do(es) hereby irrevocably constitute(s) and appoint(s)

attorney, to transfer the same on the registration books of the Trustee with full power of substitution
in the premises.

Dated: _____

Signature Guaranteed:

Notice: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

Notice: The signature on this assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever.

EXHIBIT B

FORM OF PURCHASER LETTER

Discovery Bay Public Financing Authority
1800 Willow Lake Road
Discovery Bay, CA 94505

Town of Discovery Bay Community Services District
1800 Willow Lake Road
Discovery Bay, CA 94505

U.S. Bank Trust Company, National Association
One California Street, Suite 1000
San Francisco, CA 94111
Attention: Global Corporate Trust Services

Re: \$11,657,000 Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Refunding Bonds, Series 2022B (2012 Water and Wastewater Projects Refinancing)

Ladies and Gentlemen:

The undersigned (the "Purchaser") hereby acknowledges that it is purchasing \$11,657,000 aggregate principal amount of Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Refunding Bonds, Series 2022B (2012 Water and Wastewater Projects Refinancing) issued by the Discovery Bay Public Financing Authority (the "Authority") pursuant to an Indenture of Trust, dated as of September 1, 2022 (the "Indenture"), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture, the Lease and the Placement Materials, each as defined herein.

The Purchaser acknowledges that the proceeds of the Bonds will be used for the purpose of refunding all of the outstanding \$14,150,000 original principal amount of Discovery Bay Public Financing Authority (Contra Costa County, California) Series 2012 Enterprise Revenue Bonds (Water and Wastewater Financing Projects) and thereby refinance the acquisition and construction of certain improvements and facilities which constitute part of the District's water enterprise (the "Water Enterprise"), and to refinance the acquisition and construction of certain improvements and facilities which constitute part of the District's wastewater enterprise (the "Wastewater Enterprise"). The Bonds are secured by (i) installment payments to be made pursuant to a Water Installment Sale Agreement (the "Water Installment Sale Agreement"), by and between the Town of Discovery Community Services District (the "District") and the Authority, which installment payments will be payable from net revenues of the Water Enterprise, and (ii) installment payments to be made pursuant to a Wastewater Installment Sale Agreement (the "Wastewater Installment Sale Agreement"), by and between the District and the Authority, which installment payments will be payable from net revenues of the Wastewater Enterprise, which together will be calculated to be sufficient, in time and amount, to enable

the Authority to pay the principal of and interest and premium (if any) on the Bonds when due and payable.

In connection with the sale of the Bonds to the Purchaser, the Purchaser hereby makes the following representations upon which you may rely:

1. The Purchaser has the authority and is duly authorized to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with its purchase of the Bonds.
2. The Purchaser (a) is a bank, any entity directly or indirectly controlled by the bank or under common control with the bank, other than a broker, dealer or municipal securities dealer registered under the Securities Exchange Act of 1934, or a consortium of such entities; and (b) has the present intent to hold the Bonds to maturity or earlier redemption or mandatory tender.
3. The Purchaser is (a) a “qualified institutional buyer” as that term is defined in Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), or (b) an “accredited Purchaser” as that term is defined in Rule 501(a)(1),(2),(3), or (7) under the Securities Act.
4. The Purchaser is not purchasing the Bonds for more than one account or with a view to distributing the Bonds.
5. The Purchaser understands that the Bonds are not, and are not intended to be, registered under the Securities Act and that such registration is not legally required as of the date hereof, and further understands that the Bonds (a) are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state, (b) will not be listed in any stock or other securities exchange, (c) will not carry a rating from any rating agency, and (d) will be delivered in a form that may not be readily marketable.
6. The Purchaser acknowledges that it has either been supplied with or been given access to information, including a term sheet and/or other documents including the credit package and audited financials, which it has requested from the District and to which a reasonable Purchaser would attach significance in making credit decisions, and the Purchaser has had the opportunity to ask questions and receive answers from knowledgeable individuals, including its own counsel, concerning the District and the Bonds and the security therefor so that, as a reasonable Purchaser, the Purchaser has been able to make a decision to purchase the Bonds. The Purchaser has such knowledge and experience in financial and business matters that it is capable of evaluating the merits and risks of its prospective purchase of the Bonds.
7. The Purchaser acknowledges that the Bonds are only payable from the Revenues, as described in the Indenture, and other sources of funds held with the Trustee. The Purchaser further acknowledges that the District’s

respective obligations to make installment payments under Water Installment Sale Agreement and the Wastewater Installment Sale Agreement will not be cross collateralized. Accordingly, in the event there is a shortfall in Water Net Revenues to make installment payments under Water Installment Sale Agreement, Wastewater Net Revenues will not be available to cover such shortfall. Similarly, in the event there is a shortfall in Wastewater Net Revenues to make installment payments under Wastewater Installment Sale Agreement, Water Net Revenues will be available to cover such shortfall.

8. The Purchaser has made its own inquiry and analysis with respect to the Bonds and the security therefor, and other material factors affecting the security and payment of the Bonds. The Purchaser is aware that there are certain economic and regulatory variables and risks that could adversely affect the security for the Bonds. The Purchaser has reviewed the documents executed in conjunction with the issuance of the Bonds, including, without limitation, the Indenture, the Water Installment Sale Agreement, the Wastewater Installment Sale Agreement and the Escrow Agreement.
9. The Purchaser acknowledges and agrees that neither the Authority, the District or the Oppenheimer & Co. Inc., as placement agent, take no responsibility for, and make no representation to the Purchaser, or any subsequent purchaser, with regard to, a sale, transfer or other disposition of the Bonds in violation of the provisions of the Indenture, or any securities law or income tax law consequences thereof. The Purchaser also acknowledges that, with respect to the obligations and liabilities of the Authority and the District, the Purchaser is solely responsible for compliance with the sales restrictions on the Bonds in connection with any subsequent transfer of the Bonds made by the Purchaser.
10. The Purchaser agrees that it is bound by and will abide by the provisions of the Indenture relating to transfer, the restrictions noted on the face of the Bonds and this Purchaser Letter, specifically that the Registered Owner of the Bonds may only transfer the Bonds in whole to a new Registered Owner who has delivered a Purchaser Letter to the Authority, the District, the Trustee, Bond Counsel, and the Placement Agent in the form of this letter. The Purchaser also covenants to comply with all applicable federal and state securities laws, rules and regulations in connection with any resale or transfer of the Bonds by the Purchaser.
11. The Purchaser acknowledges that the sale of the Bonds to the Purchaser is made in reliance upon the certifications, representations, and warranties herein by the Purchaser to the addressees hereto.
12. The interpretation of the provisions hereof shall be governed and construed in accordance with California law without regard to principles of conflicts of laws.

13. All representations of the Purchaser contained in this letter shall survive the sale of the Bonds to the Purchaser as representations of fact existing as of the date of execution and delivery of this Purchaser Letter.

Date: _____, 20__

Very truly yours,

[PURCHASER]

By: _____

Name: _____

Title: _____

WATER INSTALLMENT SALE AGREEMENT

Dated as of September 1, 2022

by and between

**DISCOVERY BAY PUBLIC FINANCING AUTHORITY,
as Seller**

and the

**TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT,
as Purchaser**

Relating to:

**\$11,657,000
Discovery Bay Public Financing Authority
(Contra Costa County, California)
Enterprise Revenue Refunding Bonds, Series 2022B
(2012 Water and Wastewater Projects Refinancing)**

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WATER INSTALLMENT SALE AGREEMENT

THIS WATER INSTALLMENT SALE AGREEMENT, dated as of September 1, 2022 (this “**Water Installment Sale Agreement**”), is by and between the **DISCOVERY BAY PUBLIC FINANCING AUTHORITY**, a joint exercise of powers entity duly organized and existing under the laws of the State of California (the “**Authority**”), and the **TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT**, a community services district duly organized and existing under the laws of the State of California (the “**District**”).

WITNESSETH:

WHEREAS, the Authority has the powers, among others, to issue bonds to provide financial assistance its members pursuant to Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State, including but not limited to Article 4 thereof, known as the “Marks-Roos Local Bond Pooling Act of 1985,” Government Code Section 6584 *et seq.* (the “**Act**”);

WHEREAS, the District, and a member of the Authority, has determined that, due to prevailing financial market conditions, it is in the best interests of the District to re finance the acquisition and construction of certain improvements and facilities (the “**2012 Water Project**”) which constitute part of the District’s municipal water enterprise (the “**Water Enterprise**”);

WHEREAS, to assist the District to refinance the 2012 Water Project, the Authority proposes to issue its revenue bonds under the provisions of Article 4 of the Act, designated as the “Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Refunding Bonds, Series 2022B (2012 Water and Wastewater Projects Refinancing)” (the “**Bonds**”), all pursuant to and secured by that certain Indenture of Trust, dated as of September 1, 2022, by and between the Authority and U.S. Bank Trust Company, National Association, as trustee;

WHEREAS, in order to provide for the repayment of a portion of the Bonds, the District will sell the 2012 Water Project to the Authority and the Authority will sell the 2012 Water Project to the District pursuant to this Water Installment Sale Agreement, under which the District will agree to make Water Installment Payments to the Authority the 2012 Water Project;

WHEREAS, the District is authorized under Section 61060(d) of the Government Code to finance the 2012 Water Project on an installment sale basis as provided in this Water Installment Sale Agreement; and

WHEREAS, the Authority and the District have duly authorized the execution and delivery of this Water Installment Sale Agreement;

NOW, THEREFORE, for and in consideration of the premises and the material covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Water Installment Sale Agreement shall have the respective meanings specified in the Indenture.

ARTICLE II

COVENANTS AND REPRESENTATIONS

Section 2.1. Covenants and Representations of the District. The District makes the following covenants and representations to the Authority that as of the Closing Date:

(a) The District is a community services district duly organized and validly existing under the laws of the State, has full legal right, power and authority to enter into this Water Installment Sale Agreement and to carry out and consummate all transactions contemplated hereby, and by proper action has duly authorized the execution and delivery of this Water Installment Sale Agreement.

(b) The representatives of the District executing this Water Installment Sale Agreement are fully authorized to execute the same.

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

(d) The execution and delivery of this Water Installment Sale Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the District is a party or by which the Water Enterprise or the 2012 Water Project are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the District, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Water Installment Sale Agreement, or the financial condition, assets, improvements or operations of the Water Enterprise.

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

(f) There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or threatened against or

affecting the District or the Water Enterprise which, if determined adversely to the District or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Water Installment Sale Agreement or upon the financial condition or operation of the Water Enterprise, and the District is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Water Installment Sale Agreement, or the financial conditions or operations of the Water Enterprise.

(g) The District has heretofore established the Water Fund into which the District deposits and will continue to deposit all Water Gross Revenues, and which the District will maintain throughout the Term of this Water Installment Sale Agreement.

(h) Other than the 2017 Water Installment Sale Agreement and the 2022A Water Installment Sale Agreement, there are no outstanding bonds, notes, loans, leases, installment sale agreements or other obligations which have any security interest in or claim upon the Water Net Revenues, which security interest or claim is superior to or on a parity with the Water Installment Payments.

Section 2.2. Covenants and Representations of the Authority. The Authority makes the following covenants and representations to the District that as of the Closing Date:

(a) The Authority is a joint exercise of powers authority, duly organized and existing under the laws of the State. The Authority has the power to enter into the transactions contemplated by this Water Installment Sale Agreement and to carry out its obligations hereunder. By proper action of its governing body, the Authority has been duly authorized to execute, deliver and duly perform this Water Installment Sale Agreement and the Indenture.

(b) To finance the 2012 Water Project and pay the Costs of Issuance allocable thereto, the Authority will issue its Bonds, which will mature, bear interest and be subject to redemption as set forth in the Indenture.

(c) The Bonds will be issued under and secured by the Indenture, and pursuant thereto, certain of the Authority's interests in this Water Installment Sale Agreement have been assigned to the Trustee as security for payment of the principal of and interest on the Bonds.

(d) The Authority is not in default under any of the provisions of the laws of the State, which default would affect its existence or its powers referred to in subsection (a) of this Section 2.2.

ARTICLE III

ISSUANCE OF BONDS

Section 3.1. The Bonds. The Authority has authorized the issuance of the Bonds pursuant to the Indenture in the aggregate principal amount of Eleven Million Six-Hundred Fifty-Seven Thousand Dollars (\$11,657,000). The Authority agrees that the proceeds of sale of the Bonds shall be paid to the Trustee on the Closing Date for deposit pursuant to the terms and conditions of the Indenture. The District hereby approves the Indenture, the assignment to the Trustee of the rights of the Authority assigned under and pursuant to the Indenture, and the issuance of the Bonds by the Authority under and pursuant to the Indenture.

ARTICLE IV

SALE OF 2012 WATER PROJECT; WATER INSTALLMENT PAYMENTS

Section 4.1. Sale of 2012 Water Project. The parties hereby confirm that the District currently has title to the 2012 Water Project. In consideration for the Authority's assistance in refinancing the 2012 Water Project, the District agrees to sell, and hereby sells, to the Authority, and the Authority agrees to purchase and hereby purchases, from the District, the 2012 Water Project in the manner and in accordance with the provisions of the Installment Sale Agreement.

In consideration for the Water Installment Payments, the Authority agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Authority, the 2012 Water Project at the purchase price specified in Section 4.4(a) hereof and otherwise in the manner and in accordance with the provisions of the Installment Sale Agreement.

Section 4.2. Term. The Term of this Water Installment Sale Agreement shall commence on the Closing Date, and shall end on the date on which the District shall have paid all of the Water Installment Payments and all other amounts due and payable hereunder. The provisions of this Section 4.2 are subject in all respects to any other provisions of this Water Installment Sale Agreement relating to the termination hereof with respect to the 2012 Water Project or any portion thereof.

Section 4.3. Title. All right, title and interest in each component of the 2012 Water Project shall vest in the District immediately upon execution and delivery of the Installment Sale Agreement. Such vesting shall occur without further action by the Authority or the District, and the Authority shall, if requested by the District or if necessary to assure such automatic vesting, deliver any and all documents required to assure such vesting.

Section 4.4. Water Installment Payments.

(a) **Obligation to Pay.** The District agrees to pay to the Authority, its successors and assigns, but solely from the Water Net Revenues, as the purchase price of the 2012 Water Project the aggregate principal amount of _____ Dollars (\$_____), together with interest on the unpaid principal balance, payable in Water Installment Payments coming due and payable in the respective amounts and on each Installment Payment Date specified in Exhibit A. The Water Installment Payments shall be paid by the District to the Trustee, as assignee of the Authority pursuant to the Indenture, in the amounts and at the times as set forth in Section 4.5(b).

(b) **Rate on Overdue Payments.** In the event the District should fail to make any of the payments required in this Section 4.4 and Section 4.10, the payment in default shall continue as an obligation of the District until the amount in default shall have been fully paid, and the District agrees to pay the same with interest thereon, from the date of default to the date of payment, at the rate of ten percent (10%) per annum.

(c) **Assignment.** The District understands and agrees that all Water Installment Payments have been assigned by the Authority to the Trustee in trust, pursuant to the Indenture, for the benefit of the Owners of the Bonds, and the District hereby assents to such assignment. The Authority hereby directs the District, and the District hereby agrees, to pay to the Trustee at

its Trust Office, all amounts payable by the District pursuant to this Section 4.4 and all amounts payable by the District pursuant to Article IX.

Section 4.5. Application of Water Gross Revenues; Pledge and Application of Water Net Revenues.

(a) ***Deposits Into Water Fund; Transfers to Make Water Installment Payments.***

All of the Water Gross Revenues shall be deposited by the District immediately upon receipt in the Water Fund.

Upon receipt of Water Gross Revenues, the District shall segregate such amounts as shall be estimated to be required to pay all Water Operation and Maintenance Costs for the period beginning on such date and ending on the next anticipated date of receipt of Water Gross Revenues. Amounts remaining on deposit in the Water Fund shall be the Water Net Revenues.

The District covenants and agrees that all Water Net Revenues will be held by the District in the Water Fund in trust for the benefit of the Trustee (as assignee of the rights of the Authority hereunder) and the Bond Owners, and for the benefit of the owners of any Water Parity Obligations.

(b) ***Pledge of Water Net Revenues; Transfers.*** All of the Water Net Revenues are hereby irrevocably pledged, charged and assigned to the punctual payment of the Water Installment Payments and all Water Parity Obligations and, except as otherwise provided herein, the Water Net Revenues shall not be used for any other purpose so long as any of the Water Installment Payments or payments with respect to any Water Parity Obligations remain unpaid. Such pledge, charge and assignment shall constitute a first lien on the Water Net Revenues for the payment of the Water Installment Payments and all Water Parity Obligations in accordance with the terms hereof.

On or before each Installment Payment Date, commencing November 25, 2022, the District shall withdraw from the Water Fund (together with similar withdrawals from the Water Fund with respect to all Water Parity Obligations):

(i) and transfer to the Trustee for deposit in the Bond Fund, an amount (other than amounts required for payment of principal of or interest on any Bonds which have matured but which have not been presented for payment), equal to the interest component of the Water Installment Payment and the interest component of any outstanding Water Parity Obligations coming due and payable on the next succeeding Interest Payment Date, and the principal component of the Water Installment Payment and the principal component of any outstanding Water Parity Obligations coming due and payable on the next succeeding principal payment date, if any, provided that any amounts on deposit in the Bond Fund shall be credited against the District's obligation to make such deposits or transfers therein,

(ii) and transfer to reserve funds with respect to Water Parity Obligations such amounts as are required for the replenishment thereof, the amount, if any, required to increase the amount if any, required to increase the amount on deposit in reserve funds with respect to Water Parity Obligations, the amount, if any, required to increase the amount on deposit therein to the reserve requirement of such funds or account,

(iii) and pay all other amounts, including the payments so designated and required to be paid by the District pursuant to Sections 4.9 and 4.10 of this Water Installment Sale Agreement (the "Additional Payments"), when and as due and payable under this Water Installment Sale Agreement and under any agreements relating to Water Parity Obligations, and

(iv) and pay all amounts when and as due and payable with respect to any Water Subordinate Obligations.

(c) **Release from Lien.** Following the transfers described in paragraph (b) of this Section 4.5, excess Water Net Revenues shall be released from the lien of this Water Installment Sale Agreement and shall be available for any lawful purpose of the District.

Section 4.6. Special Obligation of the District; Obligations Absolute. The District's obligation to pay the Water Installment Payments, the Additional Payments, any other amounts coming due and payable hereunder and payments with respect to Water Parity Obligations shall be a special obligation of the District limited solely to the Water Net Revenues. Under no circumstances shall the District be required to advance moneys derived from any source of income other than the Water Net Revenues and other sources specifically identified herein for the payment of the Water Installment Payments, the Additional Payments or payments with respect to Water Parity Obligations, nor shall any other funds or property of the District be liable for the payment of the Water Installment Payments, the Additional Payments or payments with respect to Water Parity Obligations and any other amounts coming due and payable hereunder.

The obligations of the District to make the Water Installment Payments, the Additional Payments and payments with respect to Water Parity Obligations from the Water Net Revenues and to perform and observe the other agreements contained herein and under agreements with respect to Water Parity Obligations shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the District, the Authority or the Trustee of any obligation to the District or otherwise with respect to the Water Enterprise, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the District by the Authority or the Trustee. Until such time as all of the Water Installment Payments, all of the Additional Payments and all other amounts coming due and payable hereunder shall have been fully paid or prepaid, the District (a) will not suspend or discontinue payment of any Water Installment Payments, Additional Payments, payments with respect to Water Parity Obligations or such other amounts, (b) will perform and observe all other agreements contained in this Water Installment Sale Agreement, and (c) will not terminate the Term of this Water Installment Sale Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Water Enterprise, sale of the Water Enterprise, the taking by eminent domain of title to or temporary use of any component of the Water Enterprise, commercial frustration of purpose, any change in the tax law or other laws of the United States of America or the State or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture or this Water Installment Sale Agreement.

Nothing contained in this Section 4.6 shall be construed to release the Authority or the Trustee from the performance of any of the agreements on its part contained herein or in the Indenture, and in the event the Authority or the Trustee shall fail to perform any such agreements, the District may institute such action against the Authority or the Trustee as the District may deem

necessary to compel performance so long as such action does not abrogate the obligations of the District contained in the preceding paragraph. The District may, however, at the District's own cost and expense and in the District's own name or in the name of the Authority prosecute or defend any action or proceeding or take any other action involving third persons which the District deems reasonably necessary in order to secure or protect the District's rights hereunder, and in such event the Authority hereby agrees to cooperate fully with the District and to take such action necessary to effect the substitution of the District for the Authority in such action or proceeding if the District shall so request.

Section 4.7. Rate Covenant. The District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water Enterprise during each Fiscal Year which (together with other funds accumulated from Water Gross Revenues and which are lawfully available to the District for payment of any of the following amounts during such Fiscal Year) are at least sufficient, after making allowances for contingencies and error in the estimates, to pay the following amounts:

(a) all Water Operation and Maintenance Costs estimated by the District to become due and payable in such Fiscal Year;

(b) the Water Installment Payments and all payments required with respect to Water Parity Obligations;

(c) all other payments required for compliance with this Water Installment Sale Agreement and the instruments pursuant to which any Water Parity Obligations shall have been issued; and

(d) all payments required to meet any other obligations of the District which are charges, liens, encumbrances upon or payable from the Water Gross Revenues or the Water Net Revenues.

In addition, the District shall, to the extent permitted by law, fix, prescribe, revise and collect rates, fees and charges for the services and commodities furnished by the Water Enterprise during each Fiscal Year which are reasonably fair and nondiscriminatory and which are sufficient to yield Adjusted Annual Water Net Revenues for such Fiscal Year equal to at least the Water Coverage Requirement for such Fiscal Year. The District may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Adjusted Annual Water Net Revenues from such reduced rates, fees and charges are estimated to be sufficient to meet the requirements of this section.

Section 4.8. Limitations on Future Obligations Secured by Water Net Revenues.

(a) **No Obligations Superior to Water Installment Payments.** In order to protect further the availability of the Water Net Revenues and the security for the Water Installment Payments and any Water Parity Obligations, the District hereby agrees that the District shall not, so long as the Water Installment Payments are not fully paid or any Water Parity Obligations are outstanding, issue or incur any obligations payable from Water Net Revenues superior to the Water Installment Payments or such Water Parity Obligations.

(b) **Water Parity Obligations.** The District shall have the right from time to time to issue or incur additional Water Parity Obligations, upon such terms and conditions as the District

shall deem advisable, but only upon compliance with the following conditions which are hereby made conditions precedent to the issuance of Water Parity Obligations:

(i) There shall be on file with the District either:

(A) A Certificate of the Fiscal Consultant demonstrating that, during the most recent Fiscal Year for which audited financial statements of the District are available or any twelve (12) calendar month period during the immediately preceding eighteen (18) calendar month period, the Adjusted Annual Water Net Revenues were at least equal to the Water Coverage Requirement for all outstanding Water Parity Obligations plus the Water Parity Obligation proposed to be executed; provided, that for the purpose of providing this certificate, the District may adjust the foregoing Adjusted Annual Water Net Revenues to reflect Additional Water Revenues; or

(B) An Engineer's Report that the estimated Adjusted Annual Water Net Revenues for each of the five (5) Fiscal Years next following the earlier of (i) the end of the period during which interest on the Water Parity Obligation proposed to be executed is to be capitalized or, if no interest is capitalized, the Fiscal Year in which the Water Parity Obligation proposed to be executed is executed, or (ii) the date on which substantially all Water Projects financed with the Water Parity Obligation proposed to be executed plus all Water Projects financed with all existing Water Parity Obligations are expected to commence operations, will be at least equal to the Water Coverage Requirement for such period; provided, that for the purpose of providing this Engineer's Report, the Independent Engineer may adjust the foregoing estimated Adjusted Annual Water Net Revenues to reflect Additional Water Revenues;

(ii) A Written Certificate of the District that the water project to be acquired and constructed with the proceeds of such Water Parity Obligation is technically feasible and the estimated cost of the acquisition and construction thereof is reasonable, and (after giving effect to the completion of all uncompleted water projects) the rates, fees and charges estimated to be fixed and prescribed for the water service for each Fiscal Year from the Fiscal Year in which such Water Parity Obligation is executed to and including the first complete Fiscal Year after the latest Date of Operation of any uncompleted water project are economically feasible and reasonably considered necessary based on projected operations for such period;

(iii) At the time of such execution of Water Parity Obligations, no Event of Default shall have occurred and be continuing; and

(iv) Upon the issuance of such Water Parity Obligations a reserve account may, but is not required to, be established for such Water Parity Obligations.

(c) **Water Subordinate Obligations.** The District further covenants that the District shall not issue or incur any Water Subordinate Obligations unless Water Net Revenues, calculated on sound accounting principles, as shown by the books of the District for the latest Fiscal Year or any more recent twelve (12) month period selected by the District ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Water Subordinate Obligations are issued or incurred, as shown by the books of the District shall, after deducting all amounts required for the payment of the Bonds and any Water Parity

Obligations, have amounted to at least 1.0 times the sum of the maximum annual debt service on all Water Subordinate Obligations outstanding immediately subsequent to the incurring of such additional obligations. An allowance for earnings arising from any increase in the charges made for service from the Water Enterprise which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year, was not in effect, may be added in an amount equal to 105% of the amount by which the Water Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year and any period prior to the incurring of such additional obligations, as shown by the certificate or opinion of a qualified independent consultant employed by the District.

Section 4.9. Additional Payments. In addition to the Water Installment Payments, the District shall pay when due all costs and expenses incurred by the Authority to comply with the provisions of the Indenture, including without limitation all Costs of Issuance allocable to the 2012 Water Project (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), and shall pay to the Trustee upon request therefor all compensation for fees due to the Trustee and all of its costs and expenses payable as a result of the performance of and compliance with its duties hereunder or under the Indenture or any related documents, together with all amounts required to indemnify the Trustee pursuant to Section 6.3 hereof or Section 8.12 of the Indenture, and all costs and expenses of attorneys, auditors, engineers and accountants. The rights of the Trustee and the obligations of the District under this Section 4.9 shall survive the termination of this Water Installment Sale Agreement and the resignation or removal of the Trustee.

Upon the occurrence of a Determination of Taxability with respect to the Bonds, the District shall, with respect to future Water Installment Payments, make Additional Payments resulting from the application of the Taxable Rate thereto directly to the Authority equal to the difference between the interest component of the Water Installment Payments calculated at the interest rate provided in this Water Installment Sale Agreement and the interest component of the Water Installment Payments calculated at the Taxable Rate. In addition, the District shall make immediately upon demand of the Authority an Additional Payment to the Authority sufficient to indemnify the Authority for any prior Water Installment Payments determined to be taxable as a consequence of a Determination of Taxability such that the taxable prior Water Installment Payments will be calculated at the Taxable Rate instead of the interest rate set forth in this Water Installment Sale Agreement.

Section 4.10. Payment of Rebatable Amounts. The District agrees to furnish all information to, and cooperate fully with, the Authority and its officers, employees, agents and attorneys, in order to assure compliance with the provisions of Section 6.07(c) of the Indenture. In the event that the Authority shall determine, pursuant to Section 6.07(c) of the Indenture, that any amounts are due and payable to the United States of America thereunder and that neither the Authority nor the Trustee has on deposit an amount of available moneys (excluding moneys on deposit in the funds and accounts established for the payment of the principal of or interest on the Bonds) to make such payment, the Authority shall promptly notify the District of such fact. Upon receipt of any such notice, the District shall promptly pay to the Trustee from any source of legally available funds, the amounts determined by the Authority to be due and payable to the United States of America under such Section 6.07(c).

Section 4.11. Rate Stabilization Fund. The Rate Stabilization Fund previously established and maintained by the District is hereby continued. The District may at any time withdraw from the Rate Stabilization Fund any money therein for deposit in the Water Fund or Bond Fund; provided, that any such deposits or withdrawals may be made up to and including the date that is one hundred twenty (120) days after the end of the Fiscal Year or twelve (12)

calendar month period for which such deposit or withdrawal will be taken into account in determining Adjusted Annual Water Gross Revenues; and provided further, that no deposit of Water Net Revenues shall be made into the Rate Stabilization Fund to the extent that such deposit would prevent the District from meeting the Water Coverage Requirement in any Fiscal Year or twelve (12) calendar month period.

Section 4.12. Water Contract Resource Obligations. The District may at any time enter into one or more Water Contract Resource Obligations for the acquisition, from facilities to be constructed, of water services or other capacity or service relating to the Water Enterprise. The District may determine that, and may agree under a Water Contract Resource Obligation to provide that, all payments under that Water Contract Resource Obligation (including payments prior to the time that water services or other capacity or service is being provided, or during a suspension or after termination of supply or service) shall be Water Operation and Maintenance Costs if the following requirements are met at the time such a Water Contract Resource Obligation is entered into:

(a) No Event of Default has occurred and is continuing.

(b) There shall be on file with the District an Engineer's Report stating that (i) the payments to be made by the District in connection with the Water Contract Resource Obligation are reasonable for the services or capacity rendered; (ii) the source of any new capacity, and any facilities to be constructed to provide the capacity, are sound from a water or other service planning standpoint, are technically and economically feasible in accordance with prudent utility practice, and are likely to provide capacity or service no later than a date set forth in the Engineer's Report; and (iii) the Adjusted Annual Water Net Revenues (further adjusted by the Independent Engineer's estimate of the payments to be made in accordance with the Contact Resource Obligation) for the five (5) Fiscal Years following the year in which the Water Contract Resource Obligation is incurred, as such Adjusted Annual Water Net Revenues are estimated by the Independent Engineer in accordance with the provisions of and adjustments permitted in Section 4.9, will be at least equal to the Water Coverage Requirement. Payments required to be made under Water Contract Resource Obligations shall not be subject to acceleration. Nothing in this section shall be deemed to prevent the District from entering into other agreements for the acquisition of water or other commodity or service from existing facilities and from treating those payments as Water Operation and Maintenance Costs; and nothing in this section shall be deemed to prevent the District from entering into other agreements for the acquisition of water or other commodity or service from facilities to be constructed and from agreeing to make payments with respect thereto, such payments constituting a lien and charge on Water Net Revenues subordinate to that of the Water Parity Obligations.

ARTICLE V

MAINTENANCE, TAXES, INSURANCE AND OTHER MATTERS

Section 5.1. Maintenance, Utilities, Taxes and Assessments. Throughout the Term of this Water Installment Sale Agreement, all improvement, repair and maintenance of the Water Enterprise shall be the responsibility of the District, and the District shall pay for or otherwise arrange for the payment of all utility services supplied to the Water Enterprise, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Water Enterprise resulting from ordinary wear and tear.

The District shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the District affecting any Water Enterprise or the respective interests or estates therein; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the Term of this Water Installment Sale Agreement as and when the same become due.

The District may, at the District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority shall notify the District that, in its opinion, by nonpayment of any such items, the interest of the Authority hereunder or under the Indenture will be materially adversely affected, in which event the District shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority.

Section 5.2. Operation of Water Enterprise. The District covenants and agrees to operate or cause to be operated the Water Enterprise in an efficient and economical manner and to operate, maintain and preserve or caused to be operated, maintained and preserved the Water Enterprise in good repair and working order. The District covenants that, in order to fully preserve and protect the priority and security of the Bonds, the District shall pay from the Water Gross Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Water Enterprise which, if unpaid, may become a lien or charge upon the Water Gross Revenues or the Water Net Revenues prior or superior to the lien granted hereunder, or which may otherwise impair the ability of the District to pay the Water Installment Payments in accordance herewith.

Section 5.3. Insurance. The District shall maintain or cause to be maintained, throughout the Term of this Water Installment Sale Agreement, but only if and to the extent available at reasonable cost from reputable insurers, liability and casualty insurance in such amounts and against such risks as shall be appropriate for water systems of like size and with similar facilities as the Water Enterprise. Such insurance may be maintained as part of or in conjunction with any other insurance carried by the District and may be maintained in whole or in part in the form of self-insurance by the District or in the form of the participation by the District in a joint powers agency or other program providing pooled insurance. All amounts collected from insurance against accident to or destruction of any portion of the Water Enterprise shall be used to repair, rebuild or replace such damaged or destroyed portion of the Water Enterprise. The proceeds of liability insurance shall be applied toward the extinguishment or satisfaction of the liability with respect to which such proceeds shall have been paid.

Section 5.4. Eminent Domain. Any amounts received as awards as a result of the taking of all or any part of the Water Enterprise by the lawful exercise of eminent domain, at the election of the District (evidenced by a Written Certificate of the District filed with the Trustee and the Authority) shall either (a) be used for the acquisition or construction of improvements and extension of the Water Enterprise in replacement of the condemned portions thereof, or (b) applied as a credit against the District's obligation to make the Water Installment Payments and payments with respect to any Water Parity Obligations in accordance with written instructions of the District filed with the Trustee.

Section 5.5. Records and Accounts.

(a) The District shall keep proper books of record and accounts of the Water Enterprise, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Water Enterprise. Said books shall, upon prior written request, be subject to the inspection by the Original Purchaser, or its representatives authorized in writing, upon not less than five (5) Business Days' prior written notice to the District. The District shall cause the books and accounts of the Water 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 Accountant.

(b) Promptly upon receipt by the District and in no event later than three hundred sixty (360) days after the close of each Fiscal Year (unless otherwise agreed in writing by the Original Purchaser), the District will furnish, or cause to be furnished, to the Original Purchaser an audit report of an Independent Accountant with respect to such Fiscal Year, covering the operations of the Water Enterprise for said Fiscal Year (which delivery shall be deemed to have occurred upon such financial statements becoming available at under the "Continuing Disclosure" tab at <https://emma.msrb.org/IssueView/Details/P1417576>). Such audit report shall include statements of the status of each account pertaining to the Water Enterprise, showing the amount and source of all deposits therein, the amount and purpose of the withdrawals therefrom and the balance therein at the beginning and end of said Fiscal Year, and a debt service coverage calculation for the Water Enterprise and all obligations payable from the Water Net Revenues thereof. In addition, the District shall deliver to the Original Purchaser, promptly after the approval thereof, a copy of the District's adopted budget for the then current Fiscal Year. The District shall also deliver to the Original Purchaser a copy of any update to the District's budget adopted for a Fiscal Year within thirty (30) days of the adoption of such updated budget.

(c) In the event that the audited financial statements are not available within 360 days after the close of each Fiscal Year, the District will furnish unaudited financial statements to the Original Purchaser in the manner described in this paragraph within such period, and will then supply the audited financial statements immediately upon the availability thereof.

Section 5.6. Reserved.

Section 5.7. Against Encumbrances. The District will not make any pledge of or place any lien on Water Gross Revenues or the moneys in the Water Fund except as provided herein. The District may at any time, or from time to time, execute Water Parity Obligations as permitted herein or incur evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of lien on Water Net Revenues on any moneys in the Water Fund as may from time to time be deposited therein, provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

Section 5.8. 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, city or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any water system competitive with the Water Enterprise. Notwithstanding the foregoing, the District may permit competitive systems where it determines that provision of water service is either geographically, technically or economically prohibitive or where provision of such services is more readily obtained from another provider of such services.

Section 5.9. Tax Covenants.

(a) **Private Activity Bond Limitation.** The District will assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(b) **Federal Guarantee Prohibition.** The District will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code.

(c) **Rebate Requirement.** The District will take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

(d) **No Arbitrage.** The District will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be “arbitrage bonds” within the meaning of section 148 of the Code.

(e) **Maintenance of Tax-Exemption.** The District will take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

(f) **Record Retention.** The District will retain its records of all accounting and monitoring it carries out with respect to the Bonds for at least 3 years after the Bonds mature or are redeemed (whichever is earlier); however, if the Bonds are redeemed and refunded, the District will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Bonds.

(g) **Compliance with Tax Certificate.** The District will comply with the provisions of the Certificate as to Arbitrage and the Use of Proceeds Certificate with respect to the Bonds, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the Bonds.

ARTICLE VI

DISCLAIMER OF WARRANTIES; ACCESS

Section 6.1. Disclaimer of Warranties. The Authority and the Trustee make no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District of the 2012 Water Project, or any other representation or warranty with respect to the 2012 Water Project. In no event shall the Authority or the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising out of this Water Installment Sale Agreement or the Indenture for the existence, furnishing, functioning or District’s use of the 2012 Water Project.

Section 6.2. Access to the Water Enterprise. The District agrees that the Authority and the Trustee, and any duly authorized representative thereof, shall have the right at all reasonable times to enter upon and to examine and inspect the Water Enterprise. The District further agrees that the Authority and the Trustee, and any duly authorized representative thereof, shall have such rights of access to the Water Enterprise as may be reasonably necessary to cause the proper maintenance of the Water Enterprise in the event of failure by the District to perform its obligations hereunder.

Section 6.3. Release and Indemnification Covenants. The District shall and hereby agrees to indemnify and save the Authority and the Trustee and their respective officers, agents, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Water Enterprise by the District, (b) any breach or default on the part of the District in the performance of any of its obligations under this Water Installment Sale Agreement, (c) any negligence or willful misconduct of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Water Enterprise, (d) any act or negligence of any sublessee of the District with respect to the Water Enterprise, (e) the performance by the Trustee of its duties and obligations under the Indenture, including any duties referred to in Section 8.12 of the Indenture, (f) the presence on, under or about, or release from, the Water Enterprise of any substance, material or waste which is, or which becomes, regulated or classified as hazardous or toxic under State, federal or local law, or (g) the offer, sale and issuance of the Bonds. No indemnification is made under this Section 6.3 or elsewhere in this Water Installment Sale Agreement for adjudicated willful misconduct or negligence by the Authority or the Trustee, or their respective officers, employees, successors or assigns. The rights of the Trustee and the obligations of the District under this Section 6.3 shall survive the termination of this Water Installment Sale Agreement and the resignation or removal of the Trustee.

Section 6.4. Non-Liability of Authority for Water Enterprise Obligations. The Authority and its successor and assigns shall have no obligation and shall incur no liabilities or debts whatsoever for the obligations, liabilities and debts of the District incurred in connection with the Water Enterprise.

ARTICLE VII

ASSIGNMENT, SALE AND AMENDMENT

Section 7.1. Assignment by the District. The obligations of the District under this Water Installment Sale Agreement may not be assigned by the District.

Section 7.2. Sale or Other Disposition of Water Enterprise. Except as provided herein, the District covenants that the Water Enterprise shall not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole; provided, however, the District may lease the Water Enterprise to a related public entity that (a) assumes all liabilities of the District with respect to the Water Enterprise, and (b) covenants to maintain Water Gross Revenues sufficient to operate and maintain the Water Enterprise and duly provide for the punctual payment of all obligations assumed by such related public entity in connection with such lease including, but not limited to, the Water Installment Payments hereunder. Neither the Water Net Revenues nor any other funds pledged or otherwise made available to secure payment of the Water Installment Payments shall be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed or used except as authorized by the terms of this Water Installment Sale Agreement. The District shall not enter into any

agreement which impairs the operation of the Water Enterprise or any part of it necessary to secure adequate Water Net Revenues to pay the Water Installment Payments, or which otherwise would impair the rights of the Bond Owners and the owners of any Water Parity Obligations with respect to the Water Net Revenues. If any substantial part of the Water Enterprise shall be sold, the payment therefor shall either (a) be used for the acquisition or construction of improvements, extensions or replacements to the Water Enterprise, or (b) to the extent not so used, be applied to prepay any Water Parity Obligations, in accordance with written instructions of the District filed with the Trustee.

Section 7.3. Amendment of Water Installment Sale Agreement. The District and the Authority shall have the right to modify or amend this Water Installment Sale Agreement without the consent of any of the Bond Owners or any of the owners of Water Parity Obligations, but only if such amendment or modification does not cause interest represented by the Bonds to be includable in gross income for federal income tax purposes in the opinion of Bond Counsel, and only if such amendment or modification does not materially adversely affect the interests of the Owners of the Bonds in the opinion of Bond Counsel, and only if such amendment or modification is for any one or more of the following purposes:

- (a) to provide for the issuance of Water Parity Obligations pursuant to Section 4.8;
- (b) to add to the covenants and agreements of the District contained in this Water Installment Sale Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the District;
- (c) to cure any ambiguity, or to cure, correct or supplement any defective provision contained herein, or in any other respect whatsoever as the Authority and the District may deem necessary or desirable; or
- (d) to amend any provision thereof for the purpose of complying with the applicable requirements of the Code.

ARTICLE VIII

EVENTS OF DEFAULT

Section 8.1. Events of Default Defined. The following events shall be Events of Default hereunder:

- (a) Failure by the District to pay any Water Installment Payment when and as the same become due and payable hereunder.
- (b) Failure by the District to pay any Additional Payment when due and payable hereunder, and the continuation of such failure for a period of ten (10) days.
- (c) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), 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 Authority or the Trustee; provided, however, that if the District shall notify the Authority and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such thirty (30) day period, such failure shall not constitute an Event of Default hereunder if the District shall

commence to cure such failure within such thirty (30) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

(e) The occurrence and continuation of any payment event of default under and as defined in the instruments authorizing the issuance of any Water Parity Obligations or any event that allows the acceleration of Water Parity Obligations.

Section 8.2. Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Trustee as assignee of the Authority shall have the right, at its option and without any further demand or notice, but subject in all respects to the provisions of Article VII of the Indenture, to:

(a) declare all principal components of the unpaid Water Installment Payments, together with accrued interest thereon at the net effective rate of interest per annum then borne by the Outstanding Bonds from the immediately preceding Interest Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall immediately become due and payable;

(b) take whatever action at law or in equity may appear necessary or desirable to collect the Water Installment Payments then due or thereafter to become due during the Term of this Water Installment Sale Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under this Water Installment Sale Agreement; and

(c) as a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Bond Owners hereunder, cause the appointment of a receiver or receivers of the Water Gross Revenues and other amounts pledged hereunder, with such powers as the court making such appointment shall confer.

The provisions of the preceding clause (a), however, are subject to the condition that if, at any time after the principal components of the unpaid Water Installment Payments shall have been so declared due and payable pursuant to the preceding clause (a), 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 Trustee a sum sufficient to pay all principal components of the Water Installment Payments coming due prior to such declaration and all matured interest components (if any) of the Water Installment Payments, with interest on such overdue principal and interest components calculated at the net effective rate of interest per annum then borne by the Outstanding Bonds, and the reasonable expenses of the Trustee (including any fees and expenses of its attorneys), and any and all other defaults known to the Trustee (other than in the payment of the principal and interest components of the Water Installment Payments due and payable solely by reason of such declaration) shall have been made good, then, and in every such case, with the written consent of the Trustee, shall rescind and annul such declaration and its consequences. However, 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. As provided

in Section 8.6, the Trustee shall be required to exercise the remedies provided herein in accordance with the Indenture.

Section 8.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Water Installment Sale Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article VIII it shall not be necessary to give any notice, other than such notice as may be required in this Article VIII or by law.

Section 8.4. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Water Installment Sale Agreement shall default under any of the provisions hereof and the nondefaulting party, the Trustee or the Owner of any Bonds should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party, the Trustee or such Owner, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred.

Section 8.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Water Installment Sale Agreement shall be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 8.6. Trustee and Bond Owners to Exercise Rights. Such rights and remedies as are given to the Authority under this Article VIII have been assigned by the Authority to the Trustee under the Indenture, to which assignment the District hereby consents. Such rights and remedies shall be exercised by Trustee and the Owners of the Bonds as provided in the Indenture.

Section 8.7. Rights of the Owners of Water Parity Obligations. Notwithstanding anything in this Article VIII to the contrary, it is hereby acknowledged and agreed that the rights of the Trustee and the Bond Owners hereunder in and to the Water Net Revenues and the

Water Enterprise shall be exercised on a parity and proportionate basis with the rights of the owners of any Water Parity Obligations and any fiduciary acting for the benefit of such owners. The provisions of this Article VIII, and the provisions of any instruments authorizing the issuance of any Water Parity Obligations, shall be construed in accordance with the foregoing sentence.

ARTICLE IX

PREPAYMENT OF WATER INSTALLMENT PAYMENTS

Section 9.1. Security Deposit. Notwithstanding any other provision of this Water Installment Sale Agreement, the District may on any date secure the payment of Water Installment Payments in whole or in part by irrevocably depositing with the Trustee or any other fiduciary an amount of cash which, together with amounts on deposit in the Bond Fund, the accounts therein, is either (a) sufficient to pay all such Water Installment Payments, including the principal and interest components thereof, in accordance with the schedule set forth in Exhibit A, or (b) invested in whole or in part in Federal Securities in such amount as will, in the written opinion of an Independent Accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Water Installment Payments when due pursuant to Section 4.4(a) or when due on any optional prepayment date pursuant to Section 9.2, as the District shall instruct at the time of said deposit. In the event of a security deposit pursuant to this Section 9.1 with respect to all of the Water Installment Payments, all obligations of the District under this Water Installment Sale Agreement, and all security provided by this Water Installment Sale Agreement for said obligations, shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all of such Water Installment Payments from such security deposit, and the obligation of the District to compensate and indemnify the Trustee pursuant to Sections 4.9 and 6.3. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of Water Installment Payments in accordance with the provisions of this Water Installment Sale Agreement.

Section 9.2. Optional Prepayment. The District may exercise its option to prepay the principal components of the Water Installment Payments in whole, on any date, by paying a prepayment price equal to the aggregate principal components of the Water Installment Payments to be prepaid, together with the interest component of the Water Installment Payments required to be paid on or accrued to such date, and together with a prepayment premium equal to the premium (if any) required to be paid on the resulting redemption of the Bonds under Section 4.01(b) of the Indenture. Such prepayment price shall be deposited by the Trustee in the Redemption Fund or in another trustee-held fund to be applied to the redemption of Bonds pursuant to Section 4.01(b) of the Indenture.

Section 9.3. Credit for Amounts on Deposit. Upon payment in full of all Additional Payments and other amounts then due and payable hereunder, all available amounts then on deposit in the funds and accounts established under the Indenture shall be credited towards the amounts then required to be so prepaid.

ARTICLE X

MISCELLANEOUS

Section 10.1. Further Assurances. The District agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Authority or the Trustee to carry out the intention or to facilitate the performance of this Water Installment Sale Agreement, including, without limitation, to perfect and continue the security interests herein intended to be created.

Section 10.2. Notices. Any notice, request, complaint, demand or other communication under this Water Installment Sale Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy, telex or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by telecopy, telex or other form of telecommunication, (b) 48 hours after deposit in

the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt.

If to the Authority: Discovery Bay Public Financing Authority
1800 Willow Lake Road
Discovery Bay, CA 94505
Attention: Executive Director
Phone: (925) 634-1131

If to the District: Town of Discovery Bay Community Services District
1800 Willow Lake Road
Discovery Bay, CA 94505
Attention: General Manager
Phone: (925) 634-1131

If to the Trustee: U.S. Bank Trust Company, National Association
One California Street, Suite 1000
San Francisco, CA 94111
Attention: Global Corporate Trust
Phone: (415) 677-3599
Fax: (415) 677-3768

If to the Original Purchaser : Webster Bank, National Association
999 Corporate Drive Suite 100
Ladera Ranch, California 92694
Attention: John Riddle
Phone: (949) 373-0568
jriddle@websterbank.com

The Authority, the District, the Trustee or the Original Purchaser may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

Section 10.3. Third Party Beneficiary. The Trustee shall be and is hereby made a third party beneficiary hereunder.

Section 10.4. Governing Law. This Water Installment Sale Agreement shall be construed in accordance with and governed by the laws of the State.

Section 10.5. Binding Effect. This Water Installment Sale Agreement shall inure to the benefit of and shall be binding upon the Authority and the District, and their respective successors and assigns, subject, however, to the limitations contained herein.

Section 10.6. Severability of Invalid Provisions. If any one or more of the provisions contained in this Water Installment Sale Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Water Installment Sale Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Water Installment Sale Agreement, and this Water Installment Sale Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority

and the District each hereby declares that it would have entered into this Water Installment Sale Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Water Installment Sale Agreement may be held illegal, invalid or unenforceable.

Section 10.7. Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Water Installment Sale Agreement. All references herein to “Articles,” “Sections” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Water Installment Sale Agreement; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Water Installment Sale Agreement as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

Section 10.8. Execution of Counterparts. This Water Installment Sale Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

Section 10.9. Waiver of Personal Liability. No member of the Board of Directors, officer, agent or employee of the District shall be individually or personally liable for the payment of Water Installment Payments or Additional Payments or be subject to any personal liability or accountability by reason of this Water Installment Sale Agreement; but nothing herein contained shall relieve any such member of the Board of Directors, officer, agent or employee from the performance of any official duty provided by law or by this Water Installment Sale Agreement.

Section 10.10. Limitation of Rights to Parties and Bond Owners. Nothing in this Water Installment Sale Agreement expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the District and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Water Installment Sale Agreement or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the District and the Owners of the Bonds.

Section 10.11. Captions. The captions or headings in this Water Installment Sale Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Water Installment Sale Agreement.

[Signature Page Follows on Next Page]

IN WITNESS WHEREOF, the Authority and the District have caused this Water Installment Sale Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

**DISCOVERY BAY PUBLIC FINANCING
AUTHORITY,**
as Seller

By _____
Kevin Graves
Chairperson

Attest:

Dina Breitstein
Secretary

**TOWN OF DISCOVERY BAY COMMUNITY
SERVICES DISTRICT,**
as Purchaser

By: _____
Kevin Graves
Board President

Attest:

Dina Breitstein
Secretary

EXHIBIT A

SCHEDULE OF WATER INSTALLMENT PAYMENTS

Installment Payment Date*	Principal Component	Interest Component	Total Installment Payment
12/1/22			
6/1/23			
12/1/23			
6/1/24			
12/1/24			
6/1/25			
12/1/25			
6/1/26			
12/1/26			
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12/1/38			
6/1/39			
12/1/39			
6/1/40			
12/1/40			
6/1/41			
12/1/41			
6/1/42			
12/1/42			
Total			

* Installment Payment Dates are the 25th day of the month immediately preceding each of the dates shown above.

EXHIBIT B

DESCRIPTION OF THE 2012 WATER PROJECT

The 2012 Water Project consists of the acquisition and construction of Well 7, as well as any necessary lands, rights of way and other real or personal property useful in connection therewith, and all additions, extensions, expansions, improvements and betterments thereto and equipments thereof.

WASTEWATER INSTALLMENT SALE AGREEMENT

Dated as of September 1, 2022

by and between

**DISCOVERY BAY PUBLIC FINANCING AUTHORITY,
as Seller**

and the

**TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT,
as Purchaser**

Relating to:

**\$11,657,000
Discovery Bay Public Financing Authority
(Contra Costa County, California)
Enterprise Revenue Refunding Bonds, Series 2022B
(2012 Water and Wastewater Projects Refinancing)**

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EXHIBIT A SCHEDULE OF WASTEWATER INSTALLMENT PAYMENTS
EXHIBIT B DESCRIPTION OF THE 2012 WASTEWATER PROJECT

WASTEWATER INSTALLMENT SALE AGREEMENT

THIS WASTEWATER INSTALLMENT SALE AGREEMENT, dated as of September 1, 2022, is by and between the **DISCOVERY BAY PUBLIC FINANCING AUTHORITY**, a joint exercise of powers entity duly organized and existing under the laws of the State of California (the "Authority"), and the **TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT**, a community services district duly organized and existing under the laws of the State of California (the "District").

WITNESSETH:

WHEREAS, the Authority has the powers, among others, to issue bonds to provide financial assistance its members pursuant to Articles 1, 2 and 4 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State, including but not limited to Article 4 thereof, known as the "Marks-Roos Local Bond Pooling Act of 1985," Government Code Section 6584 *et seq.* (the "**Act**");

WHEREAS, the District, and a member of the Authority, has determined that, due to prevailing financial market conditions, it is in the best interests of the District to refinance the acquisition and construction of certain improvements and facilities (the "**2012 Wastewater Project**") which constitute part of the District's municipal wastewater enterprise (the "**Wastewater Enterprise**");

WHEREAS, to assist the District to refinance the 2012 Wastewater Project, the Authority proposes to issue its revenue bonds under the provisions of Article 4 of the Act, designated as the "Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Refunding Bonds, Series 2022B (2012 Water and Wastewater Projects Refinancing)" (the "**Bonds**"), all pursuant to and secured by that certain Indenture of Trust, dated as of September 1, 2022, by and between the Authority and U.S. Bank Trust Company, National Association, as trustee;

WHEREAS, in order to provide for the repayment of a portion of the Bonds, the District will sell the 2012 Wastewater Project to the Authority and the Authority will sell the 2012 Wastewater Project to the District pursuant to this Wastewater Installment Sale Agreement, under which the District will agree to make Wastewater Installment Payments to the Authority;

WHEREAS, the District is authorized under Section 61060(d) of the Government Code to finance the 2012 Wastewater Project on an installment sale basis as provided in this Wastewater Installment Sale Agreement; and

WHEREAS, the Authority and the District have duly authorized the execution and delivery of this Wastewater Installment Sale Agreement;

NOW, THEREFORE, for and in consideration of the premises and the material covenants hereinafter contained, the parties hereto hereby formally covenant, agree and bind themselves as follows:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms in this Wastewater Installment Sale Agreement shall have the respective meanings specified in the Indenture.

ARTICLE II

COVENANTS AND REPRESENTATIONS

Section 2.1. Covenants and Representations of the District. The District makes the following covenants and representations to the Authority that as of the Closing Date:

(a) The District is a community services district duly organized and validly existing under the laws of the State, has full legal right, power and authority to enter into this Wastewater Installment Sale Agreement and to carry out and consummate all transactions contemplated hereby, and by proper action has duly authorized the execution and delivery of this Wastewater Installment Sale Agreement.

(b) The representatives of the District executing this Wastewater Installment Sale Agreement are fully authorized to execute the same.

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

(d) The execution and delivery of this Wastewater Installment Sale Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, will not conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any indenture, mortgage, deed of trust, lease, contract or other agreement or instrument to which the District is a party or by which the Wastewater Enterprise or the 2012 Wastewater Project are otherwise subject or bound, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the District, which conflict, violation, breach, default, lien, charge or encumbrance would have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Wastewater Installment Sale Agreement, or the financial condition, assets, improvements or operations of the Wastewater Enterprise.

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

(f) There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or threatened against or

affecting the District or the Wastewater Enterprise which, if determined adversely to the District or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Wastewater Installment Sale Agreement or upon the financial condition or operation of the Wastewater Enterprise, and the District is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Wastewater Installment Sale Agreement, or the financial conditions or operations of the Wastewater Enterprise.

(g) The District has heretofore established the Wastewater Fund into which the District deposits and will continue to deposit all Wastewater Gross Revenues, and which the District will maintain throughout the Term of this Wastewater Installment Sale Agreement.

(h) Other than the 2017 Wastewater Installment Sale Agreement and the 2022A Wastewater Installment Sale Agreement, there are no outstanding bonds, notes, loans, leases, installment sale agreements or other obligations which have any security interest in or claim upon the Wastewater Net Revenues, which security interest or claim is superior to or on a parity with the Wastewater Installment Payments.

Section 2.2. Covenants and Representations of the Authority. The Authority makes the following covenants and representations to the District that as of the Closing Date:

(a) The Authority is a joint exercise of powers authority, duly organized and existing under the laws of the State. The Authority has the power to enter into the transactions contemplated by this Wastewater Installment Sale Agreement and to carry out its obligations hereunder. By proper action of its governing body, the Authority has been duly authorized to execute, deliver and duly perform this Wastewater Installment Sale Agreement and the Indenture.

(b) To refinance the 2012 Wastewater Project and pay the Costs of Issuance allocable thereto, the Authority will issue its Bonds, which will mature, bear interest and be subject to redemption as set forth in the Indenture.

(c) The Bonds will be issued under and secured by the Indenture, and pursuant thereto, certain of the Authority's interests in this Wastewater Installment Sale Agreement have been assigned to the Trustee as security for payment of the principal of and interest on the Bonds.

(d) The Authority is not in default under any of the provisions of the laws of the State, which default would affect its existence or its powers referred to in subsection (a) of this Section 2.2.

ARTICLE III

ISSUANCE OF BONDS

Section 3.1. The Bonds. The Authority has authorized the issuance of the Bonds pursuant to the Indenture in the aggregate principal amount of Eleven Million Six-Hundred Fifty-Seven Thousand Dollars (\$11,657,000). The Authority agrees that the proceeds of sale of the Bonds shall be paid to the Trustee on the Closing Date for deposit pursuant to the terms and conditions of the Indenture. The District hereby approves the Indenture, the assignment to the Trustee of the rights of the Authority assigned under and pursuant to the Indenture, and the issuance of the Bonds by the Authority under and pursuant to the Indenture.

ARTICLE IV

SALE OF 2012 WASTEWATER PROJECT; WASTEWATER INSTALLMENT PAYMENTS

Section 4.1. Sale of 2012 Wastewater Project. The parties hereby confirm that the District currently has title to the 2012 Wastewater Project. In consideration for the Authority's assistance in refinancing the 2012 Wastewater Project, the District agrees to sell, and hereby sells, to the Authority, and the Authority agrees to purchase and hereby purchases, from the District, the 2012 Wastewater Project in the manner and in accordance with the provisions of the Installment Sale Agreement.

In consideration for the Wastewater Installment Payments, the Authority agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Authority, the 2012 Wastewater Project at the purchase price specified in Section 4.4(a) hereof and otherwise in the manner and in accordance with the provisions of the Installment Sale Agreement.

Section 4.2. Term. The Term of this Wastewater Installment Sale Agreement shall commence on the Closing Date, and shall end on the date on which the District shall have paid all of the Wastewater Installment Payments and all other amounts due and payable hereunder. The provisions of this Section 4.2 are subject in all respects to any other provisions of this Wastewater Installment Sale Agreement relating to the termination hereof with respect to the 2012 Wastewater Project or any portion thereof.

Section 4.3. Title. All right, title and interest in each component of the 2012 Wastewater Project shall vest in the District immediately upon execution and delivery of the Installment Purchase Agreement. Such vesting shall occur without further action by the Authority or the District, and the Authority shall, if requested by the District or if necessary to assure such automatic vesting, deliver any and all documents required to assure such vesting.

Section 4.4. Wastewater Installment Payments.

(a) **Obligation to Pay.** The District agrees to pay to the Authority, its successors and assigns, but solely from the Wastewater Net Revenues, as the purchase price of the 2012 Wastewater Project the aggregate principal amount of _____ Dollars (\$_____), together with interest on the unpaid principal balance, payable in Wastewater Installment Payments coming due and payable in the respective amounts and on each Installment Payment Date specified in Exhibit A. The Wastewater Installment Payments shall be paid by the District to the

Trustee, as assignee of the Authority pursuant to the Indenture, in the amounts and at the times as set forth in Section 4.5(b).

(b) **Rate on Overdue Payments.** In the event the District should fail to make any of the payments required in this Section 4.4 and Section 4.10, the payment in default shall continue as an obligation of the District until the amount in default shall have been fully paid, and the District agrees to pay the same with interest thereon, from the date of default to the date of payment, at the rate of ten percent (10%) per annum.

(c) **Assignment.** The District understands and agrees that all Wastewater Installment Payments have been assigned by the Authority to the Trustee in trust, pursuant to the Indenture, for the benefit of the Owners of the Bonds, and the District hereby assents to such assignment. The Authority hereby directs the District, and the District hereby agrees, to pay to the Trustee at its Trust Office, all amounts payable by the District pursuant to this Section 4.4 and all amounts payable by the District pursuant to Article IX.

Section 4.5. Application of Wastewater Gross Revenues; Pledge and Application of Wastewater Net Revenues.

(a) **Deposits Into Wastewater Fund; Transfers to Make Wastewater Installment Payments.** All of the Wastewater Gross Revenues shall be deposited by the District immediately upon receipt in the Wastewater Fund.

Upon receipt of Wastewater Gross Revenues, the District shall segregate such amounts as shall be estimated to be required to pay all Wastewater Operation and Maintenance Costs for the period beginning on such date and ending on the next anticipated date of receipt of Wastewater Gross Revenues. Amounts remaining on deposit in the Wastewater Fund shall be the Wastewater Net Revenues.

The District covenants and agrees that all Wastewater Net Revenues will be held by the District in the Wastewater Fund in trust for the benefit of the Trustee (as assignee of the rights of the Authority hereunder) and the Bond Owners, and for the benefit of the owners of any Wastewater Parity Obligations.

(b) **Pledge of Wastewater Net Revenues; Transfers.** All of the Wastewater Net Revenues are hereby irrevocably pledged, charged and assigned to the punctual payment of the Wastewater Installment Payments and all Wastewater Parity Obligations and, except as otherwise provided herein, the Wastewater Net Revenues shall not be used for any other purpose so long as any of the Wastewater Installment Payments or payments with respect to any Wastewater Parity Obligations remain unpaid. Such pledge, charge and assignment shall constitute a first lien on the Wastewater Net Revenues for the payment of the Wastewater Installment Payments and all Wastewater Parity Obligations in accordance with the terms hereof.

On or before each Installment Payment Date, commencing November 25, 2022, the District shall withdraw from the Wastewater Fund (together with similar withdrawals from the Wastewater Fund with respect to all Wastewater Parity Obligations):

(i) and transfer to the Trustee for deposit in the Bond Fund, an amount (other than amounts required for payment of principal of or interest on any Bonds which have matured but which have not been presented for payment), equal to the interest component of the Wastewater Installment Payment and the interest component of any outstanding

Wastewater Parity Obligations coming due and payable on the next succeeding Interest Payment Date, and the principal component of the Wastewater Installment Payment and the principal component of any outstanding Wastewater Parity Obligations coming due and payable on the next succeeding principal payment date, if any, provided that any amounts on deposit in the Bond Fund shall be credited against the District's obligation to make such deposits or transfers therein,

(ii) and transfer to reserve funds with respect to Wastewater Parity Obligations such amounts as are required for the replenishment thereof, the amount, if any, required to increase the amount if any, required to increase the amount on deposit in reserve funds with respect to Wastewater Parity Obligations, the amount, if any, required to increase the amount on deposit therein to the reserve requirement of such funds or account,

(iii) and pay all other amounts, including the payments so designated and required to be paid by the District pursuant to Sections 4.9 and 4.10 of this Wastewater Installment Sale Agreement (the "Additional Payments"), when and as due and payable under this Wastewater Installment Sale Agreement and under any agreements relating to Wastewater Parity Obligations, and

(iv) and pay all amounts when and as due and payable with respect to any Wastewater Subordinate Obligations.

(c) **Release from Lien.** Following the transfers described in paragraph (b) of this Section 4.5, excess Wastewater Net Revenues shall be released from the lien of this Wastewater Installment Sale Agreement and shall be available for any lawful purpose of the District.

Section 4.6. Special Obligation of the District; Obligations Absolute. The District's obligation to pay the Wastewater Installment Payments, the Additional Payments, any other amounts coming due and payable hereunder and payments with respect to Wastewater Parity Obligations shall be a special obligation of the District limited solely to the Wastewater Net Revenues. Under no circumstances shall the District be required to advance moneys derived from any source of income other than the Wastewater Net Revenues and other sources specifically identified herein for the payment of the Wastewater Installment Payments, the Additional Payments or payments with respect to Wastewater Parity Obligations, nor shall any other funds or property of the District be liable for the payment of the Wastewater Installment Payments, the Additional Payments or payments with respect to Wastewater Parity Obligations and any other amounts coming due and payable hereunder.

The obligations of the District to make the Wastewater Installment Payments, the Additional Payments and payments with respect to Wastewater Parity Obligations from the Wastewater Net Revenues and to perform and observe the other agreements contained herein and under agreements with respect to Wastewater Parity Obligations shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the District, the Authority or the Trustee of any obligation to the District or otherwise with respect to the Wastewater Enterprise, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the District by the Authority or the Trustee. Until such time as all of the Wastewater Installment Payments, all of the Additional Payments and all other amounts coming due and payable hereunder shall have been fully paid or prepaid, the District (a) will not suspend or discontinue payment of any Wastewater Installment Payments, Additional Payments, payments with respect to Wastewater Parity Obligations or such other amounts, (b) will perform and observe all other agreements contained in this Wastewater

Installment Sale Agreement, and (c) will not terminate the Term of this Wastewater Installment Sale Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Wastewater Enterprise, sale of the Wastewater Enterprise, the taking by eminent domain of title to or temporary use of any component of the Wastewater Enterprise, commercial frustration of purpose, any change in the tax law or other laws of the United States of America or the State or any political subdivision of either thereof or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Indenture or this Wastewater Installment Sale Agreement.

Nothing contained in this Section 4.6 shall be construed to release the Authority or the Trustee from the performance of any of the agreements on its part contained herein or in the Indenture, and in the event the Authority or the Trustee shall fail to perform any such agreements, the District may institute such action against the Authority or the Trustee as the District may deem necessary to compel performance so long as such action does not abrogate the obligations of the District contained in the preceding paragraph. The District may, however, at the District's own cost and expense and in the District's own name or in the name of the Authority prosecute or defend any action or proceeding or take any other action involving third persons which the District deems reasonably necessary in order to secure or protect the District's rights hereunder, and in such event the Authority hereby agrees to cooperate fully with the District and to take such action necessary to effect the substitution of the District for the Authority in such action or proceeding if the District shall so request.

Section 4.7. Rate Covenant. The District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater Enterprise during each Fiscal Year which (together with other funds accumulated from Wastewater Gross Revenues and which are lawfully available to the District for payment of any of the following amounts during such Fiscal Year) are at least sufficient, after making allowances for contingencies and error in the estimates, to pay the following amounts:

(a) all Wastewater Operation and Maintenance Costs estimated by the District to become due and payable in such Fiscal Year;

(b) the Wastewater Installment Payments and all payments required with respect to Wastewater Parity Obligations;

(c) all other payments required for compliance with this Wastewater Installment Sale Agreement and the instruments pursuant to which any Wastewater Parity Obligations shall have been issued; and

(d) all payments required to meet any other obligations of the District which are charges, liens, encumbrances upon or payable from the Wastewater Gross Revenues or the Wastewater Net Revenues.

In addition, the District shall, to the extent permitted by law, fix, prescribe, revise and collect rates, fees and charges for the services and commodities furnished by the Wastewater Enterprise during each Fiscal Year which are reasonably fair and nondiscriminatory and which are sufficient to yield Adjusted Annual Wastewater Net Revenues for such Fiscal Year equal to at least the Wastewater Coverage Requirement for such Fiscal Year. The District may make adjustments from time to time in such fees and charges and may make such classification thereof

as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Adjusted Annual Wastewater Net Revenues from such reduced rates, fees and charges are estimated to be sufficient to meet the requirements of this section.

Section 4.8. Limitations on Future Obligations Secured by Wastewater Net Revenues.

(a) **No Obligations Superior to Wastewater Installment Payments.** In order to protect further the availability of the Wastewater Net Revenues and the security for the Wastewater Installment Payments and any Wastewater Parity Obligations, the District hereby agrees that the District shall not, so long as the Wastewater Installment Payments are not fully paid or any Wastewater Parity Obligations are outstanding, issue or incur any obligations payable from Wastewater Net Revenues superior to the Wastewater Installment Payments or such Wastewater Parity Obligations.

(b) **Wastewater Parity Obligations.** The District shall have the right from time to time to issue or incur additional Wastewater Parity Obligations, upon such terms and conditions as the District shall deem advisable, but only upon compliance with the following conditions which are hereby made conditions precedent to the issuance of Wastewater Parity Obligations:

(i) There shall be on file with the District either:

(A) A Certificate of the Fiscal Consultant demonstrating that, during the most recent Fiscal Year for which audited financial statements of the District are available or any twelve (12) calendar month period during the immediately preceding eighteen (18) calendar month period, the Adjusted Annual Wastewater Net Revenues were at least equal to the Wastewater Coverage Requirement for all outstanding Wastewater Parity Obligations plus the Wastewater Parity Obligation proposed to be executed; provided, that for the purpose of providing this certificate, the District may adjust the foregoing Adjusted Annual Wastewater Net Revenues to reflect Additional Wastewater Revenues; or

(B) An Engineer's Report that the estimated Adjusted Annual Wastewater Net Revenues for each of the five (5) Fiscal Years next following the earlier of (i) the end of the period during which interest on the Wastewater Parity Obligation proposed to be executed is to be capitalized or, if no interest is capitalized, the Fiscal Year in which the Wastewater Parity Obligation proposed to be executed is executed, or (ii) the date on which substantially all Wastewater Projects financed with the Wastewater Parity Obligation proposed to be executed plus all Wastewater Projects financed with all existing Wastewater Parity Obligations are expected to commence operations, will be at least equal to the Wastewater Coverage Requirement for such period; provided, that for the purpose of providing this Engineer's Report, the Independent Engineer may adjust the foregoing estimated Adjusted Annual Wastewater Net Revenues to reflect Additional Wastewater Revenues;

(ii) A Written Certificate of the District that wastewater project to be acquired and constructed with the proceeds of such Wastewater Parity Obligation is technically feasible and the estimated cost of the acquisition and construction thereof is reasonable, and (after giving effect to the completion of all uncompleted wastewater projects) the rates,

fees and charges estimated to be fixed and prescribed for the wastewater service for each Fiscal Year from the Fiscal Year in which such Wastewater Parity Obligation is executed to and including the first complete Fiscal Year after the latest Date of Operation of any uncompleted wastewater project are economically feasible and reasonably considered necessary based on projected operations for such period;

(iii) At the time of such execution of Wastewater Parity Obligations, no Event of Default shall have occurred and be continuing; and

(iv) Upon the issuance of such Wastewater Parity Obligations a reserve account may, but is not required to, be established for such Wastewater Parity Obligations.

(c) **Wastewater Subordinate Obligations.** The District further covenants that the District shall not issue or incur any Wastewater Subordinate Obligations unless Wastewater Net Revenues, calculated on sound accounting principles, as shown by the books of the District for the latest Fiscal Year or any more recent twelve (12) month period selected by the District ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Wastewater Subordinate Obligations are issued or incurred, as shown by the books of the District shall, after deducting all amounts required for the payment of the Bonds and any Wastewater Parity Obligations, have amounted to at least 1.0 times the sum of the maximum annual debt service on all Wastewater Subordinate Obligations outstanding immediately subsequent to the incurring of such additional obligations. An allowance for earnings arising from any increase in the charges made for service from the Wastewater Enterprise which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year, was not in effect, may be added in an amount equal to 105% of the amount by which the Wastewater Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year and any period prior to the incurring of such additional obligations, as shown by the certificate or opinion of a qualified independent consultant employed by the District.

Section 4.9. Additional Payments. In addition to the Wastewater Installment Payments, the District shall pay when due all costs and expenses incurred by the Authority to comply with the provisions of the Indenture, including without limitation all Costs of Issuance allocable to the 2012 Wastewater Project (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), and shall pay to the Trustee upon request therefor all compensation for fees due to the Trustee and all of its costs and expenses payable as a result of the performance of and compliance with its duties hereunder or under the Indenture or any related documents, together with all amounts required to indemnify the Trustee pursuant to Section 6.3 hereof or Section 8.12 of the Indenture, and all costs and expenses of attorneys, auditors, engineers and accountants. The rights of the Trustee and the obligations of the District under this Section 4.9 shall survive the termination of this Wastewater Installment Sale Agreement and the resignation or removal of the Trustee.

Upon the occurrence of a Determination of Taxability with respect to the Bonds, the District shall, with respect to future Wastewater Installment Payments, make Additional Payments resulting from the application of the Taxable Rate thereto directly to the Authority equal to the difference between the interest component of the Wastewater Installment Payments calculated at the interest rate provided in this Wastewater Installment Sale Agreement and the interest component of the Wastewater Installment Payments calculated at the Taxable Rate. In addition, the District shall make immediately upon demand of the Authority an Additional Payment to the Authority sufficient to indemnify the Authority for any prior Wastewater Installment Payments

determined to be taxable as a consequence of a Determination of Taxability such that the taxable prior Wastewater Installment Payments will be calculated at the Taxable Rate instead of the interest rate set forth in this Wastewater Installment Sale Agreement.

Section 4.10. Payment of Rebatable Amounts. The District agrees to furnish all information to, and cooperate fully with, the Authority and its officers, employees, agents and attorneys, in order to assure compliance with the provisions of Section 6.07(c) of the Indenture. In the event that the Authority shall determine, pursuant to Section 6.07(c) of the Indenture, that any amounts are due and payable to the United States of America thereunder and that neither the Authority nor the Trustee has on deposit an amount of available moneys (excluding moneys on deposit in the funds and accounts established for the payment of the principal of or interest on the Bonds) to make such payment, the Authority shall promptly notify the District of such fact. Upon receipt of any such notice, the District shall promptly pay to the Trustee from any source of legally available funds, the amounts determined by the Authority to be due and payable to the United States of America under such Section 6.07(c).

Section 4.11. Rate Stabilization Fund. The Rate Stabilization Fund previously established and maintained by the District is hereby continued. The District may at any time withdraw from the Rate Stabilization Fund any money therein for deposit in the Wastewater Fund or Bond Fund; provided, that any such deposits or withdrawals may be made up to and including the date that is one hundred twenty (120) days after the end of the Fiscal Year or twelve (12) calendar month period for which such deposit or withdrawal will be taken into account in determining Adjusted Annual Wastewater Gross Revenues; and provided further, that no deposit of Wastewater Net Revenues shall be made into the Rate Stabilization Fund to the extent that such deposit would prevent the District from meeting the Wastewater Coverage Requirement in any Fiscal Year or twelve (12) calendar month period.

Section 4.12. Wastewater Contract Resource Obligations. The District may at any time enter into one or more Wastewater Contract Resource Obligations for the acquisition, from facilities to be constructed, of wastewater services or other capacity or service relating to the Wastewater Enterprise. The District may determine that, and may agree under a Wastewater Contract Resource Obligation to provide that, all payments under that Wastewater Contract Resource Obligation (including payments prior to the time that wastewater services or other capacity or service is being provided, or during a suspension or after termination of supply or service) shall be Wastewater Operation and Maintenance Costs if the following requirements are met at the time such a Wastewater Contract Resource Obligation is entered into:

(a) No Event of Default has occurred and is continuing.

(b) There shall be on file with the District an Engineer's Report stating that (i) the payments to be made by the District in connection with the Wastewater Contract Resource Obligation are reasonable for the services or capacity rendered; (ii) the source of any new capacity, and any facilities to be constructed to provide the capacity, are sound from a wastewater or other service planning standpoint, are technically and economically feasible in accordance with prudent utility practice, and are likely to provide capacity or service no later than a date set forth in the Engineer's Report; and (iii) the Adjusted Annual Wastewater Net Revenues (further adjusted by the Independent Engineer's estimate of the payments to be made in accordance with the Contact Resource Obligation) for the five (5) Fiscal Years following the year in which the Wastewater Contract Resource Obligation is incurred, as such Adjusted Annual Wastewater Net Revenues are estimated by the Independent Engineer in accordance with the provisions of and adjustments permitted in Section 4.9, will be at least equal to the Wastewater Coverage

Requirement. Payments required to be made under Wastewater Contract Resource Obligations shall not be subject to acceleration. Nothing in this section shall be deemed to prevent the District from entering into other agreements for the acquisition of wastewater or other commodity or service from existing facilities and from treating those payments as Wastewater Operation and Maintenance Costs; and nothing in this section shall be deemed to prevent the District from entering into other agreements for the acquisition of wastewater or other commodity or service from facilities to be constructed and from agreeing to make payments with respect thereto, such payments constituting a lien and charge on Wastewater Net Revenues subordinate to that of the Wastewater Parity Obligations.

ARTICLE V

MAINTENANCE, TAXES, INSURANCE AND OTHER MATTERS

Section 5.1. Maintenance, Utilities, Taxes and Assessments. Throughout the Term of this Wastewater Installment Sale Agreement, all improvement, repair and maintenance of the Wastewater Enterprise shall be the responsibility of the District, and the District shall pay for or otherwise arrange for the payment of all utility services supplied to the Wastewater Enterprise, which may include, without limitation, janitor service, security, power, gas, telephone, light, heating, water and all other utility services, and shall pay for or otherwise arrange for the payment of the cost of the repair and replacement of the Wastewater Enterprise resulting from ordinary wear and tear.

The District shall also pay or cause to be paid all taxes and assessments of any type or nature, if any, charged to the Authority or the District affecting any Wastewater Enterprise or the respective interests or estates therein; provided, however, that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the Term of this Wastewater Installment Sale Agreement as and when the same become due.

The District may, at the District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Authority shall notify the District that, in its opinion, by nonpayment of any such items, the interest of the Authority hereunder or under the Indenture will be materially adversely affected, in which event the District shall promptly pay such taxes, assessments or charges or provide the Authority with full security against any loss which may result from nonpayment, in form satisfactory to the Authority.

Section 5.2. Operation of Wastewater Enterprise. The District covenants and agrees to operate or cause to be operated the Wastewater Enterprise in an efficient and economical manner and to operate, maintain and preserve or caused to be operated, maintained and preserved the Wastewater Enterprise in good repair and working order. The District covenants that, in order to fully preserve and protect the priority and security of the Bonds, the District shall pay from the Wastewater Gross Revenues and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Wastewater Enterprise which, if unpaid, may become a lien or charge upon the Wastewater Gross Revenues or the Wastewater Net Revenues prior or superior to the lien granted hereunder, or which may otherwise impair the ability of the District to pay the Wastewater Installment Payments in accordance herewith.

Section 5.3. Insurance. The District shall maintain or cause to be maintained, throughout the Term of this Wastewater Installment Sale Agreement, but only if and to the extent available at reasonable cost from reputable insurers, liability and casualty insurance in such amounts and against such risks as shall be appropriate for wastewater systems of like size and with similar facilities as the Wastewater Enterprise. Such insurance may be maintained as part of or in conjunction with any other insurance carried by the District and may be maintained in whole or in part in the form of self-insurance by the District or in the form of the participation by the District in a joint powers agency or other program providing pooled insurance. All amounts collected from insurance against accident to or destruction of any portion of the Wastewater Enterprise shall be used to repair, rebuild or replace such damaged or destroyed portion of the Wastewater Enterprise. The proceeds of liability insurance shall be applied toward the extinguishment or satisfaction of the liability with respect to which such proceeds shall have been paid.

Section 5.4. Eminent Domain. Any amounts received as awards as a result of the taking of all or any part of the Wastewater Enterprise by the lawful exercise of eminent domain, at the election of the District (evidenced by a Written Certificate of the District filed with the Trustee and the Authority) shall either (a) be used for the acquisition or construction of improvements and extension of the Wastewater Enterprise in replacement of the condemned portions thereof, or (b) applied as a credit against the District's obligation to make the Wastewater Installment Payments and payments with respect to any Wastewater Parity Obligations in accordance with written instructions of the District filed with the Trustee.

Section 5.5. Records and Accounts.

(a) The District shall keep proper books of record and accounts of the Wastewater Enterprise, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Wastewater Enterprise. Said books shall, upon prior written request, be subject to the inspection by the Original Purchaser, or its representatives authorized in writing, upon not less than five (5) Business Days' prior written notice to the District. The District shall cause the books and accounts of the Wastewater 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 Accountant.

(b) Promptly upon receipt by the District and in no event later than three hundred sixty (360) days after the close of each Fiscal Year (unless otherwise agreed in writing by the Original Purchaser), the District will furnish, or cause to be furnished, to the Original Purchaser an audit report of an Independent Accountant with respect to such Fiscal Year, covering the operations of the Wastewater Enterprise for said Fiscal Year (which delivery shall be deemed to have occurred upon such financial statements becoming available at under the "Continuing Disclosure" tab at <https://emma.msrb.org/IssueView/Details/P1417576>). Such audit report shall include statements of the status of each account pertaining to the Wastewater Enterprise, showing the amount and source of all deposits therein, the amount and purpose of the withdrawals therefrom and the balance therein at the beginning and end of said Fiscal Year, and a debt service coverage calculation for the Wastewater Enterprise and all obligations payable from the Wastewater Net Revenues thereof. In addition, the District shall deliver to the Original Purchaser, promptly after the approval thereof, a copy of the District's adopted budget for the then current Fiscal Year. The District shall also deliver to the Original Purchaser a copy of any update to the District's budget adopted for a Fiscal Year within thirty (30) days of the adoption of such updated budget.

(c) In the event that the audited financial statements are not available within 360 days after the close of each Fiscal Year, the District will furnish unaudited financial statements to the Original Purchaser in the manner described in this paragraph within such period, and will then supply the audited financial statements immediately upon the availability thereof.

Section 5.6. Reserved.

Section 5.7. Against Encumbrances. The District will not make any pledge of or place any lien on Wastewater Gross Revenues or the moneys in the Wastewater Fund except as provided herein. The District may at any time, or from time to time, execute Wastewater Parity Obligations as permitted herein or incur evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of lien on Wastewater Net Revenues on any moneys in the Wastewater Fund as may from time to time be deposited therein, provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

Section 5.8. 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, city or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any wastewater system competitive with the Wastewater Enterprise. Notwithstanding the foregoing, the District may permit competitive systems where it determines that provision of wastewater service is either geographically, technically or economically prohibitive or where provision of such services is more readily obtained from another provider of such services.

Section 5.9. Tax Covenants.

(a) **Private Activity Bond Limitation.** The District will assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(b) **Federal Guarantee Prohibition.** The District will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the Bonds to be “federally guaranteed” within the meaning of section 149(b) of the Code.

(c) **Rebate Requirement.** The District will take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

(d) **No Arbitrage.** The District will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be “arbitrage bonds” within the meaning of section 148 of the Code.

(e) **Maintenance of Tax-Exemption.** The District will take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

(f) **Record Retention.** The District will retain its records of all accounting and monitoring it carries out with respect to the Bonds for at least 3 years after the Bonds mature or are redeemed (whichever is earlier); however, if the Bonds are redeemed and refunded, the District will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Bonds.

(g) **Compliance with Tax Certificate.** The District will comply with the provisions of the Certificate as to Arbitrage and the Use of Proceeds Certificate with respect to the Bonds, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the Bonds.

ARTICLE VI

DISCLAIMER OF WARRANTIES; ACCESS

Section 6.1. Disclaimer of Warranties. The Authority and the Trustee make no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District of the 2012 Wastewater Project, or any other representation or warranty with respect to the 2012 Wastewater Project. In no event shall the Authority or the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising out of this Wastewater Installment Sale Agreement or the Indenture for the existence, furnishing, functioning or District's use of the 2012 Wastewater Project.

Section 6.2. Access to the Wastewater Enterprise. The District agrees that the Authority and the Trustee, and any duly authorized representative thereof, shall have the right at all reasonable times to enter upon and to examine and inspect the Wastewater Enterprise. The District further agrees that the Authority and the Trustee, and any duly authorized representative thereof, shall have such rights of access to the Wastewater Enterprise as may be reasonably necessary to cause the proper maintenance of the Wastewater Enterprise in the event of failure by the District to perform its obligations hereunder.

Section 6.3. Release and Indemnification Covenants. The District shall and hereby agrees to indemnify and save the Authority and the Trustee and their respective officers, agents, successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Wastewater Enterprise by the District, (b) any breach or default on the part of the District in the performance of any of its obligations under this Wastewater Installment Sale Agreement, (c) any negligence or willful misconduct of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Wastewater Enterprise, (d) any act or negligence of any sublessee of the District with respect to the Wastewater Enterprise, (e) the performance by the Trustee of its duties and obligations under the Indenture, including any duties referred to in Section 8.12 of the Indenture, (f) the presence on, under or about, or release from, the Wastewater Enterprise of any substance, material or waste which is, or which becomes, regulated or classified as hazardous or toxic under State, federal or local law, or (g) the offer, sale and issuance of the Bonds. No indemnification is made under this Section 6.3 or elsewhere in this Wastewater Installment Sale Agreement for adjudicated willful misconduct or negligence by the Authority or the Trustee, or their respective officers, employees, successors or assigns. The rights of the Trustee and the obligations of the District under this Section 6.3 shall survive the termination of this Wastewater Installment Sale Agreement and the resignation or removal of the Trustee.

Section 6.4. Non-Liability of Authority for Wastewater Enterprise Obligations. The Authority and its successor and assigns shall have no obligation and shall incur no liabilities or debts whatsoever for the obligations, liabilities and debts of the District incurred in connection with the Wastewater Enterprise.

ARTICLE VII

ASSIGNMENT, SALE AND AMENDMENT

Section 7.1. Assignment by the District. The obligations of the District under this Wastewater Installment Sale Agreement may not be assigned by the District.

Section 7.2. Sale or Other Disposition of Wastewater Enterprise. Except as provided herein, the District covenants that the Wastewater Enterprise shall not be encumbered, sold, leased, pledged, any charge placed thereon, or otherwise disposed of, as a whole or substantially as a whole; provided, however, the District may lease the Wastewater Enterprise to a related public entity that (a) assumes all liabilities of the District with respect to the Wastewater Enterprise, and (b) covenants to maintain Wastewater Gross Revenues sufficient to operate and maintain the Wastewater Enterprise and duly provide for the punctual payment of all obligations assumed by such related public entity in connection with such lease including, but not limited to, the Wastewater Installment Payments hereunder. Neither the Wastewater Net Revenues nor any other funds pledged or otherwise made available to secure payment of the Wastewater Installment Payments shall be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed or used except as authorized by the terms of this Wastewater Installment Sale Agreement. The District shall not enter into any agreement which impairs the operation of the Wastewater Enterprise or any part of it necessary to secure adequate Wastewater Net Revenues to pay the Wastewater Installment Payments, or which otherwise would impair the rights of the Bond Owners and the owners of any Wastewater Parity Obligations with respect to the Wastewater Net Revenues. If any substantial part of the Wastewater Enterprise shall be sold, the payment therefor shall either (a) be used for the acquisition or construction of improvements, extensions or replacements to the Wastewater Enterprise, or (b) to the extent not so used, be applied to prepay any Wastewater Parity Obligations, in accordance with written instructions of the District filed with the Trustee.

Section 7.3. Amendment of Wastewater Installment Sale Agreement. The District and the Authority shall have the right to modify or amend this Wastewater Installment Sale Agreement without the consent of any of the Bond Owners or any of the owners of Wastewater Parity Obligations, but only if such amendment or modification does not cause interest represented by the Bonds to be includable in gross income for federal income tax purposes in the opinion of Bond Counsel, and only if such amendment or modification does not materially adversely affect the interests of the Owners of the Bonds in the opinion of Bond Counsel, and only if such amendment or modification is for any one or more of the following purposes:

(a) to provide for the issuance of Wastewater Parity Obligations pursuant to Section 4.8;

(b) to add to the covenants and agreements of the District contained in this Wastewater Installment Sale Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the District;

(c) to cure any ambiguity, or to cure, correct or supplement any defective provision contained herein, or in any other respect whatsoever as the Authority and the District may deem necessary or desirable; or

(d) to amend any provision thereof for the purpose of complying with the applicable requirements of the Code.

ARTICLE VIII

EVENTS OF DEFAULT

Section 8.1. Events of Default Defined. The following events shall be Events of Default hereunder:

(a) Failure by the District to pay any Wastewater Installment Payment when and as the same become due and payable hereunder.

(b) Failure by the District to pay any Additional Payment when due and payable hereunder, and the continuation of such failure for a period of ten (10) days.

(c) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed, other than as referred to in the preceding clauses (a) or (b), 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 Authority or the Trustee; provided, however, that if the District shall notify the Authority and the Trustee that in its reasonable opinion the failure stated in the notice can be corrected, but not within such thirty (30) day period, such failure shall not constitute an Event of Default hereunder if the District shall commence to cure such failure within such thirty (30) day period and thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) The filing by the District of a voluntary petition in bankruptcy, or failure by the District promptly to lift any execution, garnishment or attachment, or adjudication of the District as a bankrupt, or assignment by the District for the benefit of creditors, or the entry by the District into an agreement of composition with creditors, or the approval by a court of competent jurisdiction of a petition applicable to the District in any proceedings instituted under the provisions of the Federal Bankruptcy Code, as amended, or under any similar acts which may hereafter be enacted.

(e) The occurrence and continuation of any payment event of default under and as defined in the instruments authorizing the issuance of any Wastewater Parity Obligations or any event that allows the acceleration of Wastewater Parity Obligations.

Section 8.2. Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Trustee as assignee of the Authority shall have the right, at its option and without any further demand or notice, but subject in all respects to the provisions of Article VII of the Indenture, to:

(a) declare all principal components of the unpaid Wastewater Installment Payments, together with accrued interest thereon at the net effective rate of interest per annum then borne by the Outstanding Bonds from the immediately preceding Interest Payment Date on which

payment was made, to be immediately due and payable, whereupon the same shall immediately become due and payable;

(b) take whatever action at law or in equity may appear necessary or desirable to collect the Wastewater Installment Payments then due or thereafter to become due during the Term of this Wastewater Installment Sale Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under this Wastewater Installment Sale Agreement; and

(c) as a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Bond Owners hereunder, cause the appointment of a receiver or receivers of the Wastewater Gross Revenues and other amounts pledged hereunder, with such powers as the court making such appointment shall confer.

The provisions of the preceding clause (a), however, are subject to the condition that if, at any time after the principal components of the unpaid Wastewater Installment Payments shall have been so declared due and payable pursuant to the preceding clause (a), 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 Trustee a sum sufficient to pay all principal components of the Wastewater Installment Payments coming due prior to such declaration and all matured interest components (if any) of the Wastewater Installment Payments, with interest on such overdue principal and interest components calculated at the net effective rate of interest per annum then borne by the Outstanding Bonds, and the reasonable expenses of the Trustee (including any fees and expenses of its attorneys), and any and all other defaults known to the Trustee (other than in the payment of the principal and interest components of the Wastewater Installment Payments due and payable solely by reason of such declaration) shall have been made good, then, and in every such case, with the written consent of the Trustee, shall rescind and annul such declaration and its consequences. However, 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. As provided in Section 8.6, the Trustee shall be required to exercise the remedies provided herein in accordance with the Indenture.

Section 8.3. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Wastewater Installment Sale Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article VIII it shall not be necessary to give any notice, other than such notice as may be required in this Article VIII or by law.

Section 8.4. Agreement to Pay Attorneys' Fees and Expenses. In the event either party to this Wastewater Installment Sale Agreement shall default under any of the provisions hereof and the nondefaulting party, the Trustee or the Owner of any Bonds should employ attorneys or incur other expenses for the collection of moneys or the enforcement or performance or observance of any obligation or agreement on the part of the defaulting party herein contained, the defaulting party agrees that it will on demand therefor pay to the nondefaulting party, the Trustee or such Owner, as the case may be, the reasonable fees of such attorneys and such other expenses so incurred.

Section 8.5. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Wastewater Installment Sale Agreement shall be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 8.6. Trustee and Bond Owners to Exercise Rights. Such rights and remedies as are given to the Authority under this Article VIII have been assigned by the Authority to the Trustee under the Indenture, to which assignment the District hereby consents. Such rights and remedies shall be exercised by Trustee and the Owners of the Bonds as provided in the Indenture.

Section 8.7. Rights of the Owners of Wastewater Parity Obligations. Notwithstanding anything in this Article VIII to the contrary, it is hereby acknowledged and agreed that the rights of the Trustee and the Bond Owners hereunder in and to the Wastewater Net Revenues and the Wastewater Enterprise shall be exercised on a parity and proportionate basis with the rights of the owners of any Wastewater Parity Obligations and any fiduciary acting for the benefit of such owners. The provisions of this Article VIII, and the provisions of any instruments authorizing the issuance of any Wastewater Parity Obligations, shall be construed in accordance with the foregoing sentence.

ARTICLE IX

PREPAYMENT OF WASTEWATER INSTALLMENT PAYMENTS

Section 9.1. Security Deposit. Notwithstanding any other provision of this Wastewater Installment Sale Agreement, the District may on any date secure the payment of Wastewater Installment Payments in whole or in part by irrevocably depositing with the Trustee or any other fiduciary an amount of cash which, together with amounts on deposit in the Bond Fund, the accounts therein, is either (a) sufficient to pay all such Wastewater Installment Payments, including the principal and interest components thereof, in accordance with the schedule set forth in Exhibit A, or (b) invested in whole or in part in Federal Securities in such amount as will, in the written opinion of an Independent Accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Wastewater Installment Payments when due pursuant to Section 4.4(a) or when due on any optional prepayment date pursuant to Section 9.2, as the District shall instruct at the time of said deposit. In the event of a security deposit pursuant to this Section 9.1 with respect to all of the Wastewater Installment Payments, all obligations of the District under this Wastewater Installment Sale Agreement, and all security provided by this Wastewater Installment Sale Agreement for said obligations, shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all of such Wastewater Installment Payments from such security deposit, and the obligation of the District to compensate and indemnify the Trustee pursuant to Sections 4.9 and 6.3. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of Wastewater Installment Payments in accordance with the provisions of this Wastewater Installment Sale Agreement.

Section 9.2. Optional Prepayment. The District may exercise its option to prepay the principal components of the Wastewater Installment Payments in whole on any date, by paying a prepayment price equal to the aggregate principal components of the Wastewater Installment Payments to be prepaid, together with the interest component of the Wastewater Installment Payments required to be paid on or accrued to such date, and together with a prepayment premium equal to the premium (if any) required to be paid on the resulting redemption of the

Bonds under Section 4.01(b) of the Indenture. Such prepayment price shall be deposited by the Trustee in the Redemption Fund or in another trustee-held fund to be applied to the redemption of Bonds pursuant to Section 4.01(b) of the Indenture.

Section 9.3. Credit for Amounts on Deposit. Upon payment in full of all Additional Payments and other amounts then due and payable hereunder, all available amounts then on deposit in the funds and accounts established under the Indenture shall be credited towards the amounts then required to be so prepaid.

ARTICLE X

MISCELLANEOUS

Section 10.1. Further Assurances. The District agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Authority or the Trustee to carry out the intention or to facilitate the performance of this Wastewater Installment Sale Agreement, including, without limitation, to perfect and continue the security interests herein intended to be created.

Section 10.2. Notices. Any notice, request, complaint, demand or other communication under this Wastewater Installment Sale Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy, telex or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by telecopy, telex or other form of telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt.

If to the Authority:	Discovery Bay Public Financing Authority 1800 Willow Lake Road Discovery Bay, CA 94505 Attention: Executive Director Phone: (925) 634-1131
If to the District:	Town of Discovery Bay Community Services District 1800 Willow Lake Road Discovery Bay, CA 94505 Attention: General Manager Phone: (925) 634-1131
If to the Trustee:	U.S. Bank Trust Company, National Association One California Street, Suite 1000 San Francisco, CA 94111 Attention: Global Corporate Trust Phone: (415) 677-3599 Fax: (415) 677-3768
If to the Original Purchaser :	Webster Bank, National Association 999 Corporate Drive Suite 100 Ladera Ranch, California 92694

Attention: John Riddle
Phone: (949) 373-0568
jriddle@websterbank.com

The Authority, the District, the Trustee or the Original Purchaser may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

Section 10.3. Third Party Beneficiary. The Trustee shall be and is hereby made a third party beneficiary hereunder.

Section 10.4. Governing Law. This Wastewater Installment Sale Agreement shall be construed in accordance with and governed by the laws of the State.

Section 10.5. Binding Effect. This Wastewater Installment Sale Agreement shall inure to the benefit of and shall be binding upon the Authority and the District, and their respective successors and assigns, subject, however, to the limitations contained herein.

Section 10.6. Severability of Invalid Provisions. If any one or more of the provisions contained in this Wastewater Installment Sale Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Wastewater Installment Sale Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Wastewater Installment Sale Agreement, and this Wastewater Installment Sale Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the District each hereby declares that it would have entered into this Wastewater Installment Sale Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Wastewater Installment Sale Agreement may be held illegal, invalid or unenforceable.

Section 10.7. Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Wastewater Installment Sale Agreement. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Wastewater Installment Sale Agreement; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Wastewater Installment Sale Agreement as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

Section 10.8. Execution of Counterparts. This Wastewater Installment Sale Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be an original and all of which shall together constitute but one and the same instrument.

Section 10.9. Waiver of Personal Liability. No member of the Board of Directors, officer, agent or employee of the District shall be individually or personally liable for the payment of Wastewater Installment Payments or Additional Payments or be subject to any personal liability or accountability by reason of this Wastewater Installment Sale Agreement; but nothing herein contained shall relieve any such member of the Board of Directors, officer, agent or employee from the performance of any official duty provided by law or by this Wastewater Installment Sale Agreement.

Section 10.10. Limitation of Rights to Parties and Bond Owners. Nothing in this Wastewater Installment Sale Agreement expressed or implied is intended or shall be construed to give to any person other than the Authority, the Trustee, the District and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Wastewater Installment Sale Agreement or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Authority, the Trustee, the District and the Owners of the Bonds.

Section 10.11. Captions. The captions or headings in this Wastewater Installment Sale Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Wastewater Installment Sale Agreement.

[Signature Page Follows on Next Page]

IN WITNESS WHEREOF, the Authority and the District have caused this Wastewater Installment Sale Agreement to be executed in their respective names by their duly authorized officers, all as of the date first above written.

**DISCOVERY BAY PUBLIC FINANCING
AUTHORITY,**
as Seller

By: _____
Kevin Graves
Chairperson

Attest:

By _____
Dina Breitstein
Secretary

**TOWN OF DISCOVERY BAY COMMUNITY
SERVICES DISTRICT,**
as Purchaser

By: _____
Kevin Graves
Board President

Attest:

By: _____
Dina Breitstein
Secretary

EXHIBIT A

SCHEDULE OF WASTEWATER INSTALLMENT PAYMENTS

Installment Payment Date*	Principal Component	Interest Component	Total Installment Payment
12/1/22			
6/1/23			
12/1/23			
6/1/24			
12/1/24			
6/1/25			
12/1/25			
6/1/26			
12/1/26			
6/1/27			
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6/1/38			
12/1/38			
6/1/39			
12/1/39			
6/1/40			
12/1/40			
6/1/41			
12/1/41			
6/1/42			
12/1/42			
Total			

* Installment Payment Dates are the 25th day of the month immediately preceding each of the dates shown above.

EXHIBIT B

DESCRIPTION OF THE 2012 WASTEWATER PROJECT

The 2012 Wastewater Project consists of the acquisition and construction of a UV Bank 4 installation, Lift Station F rehabilitation improvements, certain influent pump station modifications, re-activation of Pump Station W, new emergency storage facilities, a splitter box, OX ditch, clarifier, RAS pumps at Plant 2, standby aerators, a new solar dryer and two new belt presses, as well as any necessary lands, rights of way and other real or personal property useful in connection therewith, and all additions, extensions, expansions, improvements and betterments thereto and equipments thereof.

**ESCROW DEPOSIT AND TRUST AGREEMENT
(2012 Bonds)**

Dated as of September 1, 2022

By and Among

DISCOVERY BAY PUBLIC FINANCING AUTHORITY,

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT,

and

**U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION,
as Escrow Agent and 2012 Trustee**

Relating to

**Discovery Bay Public Financing Authority
(Contra Costa County, California)
Series 2012 Enterprise Revenue Bonds
(Water and Wastewater Financing Projects)**

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SCHEDULE A - Refunded 2012 Bonds

SCHEDULE B - Escrowed Securities for Escrow Fund

SCHEDULE C - Payment and Redemption Schedule for Refunded 2012 Bonds

SCHEDULE D - Form of Notice of Optional Redemption for Refunded 2012 Bonds

SCHEDULE E - Form Notice of Defeasance Redemption for Refunded 2012 Bonds

ESCROW DEPOSIT AND TRUST AGREEMENT

THIS ESCROW DEPOSIT AND TRUST AGREEMENT, dated as of September 1, 2022 (this “**Escrow Agreement**”), by and among the DISCOVERY BAY PUBLIC FINANCING AUTHORITY, a joint exercise of powers entity duly organized and existing under the laws of the State of California (the “**Authority**”), the TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT, a community services district duly organized and existing under the laws of the State of California (the “**District**”), and U.S. BANK TRUST COMPANY, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as escrow agent (in such capacity, the “**Escrow Agent**”) and as successor trustee of the hereinafter defined 2012 Bonds (in such capacity, the “**2012 Trustee**”). Capitalized terms used but not defined herein have the meanings given to such terms in the hereinafter defined 2012 Indenture.

BACKGROUND :

WHEREAS, pursuant to the Indenture of Trust dated as of August 1, 2012 (the “**2012 Indenture**”), by and between the Authority and the 2012 Trustee, the Authority previously issued its \$14,150,000 original principal amount of Discovery Bay Public Financing Authority (Contra Costa County, California) Series 2012 Enterprise Revenue Bonds (Water and Wastewater Financing Projects) (the “**2012 Bonds**”);

WHEREAS, the 2012 Bonds are payable from net revenues of the District’s water enterprise and wastewater enterprise;

WHEREAS, the Authority has determined to issue its Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Refunding Bonds, Series 2022B (2012 Water and Wastewater Projects Refinancing) (the “**2022B Bonds**”), a portion of the proceeds of which, together with other moneys as described in Section 1, will be applied to pay on December 1, 2022 (the “**Redemption Date**”) the principal of the 2012 Bonds that are currently outstanding in the aggregate principal amount of \$11,330,000 (such outstanding bonds are hereinafter referred to as the “**Refunded 2012 Bonds**”), plus interest with respect thereto accrued through the Redemption Date, without premium;

WHEREAS, the Refunded 2012 Bonds more fully described on Schedule A hereto and made a part hereof;

WHEREAS, the Authority will irrevocably deposit moneys with the Escrow Agent, which moneys will be used to purchase the securities that are described on Schedule B (the “**Escrowed Securities**”) (as permitted by, in the manner prescribed by and all in accordance with the 2012 Indenture), and such Escrowed Securities satisfy the criteria set forth in Section 10.03(b) of the 2012 Indenture, and the principal of and interest on such Escrowed Securities when paid will provide money which will be fully sufficient to pay and discharge the 2012 Bonds;

WHEREAS, the District intends for the funding of said irrevocable escrow fund to constitute a security deposit for the prepayment of the Water Installment Payments and Wastewater Installment Payments as described in Section 9.1 of each of the Installment Sale Agreements;

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants hereinafter set forth, the parties hereto agree as follows:

SECTION 1. Creation of Escrow Fund. There is hereby created and established with the Escrow Agent a special and irrevocable escrow fund designated the “Escrow Fund” (the “**Escrow Fund**”). The Escrow Fund shall be held in the name of the Escrow Agent and in the custody of the Escrow Agent in accordance with the 2012 Indenture under this Escrow Agreement for the benefit of the owners of the Refunded 2012 Bonds. Except to the extent of any excess that is to be released as provided in Section 11 hereof, none of the Authority, the District, the Escrow Agent, or the 2012 Trustee shall have any interest in the funds or investments held in the Escrow Fund.

SECTION 2. Deposits to the Escrow Accounts. On or before September 15, 2022 (the “**Closing Date**”), the Authority shall transfer, or caused to be transferred, to the Escrow Agent for deposit into the Escrow Fund the amount of \$_____ in immediately available funds to be derived from a portion of the proceeds of the sale of the 2022B Bonds. In addition, the Authority hereby directs the 2012 Trustee to transfer the amount of \$_____ derived from funds held in the Bond Fund established and held by the 2012 Trustee under the 2012 Indenture and to deposit said amount into the Escrow Fund. After the foregoing deposits into the Escrow Fund, the amount of \$_____ shall remain on deposit in the Escrow Fund.

This Escrow Agreement shall constitute a Certificate of the Authority within the meaning of the 2012 Indenture signifying the Authority’s intention to discharge all of the Refunded 2012 Bonds and the 2012 Indenture.

SECTION 3. Investment of Escrow Fund.

(a) General. On the Closing Date, the Escrow Agent shall use \$_____ of the amounts deposited in the Escrow Fund to purchase certain securities and investments described on Schedule B attached hereto and made a part hereof maturing on the dates and in the amounts necessary to make the transfer described in Section 5, and hold the remaining \$_____ deposited therein in cash, uninvested. The securities and investments described on Schedule B-1 are Defeasance Obligations as defined in the 2012 Indenture and are hereinafter referred to as the “Escrowed Securities.”

The Escrow Agent will purchase the Escrowed Securities in the name of the Escrow Agent as provided above and will hold such Escrowed Securities, and any earnings received thereon and any reinvestment thereof in the Escrow Fund. The Escrow Agent shall collect amounts due and shall sell or otherwise liquidate investments in the Escrow Fund as needed to make the payments and transfers required by this Escrow Agreement and may sell, liquidate or otherwise dispose of the Escrowed Securities in accordance with Section 7, may substitute, upon the written direction of the District, Defeasance Obligations subject to the terms and limitations of Section 7, but otherwise shall have no power or duty to sell, transfer or otherwise dispose of the Escrowed Securities.

(b) Additional Actions. In the event that at any time the District or the Authority is of the opinion that for purposes of Section 12 it is necessary to take certain additional action relating to amounts held in the Escrow Fund, the District and the Authority shall so instruct the Escrow Agent in writing, and the Escrow Agent shall take such action as may be directed in accordance with such instructions.

(c) SLGS Window Closure. If the Escrow Agent learns that the Department of the Treasury or the Bureau of Fiscal Service will not, for any reason, accept a subscription of state and local government series securities (“**SLGS**”) that is to be submitted pursuant to this Escrow

Agreement, the Escrow Agent shall promptly request alternative written investment instructions from the District and the Authority with respect to funds which were to be invested in SLGS. The Escrow Agent shall follow such instructions and, upon the maturity of any such alternative investment, the Escrow Agent shall hold such funds uninvested and without liability for interest until receipt of further written instructions from the District and the Authority. In the absence of investment instructions from the District and the Authority, the Escrow Agent shall not be responsible for the investment of such funds or interest thereon. The Escrow Agent may conclusively rely upon the District and the Authority's selection of an alternative investment as a determination of the alternative investment's legality and suitability and shall not be liable for any losses related to the alternative investments or for compliance with any yield restriction applicable thereto.

SECTION 4. Creation of Lien on Escrow Fund. The moneys and securities held in the Escrow Fund are irrevocably pledged as a special fund for the (a) payment and prepayment of the Water Installment Payments and Wastewater Installment Payments and (b) payment of the Refunded 2012 Bonds as provided in Section 5 hereof. The owners of the Refunded 2012 Bonds are hereby granted an express lien on the Escrow and all moneys and any investments from time to time held therein for the payment of amounts described in Section 5 below. The Escrow Agent shall hold such moneys and investments in the Escrow Funds separate and apart from, and not commingled with, any other moneys or investments.

SECTION 5. Use of Escrow Accounts. Not later than 9:00 a.m. California time on the Payment Dates identified in Schedule C, the Escrow Agent is hereby instructed to withdraw from the Escrow Fund and transfer to the 2012 Trustee the amounts required to pay the principal of and interest on, including the redemption price of, the Refunded 2012 Bonds listed in Schedule C hereto and in accordance therewith.

The Authority hereby irrevocably elects to pay and redeem the Refunded 2012 Bonds with this Section 5 in accordance with the provisions of the 2012 Indenture. Such payment and redemption shall constitute a payment and prepayment of the Water Installment Payments and Wastewater Installment Payments.

SECTION 6. Notices of Optional Redemption and Defeasance. The 2012 Trustee is hereby instructed to mail and file:

(a) a notice of optional redemption for the Refunded 2012 Bonds maturing on and after December 1, 2023 with the Municipal Securities Rulemaking Board's EMMA System, in substantially the form set forth on Schedule D hereto, to the recipients set forth in, and otherwise pursuant to the requirements of, the 2012 Indenture by no later than October 31, 2022; and

(b) a notice of defeasance for the Refunded 2012 Bonds with the Municipal Securities Rulemaking Board's EMMA System, in substantially the form set forth on Schedule E hereto, to the recipients set forth in, and otherwise pursuant to the requirements of, the 2012 Indenture promptly upon receipt of the amounts set forth in Section 2 above but in no event later than September 17, 2022; and

The sole remedy for failure to post notices on the EMMA system as described in this Section 6 shall be an action by the holders of the Refunded 2012 Bonds in mandamus for specific performance or similar remedy to compel performance.

The 2012 Trustee hereby acknowledges that this Escrow Agreement constitutes written notice from the District of its intention to redeem the Refunded 2012 Bonds maturity on and after December 1, 2023 as required under Section 9.2 of each Installment Sale Agreement.

SECTION 7. Reinvestment; Substitution; Liquidation. Interest income and other amounts received by the Escrow Agent as payments on the Escrowed Securities shall be held as part of the Escrow Fund to be used for the purposes set forth in Section 5 of this Escrow Agreement and shall be invested by the Escrow Agent in Defeasance Obligations but only at the written direction of the Authority and the District, provided that (a) investments in the Escrow Fund shall have maturities which do not extend beyond the date on which the moneys so invested will be needed to make the transfers required by Section 5 of this Escrow Agreement, and (b) the investments, if any, in the Escrow Fund shall not have a yield in excess of the yield on the Refunded 2012 Bonds.

If the Authority and the District, at any time, deliver to the Escrow Agent written instructions instructing the Escrow Agent to liquidate, sell or otherwise dispose of any or all securities or investments in the Escrow Fund, purchase or otherwise acquire securities or investments, and/or to release any moneys or securities therein to the Authority or the District, and further delivers to the Escrow Agent, each of the following:

(a) a report of a nationally recognized firm of independent certified public accountants (or other independent firm acceptable to the Authority and the District) verifying that the securities or investments described on such Schedule C will provide moneys, available in both time and amount, to enable timely payment of all amounts required in accordance with Section 5; and

(b) an opinion of nationally recognized bond counsel to the effect that the liquidation, sale or other disposition of securities or investments in the Escrow Fund, the purchase or other acquisition of securities or investments and the deposit thereof in the Escrow Fund, or the release of amounts from the Escrow Fund as described in this Section 7 will not result in the loss of the exclusion from gross income for federal income tax purposes of interest on the Refunded 2012 Bonds or the exemption of interest on the Refunded 2012 Bonds from State of California personal income taxes;

Then the Escrow Agent shall liquidate, sell or otherwise dispose of the securities in the Escrow Fund, shall purchase (or retain) the securities or investments described in such revised Schedule C and transfer to the District, free and clear of the lien of this Escrow Agreement, any and all amounts in the Escrow Fund not required for the purchase of the investments described on such Schedule C, all in accordance with such instructions from the Authority and the District referred to above. The Escrow Agent has no duty to confirm the compliance of such direction with the foregoing conditions.

SECTION 8. Liability of Escrow Agent.

(a) The Escrow Agent shall not be liable for any loss resulting from any investment made pursuant to this Escrow Agreement in compliance with the provisions hereof. The Escrow Agent shall have no lien whatsoever on the Escrow Fund or moneys on deposit in the Escrow Fund for the payment of fees and expenses for services rendered by the Escrow Agent under this Escrow Agreement or otherwise.

(b) The Escrow Agent shall not be liable for the accuracy of the calculations as to the sufficiency of any moneys deposited into the Escrow Fund or Escrowed Securities purchased at

the direction of the Authority and the District to pay the principal and premium, if any, of, and interest on, the Refunded 2012 Bonds.

(c) In the event of the Escrow Agent's failure to account for any of the Escrow Fund therein or moneys received by it, said Escrow Fund or moneys shall, nevertheless, be and remain in trust for the holders of the Refunded 2012 Bonds, as herein provided.

(d) The Escrow Agent undertakes to perform such duties and only such duties as are specifically set forth in this Escrow Agreement, and no implied covenants or obligations shall be read into this Escrow Agreement against the Escrow Agent. Neither the Escrow Agent nor any of its officers, directors, employees or agents shall be liable for any action taken or omitted under this Escrow Agreement or in connection herewith except to the extent caused by the Escrow Agent's negligence or willful misconduct, as determined by the final judgment of a court of competent jurisdiction, no longer subject to appeal or review. Anything in this Escrow Agreement to the contrary notwithstanding, in no event shall the Escrow Agent be liable for special, indirect, punitive or consequential loss or damage of any kind whatsoever (including but not limited to lost profits), even if the Escrow Agent has been advised of the likelihood of such loss or damage and regardless of the form of action.

SECTION 9. Sufficiency of Escrow; Transfer of Remaining Funds.

(a) The Authority and the District agree that if for any reason the investments and moneys and other funds in the Escrow Fund are insufficient or otherwise unavailable to pay timely principal of, and interest on, the Refunded 2012 Bonds, the Authority and the District shall continue to be liable therefor.

(b) On the Redemption Date and after payment of all amounts required to be paid under Section 5 above and payment of any amounts then owed to the Escrow Agent and the U.S. Bank Trust Company, National Association, as trustee of the 2022B Bonds (the "2022B Trustee"), the Escrow Agent shall transfer any amounts in the Escrow Fund to the 2022B Trustee for deposit in the Bond Fund established under the Indenture of Trust, dated as of September 1, 2022, between the Authority and the 2022B Trustee.

SECTION 10. Successor Escrow Agent. Any corporation into which the Escrow Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger, conversion, consolidation or reorganization to which the Escrow Agent shall be a party, or any company to which the Escrow Agent may sell or transfer all or substantially all of its corporate trust business, shall, if satisfactory to the District, be the successor Escrow Agent under this Escrow Agreement without the execution or filing of any paper or any other act on the part of the parties hereto, anything herein to the contrary notwithstanding.

SECTION 11. Termination. This Escrow Agreement shall terminate when (i) all transfers and payments required to be made by the Escrow Agent under the provisions of Section 5 hereof shall have been made, (ii) any moneys remaining in the Escrow Fund at the time of such termination shall have been transferred to the District pursuant to Section 9(b) above, and (iii) the Escrow Agent has provided a final statement with respect to the Escrow Fund to the District and the Authority.

SECTION 12. Tax-Exempt Nature of Interest on 2012 Bonds. The Authority and the District covenant and agree for the benefit of the owners of the Refunded 2012 Bonds that they will not perform or permit to be performed any thing or act in such manner as would cause interest

on the Refunded 2012 Bonds to be included in the gross income of the recipients thereof for federal income tax purposes under the Internal Revenue Code of 1986, as amended.

SECTION 13. Severability. If any one or more of the covenants and agreements provided in this Escrow Agreement on the part of the Authority, the District or the Escrow Agent should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Escrow Agreement.

SECTION 14. Successors and Assigns. All of the covenants and agreements in this Escrow Agreement contained by or on behalf of the Authority, the District and the Escrow Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

SECTION 15. Compensation of Escrow Agent. For acting under this Escrow Agreement, the Escrow Agent shall be entitled to payment of fees for its services and reimbursement of advances, counsel fees and other expenses reasonably and necessarily made or incurred by the Escrow Agent in connection with its services under this Escrow Agreement; however, such amount shall never be payable from or become a lien upon the Escrow Fund, which fund shall be held solely for the purposes and subject to the lien set forth in Section 4 of this Escrow Agreement.

SECTION 16. Governing Law. This Escrow Agreement shall be governed by the applicable laws of the State of California.

SECTION 17. Heading. Any headings preceding the text of the several Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Escrow Agreement, nor shall they affect its meaning, construction or effect.

SECTION 18. Counterparts. This Escrow Agreement may be signed in several counterparts, each of which will constitute an original, but all of which shall constitute one and the same instrument.

SECTION 19. Application of Certain Terms of the 2012 Indenture. In acting as Escrow Agent hereunder, the Escrow Agent shall be entitled to the provisions of the 2012 Indenture relating to the indemnifications, limitations from liability and protections afforded the 2012 Trustee, and the provisions for resignation of the 2012 Trustee shall be followed in connection with the resignation of the Escrow Agent hereunder. The foregoing provisions are incorporated in this Escrow Agreement as if set forth herein.

SECTION 20. Effect of Escrow Agreement. As a result of the deposit of funds in accordance with this Escrow Agreement, (a) a security deposit for the prepayment of the Water Installment Payments and Wastewater Installment Payments as described in Section 9.1 of each of the Installment Sale Agreements and (b) the Refunded 2012 Bonds have been discharged and defeased in accordance with the provisions of Section 10.02 of the 2012 Indenture. The District hereby signifies its intention that the deposits made hereunder shall constitute security deposit for the prepayment of the Water Installment Payments and Wastewater Installment Payments as described in Section 9.1 of each of the Installment Sale Agreements.

IN WITNESS WHEREOF, the Discovery Bay Public Financing Authority, the Town of Discovery Bay Community Services District and U.S. Bank Trust Company, National Association, as Escrow Agent and 2012 Trustee, have caused this Escrow Agreement to be acknowledged, by their duly authorized officers as of the date first above written.

**DISCOVERY BAY PUBLIC FINANCING
AUTHORITY**

By: _____
Kevin Graves
Chairperson

**TOWN OF DISCOVERY BAY
COMMUNITY SERVICES DISTRICT,**

By: _____
Kevin Graves
Board President

**U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION,
as Escrow Agent and 2012 Trustee**

By: _____
Authorized Officer

Accepted with respect to Section 9(b)
**U.S. BANK TRUST COMPANY,
NATIONAL ASSOCIATION,**
as 2022B Trustee

By _____
Authorized Officer

SCHEDULE A

REFUNDED 2012 BONDS

Maturity Date (December 1)	Outstanding Principal Amount	Interest Rate	CUSIP Number (Base: 25471T)
2022	\$ 360,000	4.000%	AJ2
2023	370,000	2.750	AK9
2024	385,000	3.000	AL7
2025	395,000	3.000	AM5
2032*	3,205,000	3.750	AN3
2042*	4,000,000	5.000	AP8
2042*	2,615,000	4.000	AQ6

* Term Bond

SCHEDULE B
ESCROWED SECURITIES

[To come]

SCHEDULE C

PAYMENT AND REDEMPTION SCHEDULE

Payment Date	Interest	Maturing Principal	Principal Redeemed	Total Payment
12/1/2022	\$236,381.25	\$360,000.00	\$10,970,000.00	\$11,566,381.25

SCHEDULE D

NOTICE OF OPTIONAL REDEMPTION

**Discovery Bay Public Financing Authority
(Contra Costa County, California)
Series 2012 Enterprise Revenue Bonds
(Water and Wastewater Financing Projects)**

Date of Issuance: August 28, 2012

NOTICE IS HEREBY GIVEN to the owners of the above-captioned obligations (the "Bonds"), which were issued pursuant to the Indenture of Trust dated as of August 1, 2012, by and between the Discovery Bay Public Financing Authority (the "Authority") and U.S. Bank Trust Company, National Association, as successor trustee (the "Trustee"), that the Bonds maturing after December 1, 2022 in the aggregate principal amount of \$10,970,000 (the "Redeemed Bonds") have been called for redemption on December 1, 2022 (the "Redemption Date"). The Redeemed Bonds are described in the following table:

Maturity Date (December 1)	Outstanding Principal Amount	Interest Rate	CUSIP Number (Base: 25471T)
2023	\$ 370,000	2.750%	AK9
2024	385,000	3.000	AL7
2025	395,000	3.000	AM5
2032*	3,205,000	3.750	AN3
2042*	4,000,000	5.000	AP8
2042*	2,615,000	4.000	AQ6

* Denotes term bonds.

The Redeemed Bonds will be payable on the Redemption Date at a redemption price of 100% of the principal amount thereof plus accrued interest thereon to the Redemption Date (the "Redemption Price"). The Redemption Price of the Redeemed Bonds will become due and payable on the Redemption Date. Interest with respect to the Redeemed Bonds will cease to accrue and be payable from and after the Redemption Date, and the Redeemed Bonds will be surrendered to the Trustee.

To receive payment on the Redemption Date, owners of the Redeemed Bonds should present and to surrender the Redeemed Bonds on the Redemption Date at the address of the Trustee set forth below:

Delivery Instructions:
U.S. Bank Trust Company, National Association
Global Corporate Trust
111 Fillmore Ave E
St. Paul, MN 55107

REQUIREMENT INFORMATION

For a list of redemption requirements please visit our website at www.usbank.com/corporatetrust and click on the "Bondholder Information" link for Redemption

instructions. You may also contact our Bondholder Communications team at 1-800-934-6802 Monday through Friday from 8 AM to 6 PM CST.

IMPORTANT NOTICE

Federal law requires the Trustee to withhold taxes at the applicable rate from the payment if an IRS Form W-9 or applicable IRS Form W-8 is not provided. Please visit www.irs.gov for additional information on the tax forms and instructions.

If the owner of any Redeemed Bond being refunded fails to deliver such Redeemed Bond to the Trustee on the Redemption Date, such Redeemed Bond shall nevertheless be deemed redeemed on the Redemption Date and the owner of such Redeemed Bond shall have no rights in respect thereof except to receive payment of the Redemption Price from funds held by the Trustee for such payment.

Note: The Authority and the Trustee shall not be responsible for the selection or use of the CUSIP numbers selected, nor is any representation made as to their correctness in the notice or as printed on any Bond. They are included solely for the convenience of the holders.

Dated: _____, 2022

**U.S. Bank Trust Company, National
Association,
as Trustee**

SCHEDULE E

NOTICE OF DEFEASANCE

**Discovery Bay Public Financing Authority
(Contra Costa County, California)
Series 2012 Enterprise Revenue Bonds
(Water and Wastewater Financing Projects)**

Date of Issuance: August 28, 2012

NOTICE IS HEREBY GIVEN to the owners of the above-captioned obligations (the "Bonds"), which were issued pursuant to the Indenture of Trust dated as of August 1, 2012 (the "Indenture"), by and between the Discovery Bay Public Financing Authority (the "Authority") and U.S. Bank Trust Company, National Association, as successor trustee (the "Trustee"), that the Authority has caused to be deposited with U.S. Bank Trust Company, National Association, as escrow agent (the "Escrow Agent"), cash and federal securities, the principal of and interest on which when paid will provide an amount sufficient to pay on December 1, 2022 (the "Redemption Date"), the principal of the Bonds maturing on and after the Redemption Date (the "Defeased Bonds"), plus interest with respect thereto accrued through the Redemption Date, without premium. The Defeased Bonds are described in the below table.

Maturity Date (December 1)	Outstanding Principal Amount	Interest Rate	CUSIP Number (Base: 25471T)
2022	\$ 360,000	4.000%	AJ2
2023	370,000	2.750	AK9
2024	385,000	3.000	AL7
2025	395,000	3.000	AM5
2032*	3,205,000	3.750	AN3
2042*	4,000,000	5.000	AP8
2042*	2,615,000	4.000	AQ6

* Denotes term bonds.

In accordance with the Indenture, as a result of the deposit of the funds and investments with the Escrow Agent described above, (i) all liability of the Authority in respect to the Defeased Bonds has ceased, terminated and is completely discharged, and the Owners of the Defeased Bonds are entitled only to payment out of such moneys and securities deposited with the Escrow Agent, subject, however to the provisions of the Indenture, and (ii) all obligations of the Town of Discovery Bay Community Services District (the "District") under the Continuing Disclosure Certificate delivered by the District in connection with the Bonds have terminated.

No representation is made as to the correctness of the CUSIP numbers either as printed on the Defeased Bonds or as contained in this notice and an error in CUSIP number as printed on such Defeased Bonds or as contained in this notice shall not affect the validity of the proceedings for redemption.

Dated: _____, 2022

**U.S. Bank Trust Company, National
Association,
as Trustee**



John Riddle
Managing Director-West Region
Webster National Bank
999 Corporate Drive Suite 100
Ladera Ranch, CA 92694
949.373.0568 | Office
949.370.2907 | Cell
Email: jriddle@websterbank.com
Website: www.websterbank.com

July 26, 2022

Discovery Bay Community Services District
1800 Willow Lake Road
Discovery Bay, CA 94505

Project: DISCOVERY BAY COMMUNITY SERVICES DISTRICT 2022 REVENUE REFUNDING BONDS, SERIES 2022B

Webster Bank (“WB”) is pleased to present this financing proposal (the “Term Sheet”) to the Discovery Bay Community Services District, subject to final credit approval, in connection with the above-referenced project. Working with WB has several major advantages, including:

- **Experience and Expertise:** Each member of the WB Public Finance team has significant experience regarding the financing of essential governmental equipment and projects and can help you document your financing in a manner that complies with applicable local laws.
- **Financial Capability:** The WB Public Finance team was formerly Sterling National Bank, a publicly traded commercial bank, which has the capability of funding tax-exempt and taxable financings on a nationwide basis. Combined, Webster now has over \$65 Billion in assets.
- **Reliability:** The WB Public Finance team prides itself on excellent customer service and the prompt closing of awarded transactions. We have worked with many special districts (as Sterling National Bank) so the District will have no worries about certainty of execution with us.
- **Simplified Financing Structure:** WB is proposing to refinance 100% of the District’s 2012 Series Enterprise Revenue Bonds, and costs of issuance of the Loan.

We look forward to working with you and your team on this assignment, and please do not hesitate to contact us with any questions, comments, or concerns. We are positive that you’ll enjoy working with SNB.

Very truly yours,

John Riddle

John Riddle
Managing Director
jriddle@websterbank.com



John Riddle
Managing Director-West Region
Webster National Bank
999 Corporate Drive Suite 100
Ladera Ranch, CA 92694
949.373.0568 | Office
949.370.2907 | Cell
Email: jriddle@websterbank.com
Website: www.websterbank.com

TERM SHEET

TYPE OF FINANCING:	Enterprise Revenue Bond - combination of Water and Wastewater Revenues (the “Bond”) to be directly purchased through a private placement.
ISSUER/BORROWER:	Discovery Bay Public Financing Authority acting on behalf of the Discovery Bay Community Services District, CA (the “District”)
PURCHASER/LENDER:	Webster Bank
PLACEMENT AGENT:	Brandis Tallman, a Division of Oppenheimer and Co. Inc
MUNICIPAL ADVISOR:	Fieldman, Rolapp & Associates
PURCHASER’S COUNSEL:	Gilmore & Bell, P.C.
BOND COUNSEL:	Jones Hall, A Professional Law Corporation
AMOUNT OF BOND:	\$11,678,000- (\$1,240,000 payable from the Water Net Revenues, and \$10,438,000 payable from Wastewater Net Revenues)
FINAL MATURITY:	December 1, 2042
INTEREST RATES:	3.54%- Fixed for the term of the financing
TAX STATUS:	Tax-exempt and NBQ
ANTICIPATED CLOSING DATE:	Expected to be on September 7, 2022
INTEREST RATE LOCK:	The Interest Rates quoted above are locked through the Anticipated Closing Date.
PRINCIPAL PAYMENT STRUCTURE:	Due annually, commencing on 12/01/22 through final maturity and as further outlined in the District’s request for proposal.

INTEREST PAYMENT STRUCTURE: Due semi-annually, commencing on 12/01/2022 through final maturity. Based on a 30/360 calculation.

PURCHASE OPTION: The Issuer shall have the right to pre-pay the Bond in whole, but not in part, on any payment date by paying the Redemption Price, provided that Issuer gives Lender at least thirty (30) days prior written notice of its intent to do so. The Redemption Price, as a percentage of the then-outstanding Loan balance, shall be equal to:

Year	Percentage
1 – 2	No call
3 – 5	102%
6 - 9	101%
Thereafter	100%

FEES OF THE PURCHASER: None. Webster National Bank does not charge any fees.

Any costs of issuance incurred by the District such as financial advisory, placement agent and bond counsel shall be the responsibility of the District and can be included in the borrowed amount.

DOCUMENTATION: This financing is subject to the execution of mutually acceptable documentation to be prepared by Bond Counsel at the District’s expense. Documents, including validity and tax opinions, will include those that are normal and customary for a transaction of this type and size.

IRS CIRCULAR 230 DISCLOSURE: The Purchaser and its affiliates do not provide tax advice. Accordingly, any discussion of U.S. tax matters contained herein (including any attachments) is not written or intended to be used, and cannot be used, in connection with the promotion, marketing or recommendation by anyone unaffiliated with the Purchaser of any of the matters addressed herein or for the purpose of avoiding U.S. tax-related penalties.

ADVISORY DISCLOSURE: The Purchaser is not a registered municipal advisor as defined under the Dodd-Frank Wall Street Reform and Consumer Protection Act and its related rules and regulations. In providing this Term Sheet, the Purchaser is not providing any advice, advisory services, or recommendations with respect to the structure, timing, terms, or similar matters concerning an issuance of municipal securities. This Term Sheet is a commercial, arms-length proposal that does not create a fiduciary duty by the Purchaser to the District. The District may

engage, separately and at its own cost, an advisor to review this Term Sheet and the proposed transaction on the District's behalf.

DIRECT BANK LOAN:

The Purchaser intends to classify the financing as a privately placed loan. As such, the financing will feature (but will not be limited to) the following restrictions:

- The financing will not be assigned a CUSIP
- The financing will not be registered with the DTC;
- The financing will feature transfer restrictions such that transfer is restricted to Bank affiliates, or to Qualified Institutional Buyers, each of which is a commercial bank with minimum capital, etc.;
- The financing cannot be marketed pursuant to an offering document.

CREDIT APPROVAL:

This Term Sheet is subject to formal credit approval by the Purchaser and the negotiation of mutually acceptable documentation.

PROPOSAL EXPIRATION:

Unless accepted by the District or extended in writing by the Purchaser at its sole discretion, this Term Sheet shall expire on August 15, 2022. Once accepted, this Term Sheet shall expire if the Bond is not issued and purchased by September 15, 2022.

Upon receipt of the signed Term Sheet, we will endeavor to provide you with a timely commitment and we will use good faith efforts to negotiate and purchase the Bond based on the terms herein. It is a pleasure to offer this financing proposal to the District, and we look forward to your favorable response.

Respectfully –
Webster National Bank

John Riddle

John Riddle
Managing Director

Agreed to and Accepted by:

Discovery Bay Community Services District, CA

_____ (Name)

_____ (Title)

_____ (Date)