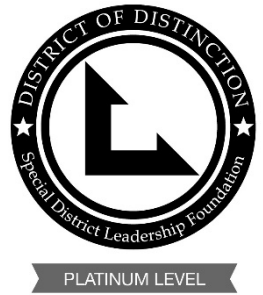




TOWN OF DISCOVERY BAY

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, April 20, 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 requirements, and recommended measures to promote social distancing imposed by State and local officials, the Town of Discovery Bay Community Services District Board of Directors will take all actions necessary to carry out the intent and purpose of AB 361, including, ensuring that the Directors and meeting attendees may continue to have the option to access and participate in this public meeting by teleconference to avoid imminent risks to the health or safety of the Directors and meeting attendees.

To accommodate the public during this period of time, the Town of Discovery Bay Community Services District Board of Directors has arranged for members of the public to observe and address the meeting telephonically 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 Public Financing Authority Meeting by: *(copy and pasting into your browser the registration URL. You will then be directed to download the webinar to your device and register with LogMeIn, Inc.)*

Registration URL: <https://attendee.gotowebinar.com/register/2878637312494302478>

Webinar ID# 264-072-883

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 (631) 992-3221 **ID#** 513-747-329

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 AND PLEDGE OF ALLEGIANCE

1. Call business meeting to order 7:00 p.m. (or 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. 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.

E. CHAIR'S REPORT AND MEMBER COMMENTS

1. None.

F. ADJOURNMENT

1. Adjourn 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

April 20, 2022

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

Agenda Title

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

Recommended Action

1. Adopt PFA Resolution 2022-01 which authorizes the issuance of Bonds to finance the improvements to the Town of Discovery Bay's Water and Wastewater Enterprises with a principal amount not to exceed \$18,500,000; approves the Installment Sale Agreements, the Preliminary Official Statement and other documents that are on file with the Secretary, including amendments to certain documents relating to the Authority's Series 2017 Revenue Bonds documents as provided in attachments 6, 7, and 8, with changes as the Designated Officers may deem necessary or appropriate; and authorizes the Chair, the Executive Director, Treasurer/Auditor, and the Secretary in the name of and on behalf of the Authority to take actions necessary in order to consummate the lawful issuance and sale of the Bonds; and
2. Direct the Executive Director to work with the Municipal Advisor, Bond Counsel, Underwriter and Trustee to proceed with the issuance of not to exceed \$18,500,000 principal amount of Discovery Bay Public Financing Authority, Series 2022 Water and Wastewater Enterprise Revenue Bonds.

Executive Summary

The Town of Discovery Bay Community Services District's (District) NPDES permit requires the level of nitrate in the water discharged into Old River from the District's Wastewater plant be reduced by 12/31/2023. In response to this mandate, the Board of Directors approved construction of a Denitrification Project at a total project cost of \$20,000,000. This project build is currently underway.

The Board approved the addition of Well 8 to the District's water supply infrastructure at a cost of \$5,000,000. Well 8 will be a standalone well with its own treatment process. This project is currently in the design and engineering phase.

The Board has adopted Reimbursement Resolutions for both the Denitrification (Resolution 2019-10) and Well 8 (Resolution 2021-17) projects.

On December 15, 2021, the Board authorized the engagement of a financing team consisting of the Municipal Advisor, the Underwriter, and Bond and Disclosure Counsel to prepare for the issuance of revenue bonds to provide for the projects.

On April 6, 2022, the Finance Committee considered various bond amounts for project financing. The Finance Committee recommends a bond total of \$13,000,000 for the Denitrification Project and \$5,000,000 for the Well 8 Project for a combined total of \$18,000,000. PFA Resolution 2022-01, which authorizes the issuance of the Bonds, is attached for Authority approval and has a not to exceed amount of \$18,500,000. The extra \$500,000 is a contingency to cover any market fluctuations on interest rates and bond costs.

The Bonds are proposed to be structured as rated tax-exempt municipal bonds with a principal amount not to exceed \$18,500,000. The Bonds are in parity with the District's Series 2012 and 2017 bonds. If the proposed PFA Resolution 2022-01 is adopted, the Authority will be authorized to sell the Bonds with certain parameters, and the District and Authority staff will be authorized and directed to complete the Bond transaction within those parameters. PFA Resolution 2022-01 also includes the approval of associated documents which are on file with the Authority Secretary. Approval of PFA Resolution 2022-01 (and Board Resolution 2022-12) are prerequisite to accomplishing the issuance of the Bonds, which, if adopted, is expected to occur in May of 2022.

The attached Preliminary Official Statement has been reviewed and approved for transmittal to the Board by the financing team. The distribution of the Preliminary Official Statement by the Authority and the District is subject to federal securities laws, including the Securities Act of 1933 and the Securities Exchange Act of 1934. These laws require the Preliminary Official Statement to include all facts that would be material to an investor in the Bonds. Material information is information that there is a substantial likelihood would have actual significance in the deliberations of the reasonable investor when deciding whether to buy or sell the Bonds. If the Board concludes that the Preliminary Official Statement includes all facts that would be material to an investor in the Bonds, it must adopt a resolution that authorizes staff to execute a certificate to the effect that the Preliminary Official Statement has been “deemed final.”

The Securities and Exchange Commission (the “SEC”), the agency with regulatory authority over the Issuer’s compliance with the federal securities laws, has issued guidance as to the duties of the Board with respect to its approval of the Preliminary Official Statement. In its “Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors” (Release No. 36761 / January 24, 1996) (the “Release”), the SEC indicated that, if a member of the Board has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the Bonds, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such facts are adequately disclosed in the Preliminary Official Statement. In the Release, the SEC indicated that the steps that a member of the Board could take include becoming familiar with the Preliminary Official Statement and questioning staff and consultants about the disclosure of such facts.

During a review of the Series 2017 revenue bond documentation, errors and omissions were discovered. Amendments to the 2017 documents are necessary to correct scrivener’s errors by the District’s previous bond counsel, including several capitalized terms that are used in the documents but are not defined, erroneous capitalized terms in the provisions relating to the incurrence of additional obligations by the District, and at least one incomplete defined term. These amendments, found in attachments 6, 7, and 8 are necessary in order for the Authority to issue the Bonds and the District to enter into the installment sale agreements.

NEED FOR FINANCING

Staff and the Finance Committee have determined that the issuance of the Bonds, in the manner and structure set forth in the documents, optimizes the District’s capital infrastructure and credit profile, and spreads the burden of repayment over several years.

FINANCING SUMMARY

The Resolutions for both the Town of Discovery Bay CSD (2022-12) and for the Public Financing Authority (PFA 2022-01) authorizes and approves the form of all the base documents necessary to provide for the successful issuance of the Bonds. The adoption of each Resolution is necessary for the financing team to move forward with completing the appropriate documentation.

Fiscal Impact:

Amount Requested - \$18,500,000

Sufficient Budgeted Funds Available?: Yes

- Wastewater Debt Service repayment of \$718,000 per year in fiscal years 2023-2053.
- Water Debt Service repayment of \$276,000 per year in fiscal years 2023-2053.
- These amounts are estimated since they are dependent upon market conditions until the bonds are sold at which time interest rates and annual debt service will be fixed

Previous Relevant Board Actions for This Item

December 15, 2021 – Authorized engagement of Financial Team for Bond Financing

September 18, 2019 - Resolution 2019-10 – Reimbursement Resolution for Denitrification Project

June 16, 2021 - Resolution 2021-17 – Reimbursement Resolution for Well 8

Attachments

1. Authority Resolution 2022-01
2. Indenture of Trust
3. 2022 Water Installment Sale Agreement
4. 2022 Wastewater Installment Sale Agreement
5. Preliminary Official Statement (with form of continuing disclosure certificate attached as an appendix)
6. First Supplement to 2017 Indenture of Trust
7. First Supplement to 2017 Water Installment Sale Agreement
8. First Supplement to 2017 Wastewater Installment Sale Agreement
9. Bond Purchase Agreement

AGENDA ITEM: D1



**DISCOVERY BAY
PUBLIC FINANCING AUTHORITY**

RESOLUTION 2022-01

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE DISCOVERY BAY PUBLIC
FINANCING AUTHORITY AUTHORIZING THE ISSUANCE AND SALE OF
ENTERPRISE REVENUE BONDS, SERIES 2022 (WATER AND WASTEWATER
PROJECTS) IN THE PRINCIPAL AMOUNT NOT TO EXCEED \$18,500,000 TO
FINANCE IMPROVEMENTS TO THE TOWN OF DISCOVERY BAY COMMUNITY
SERVICES DISTRICT'S WATER AND WASTEWATER ENTERPRISES 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 finance (a) the acquisition and construction of certain improvements and facilities (the "**Water Project**") to the District's municipal water enterprise (the "**Water Enterprise**"), and (b) the acquisition and construction of certain improvements and facilities (the "**Wastewater Project**") to the District's municipal wastewater enterprise (the "**Wastewater Enterprise**");

WHEREAS, for the purpose of raising funds necessary to provide such financial assistance to the District, 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 Bonds, Series 2022 (Water and Wastewater Projects) (the "**Bonds**"), pursuant to and secured by an Indenture of Trust (the "**Indenture**"), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the "**Trustee**");

WHEREAS, to provide for the repayment of the Bonds, the Authority will (a) sell the Water Project to the District pursuant to a Water Installment Sale Agreement (the "**Water Installment Sale Agreement**"), under which the District will agree to make installment payments to the Authority payable from the net revenues of the Water Enterprise, and (b) sell the Wastewater Project to the District pursuant to a Wastewater Installment Sale Agreement (the "**Wastewater Installment Sale Agreement**"), under which the District will agree to make installment payments to the Authority payable from

the 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 District's obligations under the 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 August 1, 2012 (the "**2012 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, and (ii) a Water Installment Sale Agreement, dated as of April 1, 2017 (the "**Original 2017 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, as amended by the hereinafter defined 2017 First Supplement to Water Installment Sale Agreement (as so amended, the "**2017 Water Installment Sale Agreement**");

WHEREAS, the District's obligations under the 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 August 1, 2012 (the "**2012 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, and (ii) a Wastewater Installment Sale Agreement, dated as of April 1, 2017 (the "**Original 2017 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, as amended by the hereinafter defined 2017 First Supplement to Wastewater Installment Sale Agreement (as so amended, the "**2017 Wastewater Installment Sale Agreement**");

WHEREAS, the installment payments made by the District under the 2012 Water Installment Sale Agreement and the 2012 Wastewater Installment Sale Agreement secure the Discovery Bay Public Financing Authority (Contra Costa County, California) Series 2012 Enterprise Revenue Bonds (Water and Wastewater Financing Projects), issued by the Authority pursuant to an Indenture of Trust dated as of August 1, 2012, between the Authority and U.S. Bank Trust Company, National Association, as successor trustee, which bonds are outstanding in the aggregate principal amount of \$11,330,000;

WHEREAS, the installment payments made by the District under the 2017 Water Installment Sale Agreement and the 2017 Wastewater Installment Sale Agreement secure the Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Bonds, Series 2017 (Water and Wastewater projects) (the "**2017 Bonds**"), issued by the Authority pursuant to an Indenture of Trust dated as of April 1, 2017 (the "**Original 2017 Indenture**"), between the Authority and U.S. Bank Trust Company, National Association, as successor trustee (the "**2017 Trustee**"), which bonds are outstanding in the aggregate principal amount of \$8,050,000;

WHEREAS, the Authority and the 2017 Trustee desire to amend the Original 2017 Indenture pursuant to a First Supplement to Indenture of Trust (the "**2017 First Supplement to Indenture of Trust**"), between the Authority and the 2017 Trustee, to correct and cure certain ambiguities, inconsistencies, omissions and defective provisions

therein due to scrivener's errors and that are necessary to facilitate the issuance of the Bonds;

WHEREAS, the District and the Authority desire to amend the Original 2017 Water Installment Sale Agreement pursuant to a First Supplement to Water Installment Sale Agreement (the "**2017 First Supplement to Water Installment Sale Agreement**"), between the District and the Authority, for the purpose of correcting and curing certain defective provisions therein due to scrivener's errors and that are necessary to facilitate the issuance of the Bonds;

WHEREAS, the District and the Authority desire to amend the Original 2017 Wastewater Installment Sale Agreement pursuant to a First Supplement to Wastewater Installment Sale Agreement (the "**2017 First Supplement to Wastewater Installment Sale Agreement**"), between the District and the Authority, for the purpose of correcting and curing certain defective provisions therein due to scrivener's errors and that are necessary to facilitate the issuance of the Bonds;

WHEREAS, the firm of Oppenheimer & Co. Inc. (the "**Underwriter**") has proposed to purchase and underwrite the Bonds and has presented to the Authority a form of Bond Purchase Agreement for the Bonds, to be entered into among the Authority, the District and the Underwriter (the "**Bond Purchase Agreement**");

WHEREAS, in order to effect a public sale of the Bonds to the Underwriter, the District is required under federal securities laws and regulations to prepare a preliminary official statement (the "**Preliminary Official Statement**") disclosing material information about the Authority, the District, the Water Enterprise, the Wastewater Enterprise, and the Bonds;

WHEREAS, the form of Preliminary Official Statement has been prepared by the District and the Authority with the assistance of Jones Hall, A Professional Law Corporation, as disclosure counsel (as "**Disclosure Counsel**");

WHEREAS, pursuant to Section 5852.1 of the California Government Code, certain financial information relating to the 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 financing of the Water Project and the 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 financing of the Water Project and the Wastewater Project through the issuance of the Bonds and related transactions will result in demonstrable savings in effective interest rate to the District and significant reductions in effective user charges levied by the District; and (b) the Water Project and 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 of Bonds; Approval of Indenture. The Board hereby authorizes the issuance of the Bonds under and pursuant to the Bond Law and the Indenture for the purpose of providing funds to: (a) finance the Water Project and the Wastewater Project; (b) pay the costs of issuing the Bonds; and (c) if advisable to reduce the interest rate payable on the Bonds and/or secure a higher credit rating on the Bonds, to establish a reserve fund for the Bonds; provided, however, that in no event shall the aggregate principal amount of the Bonds exceed \$18,500,000, nor the final maturity date of the Bonds be later than December 1, 2053, nor shall the all in true interest cost of the Bonds exceed 5.00%. The Board hereby approves the 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 Authority’s General Counsel or 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 Indenture for and in the name and on behalf of the Authority. The Board hereby authorizes the delivery and performance of the Indenture.

Section 3. Approval of Installment Sale Agreements. (a) The Board hereby approves the 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 the Authority’s General Counsel or 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 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 Water Installment Sale Agreement.

(b) The Board hereby approves the 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 the Authority’s General Counsel or 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 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 Wastewater Installment Sale Agreement.

Section 4. Sale of Bonds. (a) The Board hereby approves the sale of the Bonds by the Authority by negotiation with the Underwriter, pursuant to the Bond Purchase Agreement in the form on file with the Secretary, together with such additions thereto and changes therein as a Designated Officer shall deem necessary, desirable or appropriate upon consultation with the Authority’s General Counsel or Bond Counsel, the execution of which by the Authority 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 Bond Purchase Agreement for and in the name and on behalf of the Authority upon the submission of an offer by the Underwriter to purchase the Bonds, which offer is acceptable to a Designated Officer and consistent with the requirements of this Resolution. The underwriting discount for the Bonds (excluding any net original issue discount) shall not exceed 0.80% of the aggregate principal amount of the Bonds.

(b) As an alternative to the sale of the Bonds through a public offering authorized in paragraph (a) of this Section 4, the Bonds may be sold on a private placement basis through Oppenheimer & Co. Inc., acting as private placement agent (in such capacity, the “**Private Placement Agent**”), if a private placement of the Bonds will produce lower interest rates than are available through a public offering of the Bonds, or if a private placement is otherwise preferable and/or more appropriate to a public offering of the Bonds, in the opinion of, and upon recommendation of, Fieldman, Rolapp & Associates, Inc., the Municipal Advisor to the Authority and the District, which recommendation is agreed to by a Designated Officer, so long as the true interest cost of the Bonds does not exceed the true interest cost specified in Section 2, and so long as the compensation to the Private Placement Agent through a private placement of the Bonds does not exceed the amount approved by a Designated Officer. The Designated Officers, each acting alone, are hereby authorized to enter into a private placement agent agreement with the Private Placement Agent.

Section 5. Official Statement. The Board hereby approves the Preliminary Official Statement in the form on file with the Secretary, together with such additions thereto and changes therein as a Designated Officer shall deem necessary, desirable or appropriate upon consultation with the Authority’s General Counsel or Disclosure Counsel. The Designated Officers, each acting alone, are hereby authorized and directed to sign a certificate pursuant to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (the “**Rule**”) deeming the Preliminary Official Statement final under the Rule, except for the omission of information as permitted by the Rule. The Designated Officers, each acting alone, are hereby authorized to execute the final Official Statement in substantially the form of the Preliminary Official Statement, with such additions thereto and changes therein as any Designated Officer shall deem necessary, desirable or appropriate upon consultation with the Authority’s General Counsel or Disclosure Counsel, and the execution of the final Official Statement by the Authority shall be conclusive evidence of the approval of any such additions and changes. The Board hereby authorizes the distribution of the Preliminary Official Statement and the final Official Statement. The final Official Statement shall be executed in the name and on behalf of the Authority by a Designated Officer. The Underwriter is directed to deliver copies of the final Official Statement to all actual initial purchasers of the Bonds.

Section 6. Insurance. The Board hereby authorizes the Designated Officers: (i) to solicit bids on a municipal bond insurance policy and/or reserve insurance policy; (ii) to negotiate the terms of such policy or policies; (iii) to finalize, if appropriate, the form of such policy or policies with a municipal bond insurer; and (iv) if it is determined that the policy or policies will result in net debt service savings on the Bonds, to pay the insurance premium of such policy or policies from the proceeds of the issuance and sale of the Bonds.

Section 7. 2017 Amendment Documents. (a) The Board hereby approves the 2017 First Supplement to Indenture of Trust 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 the Authority’s General Counsel or 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 2017 First Supplement to Indenture of Trust for and in the name and on behalf of the Authority. The Board hereby authorizes the delivery and performance of the Original 2017 Indenture as amended by the 2017 First Supplement to Indenture of Trust.

(b) The Board hereby approves the 2017 First Supplement to 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 the Authority's General Counsel or 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 2017 First Supplement to 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 Original 2017 Water Installment Sale Agreement as amended by the 2017 First Supplement to Water Installment Sale Agreement.

(c) The Board hereby approves the 2017 First Supplement to 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 the Authority's General Counsel or 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 2017 First Supplement to 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 Original 2017 Wastewater Installment Sale Agreement as amended by the 2017 First Supplement to Wastewater Installment Sale Agreement.

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 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 Bonds, the Installment Sale Agreements 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 20th DAY OF APRIL, 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 regularly scheduled meeting thereof held on the 20TH day of April, 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 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 the Underwriter of the Bonds.

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 Bonds to be sold is \$17,425,000 (the "Estimated Principal Amount"), which excludes approximately \$885,000 of net premium estimated to be generated from current market pricing. Net premium is generated when, on a net aggregate basis for a single issuance, the prices paid for the bonds are higher than the face values of such bonds.

True Interest Cost of the Bonds. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate plus 0.25 percentage point, its good faith estimate of the true interest cost of the 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 Bonds, is 3.74%.

Finance Charge of the Bonds. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 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 Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with the Bonds), is \$306,975. Such fees and charges include fees for bond and disclosure counsel, municipal advisor, printing, and underwriting.

Amount of Proceeds to be Received. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 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 Bonds, less the finance charge of the Bonds, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of the Bonds, is \$18,000,000.

Total Payment Amount. The Municipal Advisor has informed the Authority that, assuming that the Estimated Principal Amount of the 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 Bonds, plus the finance charge for the Bonds, as described above, not paid with the proceeds of the Bonds, calculated to the final maturity of the Bonds, is \$30,796,814.

The foregoing estimates constitute good faith estimates only. The actual principal amount of the 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 Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of Bonds

sold being different from the Estimated Principal Amount, (c) the actual amortization of the 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 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 Bonds and the actual principal amount of Bonds sold will be determined by the District and the Authority based on the timing of the need for proceeds of the Bonds and other factors. The actual interest rates borne by the Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the 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 May 1, 2022

by and between the

DISCOVERY BAY PUBLIC FINANCING AUTHORITY

and

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

Relating to:

**[\$[PAR]]
Discovery Bay Public Financing Authority
(Contra Costa County, California)
Enterprise Revenue Bonds, Series 2022
(Water and Wastewater Projects)**

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST, made and entered into and dated as of May 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 finance the acquisition and construction of certain improvements and facilities (the “**Water Project**”) which constitute part of the District’s water enterprise (the “**Water Enterprise**”), and to finance the acquisition and construction of certain improvements and facilities (the “**Wastewater Project**”) which constitute part of the District’s wastewater enterprise (the “**Wastewater Enterprise**”);

WHEREAS, for the purpose of raising funds necessary to provide such financial assistance to the District, 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 Bonds, Series 2022 (Water and Wastewater Projects)” (the “**Bonds**”), all pursuant to and secured by this Indenture of Trust;

WHEREAS, to provide for the repayment of the Bonds, the Authority will (i) sell the Water Project to the District pursuant to a Water Installment Sale Agreement dated as of May 1, 2022 (as more fully defined herein, the “**Water Installment Sale Agreement**”), by and between the Authority, as seller, and the District, as purchaser, under which the District will agree to make installment payments to the Authority payable from the net revenues of the Water Enterprise, and (ii) sell the Wastewater Project to the District pursuant to a Wastewater Installment Sale Agreement dated as of May 1, 2022 (as more fully defined herein, the “**Wastewater Installment Sale Agreement**”), by and between the Authority, as seller, and the District, as purchaser, under which the District will agree to make installment payments to the Authority payable from the net revenues of the Wastewater Enterprise, which together will be calculated to be sufficient to enable the Authority to pay the principal of and interest 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.

“Acquisition and Construction” means, with respect to any portion of the Water Project or the Wastewater Project, the acquisition, construction, improvement, equipping, renovation, remodeling or reconstruction thereof.

“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 Water 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 Waster 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 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 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 \$[PAR] aggregate principal amount of Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Bonds, Series 2022 (Water and

Wastewater Projects), 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 May __, 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.

“Completion Date” means, with respect to any component of the Water Project and/or the Wastewater Project, the date on which the Authority files a Written Certificate with the District and the Trustee stating that the Acquisition and Construction of such component of the Water Project and/or the Wastewater Project has been completed pursuant to Article III.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate executed by the District and dated the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“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 the Wastewater Project, the estimated date by which such portion of the 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 the Water Project, the estimated date by which such portion of the 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.

“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.

"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.

"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 the twenty-fifth (25th) day of each May and November during the Term of the Installment Sale Agreement, commencing [November 25,

2022], with respect to the Wastewater Installment Sale Agreement, and [November 25, 2022], with respect to the Water Installment Sale Agreement.

“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 the original purchaser of the Bonds upon their delivery by the Trustee on the Closing Date.

“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.

“Participating Underwriter” shall have the meaning ascribed thereto in the Continuing Disclosure Certificate.

“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.

“Plans and Specifications” means, with respect to the Water Project or any component thereof or the Wastewater Project or any component thereof, the plans and specifications relating thereto filed by the District with the Authority pursuant to Section 3.2 of the Water Installment Sale Agreement and/or the Wastewater Installment Sale Agreement, as such plans and specifications may be revised from time to time by the District pursuant to Section 3.2 of the Water Installment Sale Agreement and/ or the Wastewater Installment Sale Agreement.

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

“Project Fund” means the fund by that name established pursuant to Section 3.04.

“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.

“Serial Bonds” means the Bonds maturing on December 1 in each of the years 20__, through 20__, inclusive.

“Securities Depositories” means The Depository Trust Company, New York, New York, and its successors and assigns; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority may designate in a Written Certificate of the Authority delivered to the Trustee.

“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.

“Term Bonds” means the Bonds maturing on December 1, 20__, and December 1, 20__.

“Term of the Installment Sale Agreement” 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.

“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 May 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 2012 Wastewater Installment Sale Agreement and 2017 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 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, as such description may be amended by the District from time to time pursuant to and in accordance with Section 3.2 of the Wastewater Installment Sale Agreement. The precise identification of the Wastewater Project or any component thereof shall be determined by reference to the Plans and Specifications therefor.

“Wastewater Project Account” means the account by that name established within the Project Fund pursuant to Section 3.04.

“Wastewater Project Costs” means, with respect to the Wastewater Project, all costs of the Acquisition and Construction thereof which are paid from moneys on deposit in the Project Fund, including but not limited to:

- (a) all costs required to be paid to any person under the terms of any agreement for or relating to the Acquisition and Construction of the Wastewater Project;
- (b) obligations incurred for labor and materials in connection with the Acquisition and Construction of the Wastewater Project;
- (c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the Acquisition and Construction of the Wastewater Project;
- (d) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for

supervising construction, as well as for the performance of all other duties required by or consequent to the proper Acquisition and Construction of the Wastewater Project;

(e) any sums required to reimburse the Authority or the District for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the Acquisition and Construction of the Wastewater Project;

(f) all financing costs incurred in connection with the Acquisition and Construction of the Wastewater Project, including but not limited to Costs of Issuance and other costs incurred in connection with the Wastewater Installment Sale Agreement and the financing of the Wastewater Project; and

(g) the interest components of the Wastewater Installment Payments during the period of Acquisition and Construction of the Wastewater Project, to the extent not paid from the proceeds of the Bonds deposited in the Interest Account pursuant to the Indenture.

“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 May 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 2012 Water Installment Sale Agreement and 2017 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 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, as such description may be amended by the District from time to time pursuant to and in accordance with Section 3.2 of the Water Installment Sale Agreement. The precise identification of the Water Project or any component thereof shall be determined by reference to the Plans and Specifications therefor.

“Water Project Account” means the account by that name established within the Project Fund pursuant to Section 3.04.

“Water Project Costs” means, with respect to the Water Project, all costs of the Acquisition and Construction thereof which are paid from moneys on deposit in the Project Fund, including but not limited to:

- (a) all costs required to be paid to any person under the terms of any agreement for or relating to the Acquisition and Construction of the Water Project;
- (b) obligations incurred for labor and materials in connection with the Acquisition and Construction of the Water Project;
- (c) the cost of performance or other bonds and any and all types of insurance that may be necessary or appropriate to have in effect in connection with the Acquisition and Construction of the Water Project;
- (d) all costs of engineering and architectural services, including the actual out-of-pocket costs for test borings, surveys, estimates, plans and specifications and preliminary investigations therefor, development fees, sales commissions, and for supervising construction, as well as for the performance of all other duties required by or consequent to the proper Acquisition and Construction of the Water Project;
- (e) any sums required to reimburse the Authority or the District for advances made for any of the above items or for any other costs incurred and for work done which are properly chargeable to the Acquisition and Construction of the Water Project;
- (f) all financing costs incurred in connection with the Acquisition and Construction of the Water Project, including but not limited to Costs of Issuance and other

costs incurred in connection with the Water Installment Sale Agreement and the financing of the Water Project; and

(g) the interest components of the Water Installment Payments during the period of Acquisition and Construction of the Water Project, to the extent not paid from the proceeds of the Bonds deposited in the Interest Account pursuant to the Indenture.

“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 Installment Sale Agreement” means that certain Wastewater Installment Sale Agreement, dated as of August 1, 2012, by and between the Authority and the District, securing a portion of the 2012 Authority Bonds.

“2012 Water Installment Sale Agreement” means that certain Water Installment Sale Agreement, dated as of August 1, 2012, by and between the Authority and the District, securing a portion of the 2012 Authority Bonds.

“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 2012 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 Wastewater Installment Sale Agreement, dated as of May 1, 2022, by and between the Authority and the District, securing a portion of the 2012 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 finance the Acquisition and Construction of the Wastewater Project and the Water Project. The Bonds are hereby designated the “Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Bonds, Series 2022 (Water and Wastewater Projects).” The aggregate principal amount of Bonds initially issued and Outstanding under this Indenture shall equal _____ dollars (\$[PAR]). 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 in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Bonds shall

mature on December 1 in each of the years 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
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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.

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.

Section 2.03. Transfer of Bonds. 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 his 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, under the printed seal of the Authority, 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.

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.

Section 2.09. CUSIP Numbers. The Trustee and the Authority shall not be liable for any defect or inaccuracy in the CUSIP number that appears on any Bond.

Section 2.10. Book-Entry System. Notwithstanding any provision of this Indenture to the contrary:

(a) At the request of the Original Purchaser, the Bonds shall be initially issued registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, the depository designated by the Original Purchaser, and shall be evidenced by one securities certificate maturing on each of the maturity dates set forth in Section 2.02 hereof to be in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except:

(i) to any successor of The Depository Trust Company or its nominee, or of any substitute depository designated pursuant to paragraph (ii) of this subsection (a) (“substitute depository”); provided that any successor of The Depository Trust Company or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) to any substitute depository designated in a written request of the Authority, upon (A) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (B) a determination by the Authority that The Depository Trust Company or its successor is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) to any person as provided below, upon (A) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (B) a determination by the Authority that The Depository Trust Company or its successor is no longer able to carry out its functions as depository; provided that no substitute depository which is not objected to by the Authority or the Trustee can be obtained.

(b) In the case of any transfer pursuant to paragraph (i) or paragraph (ii) of subsection (a) of this Section 2.10, upon receipt of all Outstanding Bonds by the Trustee, together with a written request of an Authorized Representative of the Authority to the Trustee, a single new Bond shall be issued, authenticated and delivered for each maturity of such Bond then outstanding, registered in the name of such successor or such substitute depository or their nominees, as the case may be, all as specified in such written request of an Authorized Representative of the Authority. In the case of any transfer pursuant to paragraph (iii) of subsection (a) of this Section 2.10, upon receipt of all Outstanding Bonds by the Trustee together with a written request of an Authorized Representative of the Authority, new Bonds shall be issued, authenticated and delivered in such denominations and registered in the names of such persons as are requested in a written request of the Authority provided the Trustee shall not be required to deliver such new Bonds within a period less than sixty (60) days from the date of receipt of such a written request of an Authorized Representative of the Authority.

(c) The Authority and the Trustee shall be entitled to treat the person in whose name any Bond is registered as the absolute Owner thereof for all purposes of this Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Authority; and the Authority and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying or otherwise dealing with any beneficial owners of the Bonds. Neither the Authority nor the Trustee will have any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party including The Depository Trust Company or its successor (or substitute depository or its successor), except for the registered owner of any Bond.

(d) So long as all outstanding Bonds are registered in the name of Cede & Co. or its registered assign, the Authority and the Trustee shall reasonably cooperate with Cede & Co., as sole registered Owner, or its registered assign in effecting payment of the principal and interest due with respect to the Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

(e) So long as all Outstanding Bonds are registered in the name of Cede & Co. or its registered assigns (hereinafter, for purposes of this paragraph (f), the “Owner”):

(i) All notices and payments addressed to the Owners shall contain the Bonds’ CUSIP number.

(ii) Notices to the Owner shall be forwarded in the manner set forth in the form of blanket issuer letter of representations (prepared by The Depository Trust Company) executed by the Authority and received and accepted by The Depository Trust Company.

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 Bonds in the aggregate principal amount of eight million eight hundred twenty-five thousand dollars (\$[PAR]).

Section 3.02. Application of Proceeds of the Bonds. The proceeds received from the sale of the Bonds (\$_____), being the principal amount of the Bonds of \$[PAR].00, less underwriter’s discount of \$_____, plus net original issue premium of \$_____, 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;

(b) The Trustee shall deposit the amount of \$_____ in the Water Project Account of the Project Fund; and

(c) The Trustee shall deposit the remaining balance of such proceeds (\$_____) in the Wastewater Project Account of the Project Fund.

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 July 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. Project Fund.

(a) The Trustee shall establish, maintain and hold in trust a separate fund to be known as the "Project Fund." Within the Project Fund there shall be established and held two separate accounts, the Water Project Account and the Wastewater Project Account. There shall be deposited in the Water Project Account and the Wastewater Project Account of the Project Fund the amounts indicated in Sections 3.02(b) and 3.02(c) of this Indenture.

(b) Except as otherwise provided herein, moneys in the Water Project Account of the Project Fund shall be used solely for the payment of the Water Project Costs. The Trustee shall disburse moneys in the Water Project Account of the Project Fund from time to time to pay Water Project Costs (or to reimburse the Authority or the District for payment of Water Project Costs) upon receipt by the Trustee of a Written Requisition of the Authority or the District substantially in the form attached hereto as Exhibit B. The Trustee may conclusively rely on the information contained in any Written Requisition and shall have no responsibility with respect to the application of any funds disbursed in accordance with such Written Requisition. Upon the filing with the Trustee of a Written Certificate of the Authority stating that the Water Project has been completed or that all Written Requisitions intended to be filed by the Authority and the District have been filed, the Trustee shall withdraw all amounts then on deposit in the Water Project Account of the Project Fund and transfer such amounts to the Bond Fund and the Water Project Account of the Project Fund shall be closed.

(c) Except as otherwise provided herein, moneys in the Wastewater Project Account of the Project Fund shall be used solely for the payment of the Wastewater Project Costs. The Trustee shall disburse moneys in the Wastewater Project Account of the Project Fund from time to time to pay Wastewater Project Costs (or to reimburse the Authority or the District for payment of Wastewater Project Costs) upon receipt by the Trustee of a Written Requisition of the Authority or the District substantially in the form attached hereto as Exhibit C. The Trustee may conclusively rely on the information contained in any Written Requisition and shall have no responsibility with respect to the application of any funds disbursed in accordance with such Written Requisition. Upon the filing with the Trustee of a Written Certificate of the Authority stating that the Wastewater Project has been completed or that all Written Requisitions intended to be filed by the Authority and the District have been filed, the Trustee shall withdraw all amounts then on deposit in the Wastewater Project Account of the Project Fund and transfer such amounts to the Bond Fund and the Wastewater Project Account of the Project Fund shall be closed.

Section 3.05. 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.***

(i) **Term Bonds Maturing December 1, 20__.** The Bonds maturing on December 1, 20__ (the "20__ Term Bonds") are subject to mandatory redemption, in part by lot, from Sinking Account payments set forth in the following schedule on December 1, 20__, and on each December 1 thereafter, to and including December 1, 20__, 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 20__ Term Bonds have been optionally redeemed as described below, 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 20__ 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
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(Maturity)

(ii) **Term Bonds Maturing December 1, 20__.** The Bonds maturing on December 1, 20__ (the "20__ Term Bonds") are subject to mandatory redemption, in part by lot, from Sinking Account payments set forth in the following schedule on December 1, 20__, and on each December 1 thereafter, to and including December 1, 20__, 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 20__ Term Bonds have been optionally redeemed as described below, 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 20__ 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
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(Maturity)

(b) **Optional Redemption.** The Bonds maturing on or before December 1, 20__, shall not be subject to optional redemption prior to maturity. The Bonds maturing on or after December 1, 20__, shall be subject to redemption, at the option of the District on any date on or after December 1, 20__, as a whole or in part, by such maturities as shall be determined by the District, and by lot within a maturity, from any available source of funds, from prepayments of the Installment Payments made at the option of the District pursuant to Section 9.2 of the Water Installment Sale Agreement or pursuant to Section 9.2 of the Wastewater Installment Sale Agreement, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

(c) **Purchase of Bonds In Lieu of Redemption.** In lieu of redemption of Bonds as provided in paragraphs (a) and (b) of this Section 4.01, amounts held by the Trustee for such redemption may also be used on any Interest Payment Date, upon receipt by the Trustee at least ninety (90) days prior to the next scheduled Interest Payment Date of the written request of an Authorized Representative of the District, for the purchase of Bonds at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the District may in its discretion direct, but not to exceed the redemption price which would be payable if such Bonds were redeemed; provided, however, that no Bonds shall be purchased in lieu of redemption with a trade settlement date less than seventy-five (75) days prior to the relevant redemption date. Such purchases may be affected through the investment department of the Trustee or of an affiliate of the Trustee. The aggregate principal amount of Bonds of the same maturity purchased in lieu of redemption pursuant to this paragraph shall not exceed the aggregate principal amount of Bonds of such maturity which would otherwise be subject to such redemption.

Section 4.02. Selection of Bonds for Redemption. The Trustee shall select the Bonds to be redeemed from all Bonds or such given portion thereof not previously called for redemption by lot within a maturity. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond. No Bonds selected for redemption may be transferred.

Section 4.03. Notice of Redemption. Notice of redemption shall be mailed by first class mail, postage prepaid, not less than twenty (20) 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, to the Securities Depositories 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 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 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. Continuing Disclosure. Pursuant to Section 5.6 of the Water Installment Sale Agreement and Section 5.6 of the Wastewater Installment Sale Agreement, the District has undertaken all responsibility for compliance with continuing disclosure requirements and the Authority shall have no liability to the holders of the Bonds or any other person with respect to such disclosure matters. Notwithstanding any other provision of this Indenture, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default, however, any Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

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 his or 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 his 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 his 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).

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
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

The District, the Authority and the Trustee, 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.

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

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
CONTRA COSTA COUNTY

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

INTEREST RATE	MATURITY DATE	ORIGINAL ISSUE DATE	CUSIP
%	December 1, ____	[Closing Date]	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: 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 Bonds, Series 2022 (Water and Wastewater Projects)" (the "Bonds"), in an aggregate principal amount of _____ dollars (\$[PAR]), 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 May 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 [April 20, 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 in financing the acquisition and construction of certain improvements and facilities which constitute part of the water enterprise (the "Water Project") of the District to be sold to the District by the Authority pursuant to an Installment Sale Agreement, dated as of May 1, 2022, by and between the Authority as seller and the District as purchaser (the "Water Installment Sale Agreement"), and to aid in financing the acquisition and construction of certain improvements and facilities which constitute part of the municipal sewer enterprise (the "Wastewater Project") of the District, to be sold to the District by the Authority pursuant to an Installment Sale Agreement, dated as of May 1, 2022, by and between the Authority as seller and the District as purchaser (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 August 1, 2012, by and between the Authority and the District, and with respect to that certain Water Installment Sale Agreement, dated as of April 1, 2017, by and between the Authority and the District. 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 August 1, 2012, by and between the Authority and the District, and with respect to that certain Wastewater Installment Sale Agreement, dated as of April 1, 2017, by and between the Authority and the District.

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 Water Project and of installment payments to be made by the District under the Wastewater Installment Sale Agreement as the purchase price for the 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 maturing on or before December 1, 20__, shall not be subject to optional redemption prior to maturity. The Bonds maturing on or after December 1, 20__, shall be subject to redemption, at the option of the District on any date on or after December 1, 20__, as a whole or in part, by such maturities as shall be determined by the District, and by lot within a maturity, from any available source of funds, from prepayments of the Installment Payments made at the option of the District pursuant to the Water Installment Sale Agreement or pursuant to the Wastewater Installment Sale Agreement, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Bonds maturing on December 1, 20__ (the "20__ Term Bonds") are subject to mandatory redemption, in part by lot, from Sinking Account payments set forth in the following schedule on December 1, 20__, and on each December 1 thereafter, to and including December 1, 20__, 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 20__ Term Bonds have been optionally redeemed as described above, 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 20__ 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
---	-----------------------------

(Maturity)

As provided in the Indenture, notice of redemption shall be mailed by the Trustee by first class mail not less than twenty (20) nor more than sixty (60) days prior to the redemption date to the respective owners of any Bonds designated for redemption at their addresses appearing on the registration books of the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for redemption or the cessation of accrual of interest thereon from and after the date fixed for redemption.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

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 his 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 denomination or 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.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the issuer or its agent for registration of transfer, exchange, or payment, and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

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 WATER PROJECT ACCOUNT REQUISITION

DISBURSEMENT REQUEST NO.: _____

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

Re: \$[PAR] Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Bonds, Series 2022 (Water and Wastewater Projects)

Ladies and Gentlemen:

In accordance with the terms of the Indenture of Trust, dated as of May 1, 2022 (the "Indenture"), by and between U.S. Bank Trust Company, National Association and the Discovery Bay Public Financing Authority (the "Authority"), you are hereby authorized and requested by the Town of Discovery Bay Community Services District (the "District") to make immediate disbursement of funds held by you in the Water Project Account of the Project Fund for Water Project Costs relating to the Water Project pursuant to Section 3.04(b) of the Indenture. All capitalized terms used but not defined herein have the meanings given to such terms in the Indenture.

You are hereby requested to pay from the Water Project Account of the Project Fund established by the Indenture, to the person(s), corporation(s) or other entity(ies) designated on Schedule A attached hereto, in payment of all or a portion of the Water Project Costs described on said Schedule.

The undersigned hereby certifies that (i) the amounts listed on Schedule A constitute Water Project Costs, (ii) no part of the amount requested herein has been included in any other request previously filed with you; (iii) to the knowledge of the undersigned, there has not been filed with or served upon the Authority or the District any notice of any lien or attachment upon or claim (except for any preliminary notice of lien as may be filed in accordance with law) affecting the right of the person, corporation or other entity stated below to receive payment of the amount stated below, which lien has not been released or will not be released simultaneously with the payment requested hereunder; and (iv) the labor, services and/or materials covered hereby have been performed upon or furnished to the Water Project and the payment requested herein is due and payable under a purchase order, contract or other authorization;

Dated: _____, 20__.

**TOWN OF DISCOVERY BAY COMMUNITY
SERVICES DISTRICT**

By: _____
Authorized Representative

SCHEDULE A

**Payee
(include address)**

**Description
of Costs**

**Project Costs
Amount**

EXHIBIT C

FORM OF WASTEWATER PROJECT ACCOUNT REQUISITION

DISBURSEMENT REQUEST NO.: _____

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

Re: \$[PAR] Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Bonds, Series 2022 (Water and Wastewater Projects)

Ladies and Gentlemen:

In accordance with the terms of the Indenture of Trust, dated as of May 1, 2022 (the "Indenture"), by and between U.S. Bank Trust Company, National Association and the Discovery Bay Public Financing Authority (the "Authority"), you are hereby authorized and requested by the Town of Discovery Bay Community Services District (the "District") to make immediate disbursement of funds held by you in the Wastewater Project Account of the Project Fund for Wastewater Project Costs relating to the Wastewater Project pursuant to Section 3.04(c) of the Indenture. All capitalized terms used but not defined herein have the meanings given to such terms in the Indenture.

You are hereby requested to pay from the Wastewater Project Account of the Project Fund established by the Indenture, to the person(s), corporation(s) or other entity(ies) designated on Schedule A attached hereto, in payment of all or a portion of the Wastewater Project Costs described on said Schedule.

The undersigned hereby certifies that (i) the amounts listed on Schedule A constitute Wastewater Project Costs, (ii) no part of the amount requested herein has been included in any other request previously filed with you; (iii) to the knowledge of the undersigned, there has not been filed with or served upon the Authority or the District any notice of any lien or attachment upon or claim (except for any preliminary notice of lien as may be filed in accordance with law) affecting the right of the person, corporation or other entity stated below to receive payment of the amount stated below, which lien has not been released or will not be released simultaneously with the payment requested hereunder; and (iv) the labor, services and/or materials covered hereby have been performed upon or furnished to the Wastewater Project and the payment requested herein is due and payable under a purchase order, contract or other authorization;

Dated: _____, 20__.

**TOWN OF DISCOVERY BAY COMMUNITY
SERVICES DISTRICT**

By: _____
Authorized Representative

SCHEDULE A

**Payee
(include address)**

**Description
of Costs**

**Project Costs
Amount**

WATER INSTALLMENT SALE AGREEMENT

Dated as of May 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:

**[\$PAR]
Discovery Bay Public Financing Authority
(Contra Costa County, California)
Enterprise Revenue Bonds, Series 2022
(Water and Wastewater Projects)**

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WATER INSTALLMENT SALE AGREEMENT

THIS WATER INSTALLMENT SALE AGREEMENT, dated as of May 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 finance the acquisition and construction of certain improvements and facilities (the “**Water Project**”) which constitute part of the District’s municipal water enterprise (the “**Water Enterprise**”);

WHEREAS, for the purpose of raising funds necessary to provide such financial assistance to the District, 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 Bonds, Series 2022 (Water and Wastewater Projects)” (the “**Bonds**”), all pursuant to and secured by that certain Indenture of Trust, dated as of May 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 the Bonds, the Authority will sell the 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 which will be calculated to be sufficient to enable the Authority to pay the principal of and interest on the Bonds when due and payable;

WHEREAS, the District is authorized under Section 61060(d) of the Government Code to finance the 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 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 2012 Water Installment Sale Agreement and the 2017 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 Water Project Costs and pay the Costs of Issuance allocable to the Water Project, 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; ACQUISITION AND CONSTRUCTION OF THE WATER PROJECT

Section 3.1. The Bonds. The Authority has authorized the issuance of the Bonds pursuant to the Indenture in the aggregate principal amount of _____ dollars (\$_____). 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.

Section 3.2. Acquisition and Construction of the Water Project. The District hereby agrees with due diligence to supervise and provide for, or cause to be supervised and provided, for the Acquisition and Construction of the Water Project in accordance with Plans and Specifications, purchase orders, construction contracts and other documents relating thereto pursuant to all applicable requirements of law. Direct payment of the costs of the Water Project shall be made from amounts on deposit in the Water Project Account of the Project Fund, pursuant to Section 3.04 of the Indenture. All contracts for, and all work relating to, the Acquisition and Construction of the Water Project shall be subject to all applicable provisions of law relating to the acquisition and construction of public works by the District.

The District shall have the right from time to time in its sole discretion to amend the description of the Water Project to be financed and sold by the Authority hereunder.

Section 3.3. Grant of Easements. The District hereby grants to the Authority all necessary easements, rights of way and rights of access in and to all real property or interests therein now or hereafter acquired and owned by the District, as may be necessary or convenient to enable the Authority to acquire, construct and install the Water Project thereon or thereabouts. The District covenants that it will execute, deliver and record any and all additional documents as may be required to be executed, delivered and recorded to establish such easements, rights of way and rights of access.

Section 3.4. Appointment of District as Agent of Authority. The Authority hereby appoints the District as its agent to carry out all phases of the Acquisition and Construction of the Water Project pursuant to and in accordance with the provisions hereof. The District hereby accepts such appointment and assumes all rights, liabilities, duties and responsibilities of the Authority regarding the Acquisition and Construction of the Water Project. The Authority, or the District as agent of the Authority hereunder, shall enter into, administer and enforce all purchase orders or other contracts relating to the Acquisition and Construction of the Water Project. The District shall submit Written Requisitions of the District to the Trustee from time to time pursuant to and in accordance with the provisions of Section 3.04 of the Indenture for payment, or for reimbursement to the District for payment, of all Water Project Costs. All contracts for, and all work relating to, the Acquisition and Construction of the Water Project shall be subject to all applicable provisions of law relating to the acquisition, construction, improvement, and equipping of like Water Projects and property by joint powers authorities and by public entities.

ARTICLE IV

SALE OF WATER ENTERPRISE; WATER INSTALLMENT PAYMENTS

Section 4.1. Sale. The Authority hereby agrees to sell the Water Project to the District, and the District hereby agrees to purchase the Water Project from the Authority, upon the terms and conditions set forth in this Water 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 Water Project or any portion thereof.

Section 4.3. Title. Upon the Completion Date of each component of the Water Project, title to such component shall be deemed conveyed to and vested in the District. The Authority and the District shall execute, deliver and cause to be recorded any and all documents necessary to convey such title to the District.

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 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 Water 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 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.

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. 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 request, be subject to the reasonable inspection by the Owners of not less than ten percent (10%) in aggregate principal amount of the Outstanding Bonds, or their representatives authorized in writing. The District shall cause the books and accounts of the Water Enterprise to be audited annually by an Independent Accountant, not more than one hundred eighty (180) days after the close of each Fiscal Year, and shall make a copy of such report available for inspection by the Bond Owners at the office of the District.

Section 5.6. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Water Installment Sale Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not constitute an Event of Default hereunder; provided, however, that any Participating Underwriter or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the District of its obligations under this Section 5.6, including seeking mandate or specific performance by court order.

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 Water Project, or any other representation or warranty with respect to the 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 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 Acquisition and Construction of the Water Project or the authorization of payment of the Water Project Costs, (f) 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, (g) 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 (h) 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, or in part in integral multiples of \$5,000, on any date on or after November 25, 20__, 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. 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. The District shall give the Trustee written notice of its intention to exercise its option not less than thirty (30) days in advance of the date of exercise.

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
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

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.

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.

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
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EXHIBIT B
DESCRIPTION OF THE WATER PROJECT

[To come]

WASTEWATER INSTALLMENT SALE AGREEMENT

Dated as of May 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:

**[\$[PAR]]
Discovery Bay Public Financing Authority
(Contra Costa County, California)
Enterprise Revenue Bonds, Series 2022
(Water and Wastewater Projects)**

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

WASTEWATER INSTALLMENT SALE AGREEMENT

THIS WASTEWATER INSTALLMENT SALE AGREEMENT, dated as of May 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 finance the acquisition and construction of certain improvements and facilities (the "**Wastewater Project**") which constitute part of the District's municipal wastewater enterprise (the "**Wastewater Enterprise**");

WHEREAS, for the purpose of raising funds necessary to provide such financial assistance to the District, 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 Bonds, Series 2022 (Water and Wastewater Projects)" (the "**Bonds**"), all pursuant to and secured by that certain Indenture of Trust, dated as of May 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 the Bonds, the Authority will sell the 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 which will be calculated to be sufficient to enable the Authority to pay the principal of and interest on the Bonds when due and payable;

WHEREAS, the District is authorized under Section 61060(d) of the Government Code to finance the 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 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 2012 Wastewater Installment Sale Agreement and the 2017 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 finance the Wastewater Project Costs 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; ACQUISITION AND CONSTRUCTION OF THE WASTEWATER PROJECT

Section 3.1. The Bonds. The Authority has authorized the issuance of the Bonds pursuant to the Indenture in the aggregate principal amount of _____ dollars (\$[PAR]). 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.

Section 3.2. Acquisition and Construction of the Wastewater Project. The District hereby agrees with due diligence to supervise and provide for, or cause to be supervised and provided, for the Acquisition and Construction of the Wastewater Project in accordance with Plans and Specifications, purchase orders, construction contracts and other documents relating thereto pursuant to all applicable requirements of law. Direct payment of the costs of the Wastewater Project shall be made from amounts on deposit in the Wastewater Project Account of the Project Fund, pursuant to Section 3.04 of the Indenture. All contracts for, and all work relating to, the Acquisition and Construction of the Wastewater Project shall be subject to all applicable provisions of law relating to the acquisition and construction of public works by the District.

The District shall have the right from time to time in its sole discretion to amend the description of the Wastewater Project to be financed and sold by the Authority hereunder.

Section 3.3. Grant of Easements. The District hereby grants to the Authority all necessary easements, rights of way and rights of access in and to all real property or interests therein now or hereafter acquired and owned by the District, as may be necessary or convenient to enable the Authority to acquire, construct and install the Wastewater Project thereon or thereabouts. The District covenants that it will execute, deliver and record any and all additional documents as may be required to be executed, delivered and recorded to establish such easements, rights of way and rights of access.

Section 3.4. Appointment of District as Agent of Authority. The Authority hereby appoints the District as its agent to carry out all phases of the Acquisition and Construction of the Wastewater Project pursuant to and in accordance with the provisions hereof. The District hereby accepts such appointment and assumes all rights, liabilities, duties and responsibilities of the Authority regarding the Acquisition and Construction of the Wastewater Project. The Authority, or the District as agent of the Authority hereunder, shall enter into, administer and enforce all purchase orders or other contracts relating to the Acquisition and Construction of the Wastewater Project. The District shall submit Written Requisitions of the District to the Trustee from time to time pursuant to and in accordance with the provisions of Section 3.04 of the Indenture for payment, or for reimbursement to the District for payment, of all Wastewater Project Costs. All contracts for, and all work relating to, the Acquisition and Construction of the Wastewater Project shall be subject to all applicable provisions of law relating to the acquisition, construction, improvement, and equipping of like Wastewater Projects and property by joint powers authorities and by public entities.

ARTICLE IV

SALE OF WASTEWATER ENTERPRISE; WASTEWATER INSTALLMENT PAYMENTS

Section 4.1. Sale. The Authority hereby agrees to sell the Wastewater Project to the District, and the District hereby agrees to purchase the Wastewater Project from the Authority, upon the terms and conditions set forth in this Wastewater 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 Wastewater Project or any portion thereof.

Section 4.3. Title. Upon the Completion Date of each component of the Wastewater Project, title to such component shall be deemed conveyed to and vested in the District. The Authority and the District shall execute, deliver and cause to be recorded any and all documents necessary to convey such title to the District.

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 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 the 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 Wastewater 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 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.

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. 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 request, be subject to the reasonable inspection by the Owners of not less than ten percent (10%) in aggregate principal amount of the Outstanding Bonds, or their representatives authorized in writing. The District shall cause the books and accounts of the Wastewater Enterprise to be audited annually by an Independent Accountant, not

more than one hundred eighty (180) days after the close of each Fiscal Year, and shall make a copy of such report available for inspection by the Bond Owners at the office of the District.

Section 5.6. Continuing Disclosure. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Wastewater Installment Sale Agreement, failure of the District to comply with the Continuing Disclosure Certificate shall not constitute an Event of Default hereunder; provided, however, that any Participating Underwriter or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate to compel performance by the District of its obligations under this Section 5.6, including seeking mandate or specific performance by court order.

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 Wastewater Project, or any other representation or warranty with respect to the 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 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 Acquisition and Construction of the Wastewater Project or the authorization of payment of the Wastewater Project Costs, (f) 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, (g) 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 (h) 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, or in part in integral multiples of \$5,000, on any date on or after November 25, 20__, 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. 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. The District shall give the Trustee written notice of its intention to exercise its option not less than thirty (30) days in advance of the date of exercise.

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
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

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.

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.

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
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Total

EXHIBIT B

DESCRIPTION OF THE WASTEWATER PROJECT

[To come]

FIRST SUPPLEMENT TO INDENTURE OF TRUST

Dated as of May 1, 2022

by and between the

DISCOVERY BAY PUBLIC FINANCING AUTHORITY

and

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

Relating to:

**\$8,825,000
Discovery Bay Public Financing Authority
(Contra Costa County, California)
Enterprise Revenue Bonds, Series 2017
(Water and Wastewater Projects)**

FIRST SUPPLEMENT TO INDENTURE OF TRUST

THIS FIRST SUPPLEMENT TO INDENTURE OF TRUST, made and entered into and dated as of May 1, 2022 (this “**First Supplement**”), 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**”), and supplements and amends that certain Indenture of Trust, dated as of April 1, 2017 (the “**Original Indenture**”), between the Authority and the Trustee, as successor to U.S Bank National Association.

BACKGROUND:

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 is a member of the Authority;

WHEREAS, the Authority previously issued its Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Bonds, Series 2017 (Water and Wastewater projects) (the “**Bonds**”) pursuant to the Original Indenture to assist the District with financing certain capital improvements and facilities (the “**Water Project**”) which constitute part of the District’s water enterprise (the “**Water Enterprise**”), and to finance the acquisition and construction of certain improvements and facilities (the “**Wastewater Project**”) which constitute part of the District’s wastewater enterprise (the “**Wastewater Enterprise**”);

WHEREAS, to provide for the repayment of the Bonds, the Authority sold (i) the Water Project to the District pursuant to a Water Installment Sale Agreement dated as of April 1, 2017 (the “**Original Water Installment Sale Agreement**”), by and between the Authority, as seller, and the District, as purchaser, under which the District agreed to make installment payments to the Authority payable from the net revenues of the Water Enterprise, and (ii) the Wastewater Project to the District pursuant to a Wastewater Installment Sale Agreement dated as of April 1, 2017 (the “**Original Wastewater Installment Sale Agreement**”), by and between the Authority, as seller, and the District, as purchaser, under which the District agreed to make installment payments to the Authority payable from the net revenues of the Wastewater Enterprise, which together were calculated to be sufficient to enable the Authority to pay the principal of and interest on the Bonds when due and payable;

WHEREAS, the Bonds are outstanding in the aggregate principal amount of \$8,050,000; and

WHEREAS, the District has determined to finance (a) the acquisition and construction of certain additional improvements and facilities to the Water Enterprise, and (b) the acquisition and construction of certain additional improvements and facilities to the Wastewater Enterprise;

WHEREAS, for the purpose of raising funds necessary to provide such financial assistance to the District, the Authority proposes to issue its revenue bonds under Article 4 of the Act, designated as the Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Bonds, Series 2022 (Water and Wastewater Projects) (the “**2022 Bonds**”);

WHEREAS, the Authority and the Trustee desire to amend the Original Indenture pursuant to this First Supplement to correct and cure certain ambiguities, inconsistencies, omissions and defective provisions therein due to scrivener’s errors and that are necessary to correct and cure to facilitate the issuance of the 2022 Bonds;

WHEREAS, contemporaneously with the execution and delivery of this First Supplement, the District and the Authority have entered into a First Supplement to Water Installment Sale Agreement dated as of May 1, 2022 (the “**First Supplement to Water Installment Sale Agreement**”), between the District and the Authority, to amend the Original Water Installment Sale Agreement to correct and cure certain defective provisions therein due to scrivener’s errors and that are necessary to facilitate the issuance of the 2022 Bonds;

WHEREAS, contemporaneously with the execution and delivery of this First Supplement, the District and the Authority have entered into a First Supplement to Wastewater Installment Sale Agreement dated as of May 1, 2022 (the “**First Supplement to Wastewater Installment Sale Agreement**”), between the District and the Authority, to amend the Original Wastewater Installment Sale Agreement to correct and cure certain defective provisions therein due to scrivener’s errors and that are necessary to facilitate the issuance of the 2022 Bonds;

A G R E E M E N T :

In consideration of the foregoing and the material covenants hereinafter contained, the Authority and the Trustee formally covenant, agree and bind themselves as follows:

Section 1. Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the terms defined in the recitals above have the respective meanings given those terms when used in this First Supplement. Capitalized terms which are defined in the Original Indenture, and which are not otherwise defined herein shall have the respective meanings given those terms in the Original Indenture.

Section 2. Amendments to Section 1.01.

(a) The following defined terms are added to Section 1.01 of the Original Indenture, and made a part thereof:

“**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 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 Waster 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 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.

“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.

“Rating Agencies” means, collectively, S&P, Moody’s and Fitch.

“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.

“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.

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

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

“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 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.

(b) The following defined terms set forth in Section 1.01 of the Original Indenture are hereby amended to read in their entirety as follows:

“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.

“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.

“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 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 Certified Public 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.

(c) The terms “Contract Resource Obligation” and “Qualified Counterparty” set forth in Section 1.01 of the Original Indenture are hereby deleted in their entirety

Section 2. Original Indenture. Except as amended hereby, the Original Indenture will remain in full force and effect. Reference to this First Supplement need not be made in any note, document, agreement, letter, certificate, the Original Indenture or any communication issued or made subsequent to or with respect to the Original Indenture, it being hereby agreed that any

reference to the Original Indenture shall be sufficient to refer to the Original Indenture, as hereby amended.

Section 3. Effective Date of First Supplement. This First Supplement shall take effect upon its execution and delivery by the Authority and the Trustee.

Section 4. Severability of Invalid Provisions. If any one or more of the provisions contained in this First Supplement are for any reason held to be invalid, illegal or unenforceable in any respect, then such provision or provisions will be deemed severable from the remaining provisions contained in this First Supplement and such invalidity, illegality or unenforceability will not affect any other provision of this First Supplement, and this First Supplement will be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the Trustee each hereby declares that it would have entered into this First Supplement 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 First Supplement may be held illegal, invalid or unenforceable.

Section 5. Execution in Counterparts. This First Supplement may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument. This First Supplement may be delivered by the exchange of signed signature pages by facsimile transmission or by attaching a pdf copy to an email, and any printed or copied version of any signature page so delivered will have the same force and effect as an originally signed version of such signature page.

[Signature Page Follows on the Next Page]

IN WITNESS WHEREOF, the Authority and the Trustee have executed this First Supplement to Indenture of Trust effective the date 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

**FIRST SUPPLEMENT TO
WATER INSTALLMENT SALE AGREEMENT**

Dated as of May 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:

**\$8,825,000
Discovery Bay Public Financing Authority
(Contra Costa County, California)
Enterprise Revenue Bonds, Series 2017
(Water and Wastewater Projects)**

FIRST SUPPLEMENT TO WATER INSTALLMENT SALE AGREEMENT

THIS FIRST SUPPLEMENT TO **WATER INSTALLMENT SALE AGREEMENT**, made and entered into and dated as of May 1, 2022 (this “**First Supplement**”), 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**”), and supplements and amends that certain Water Installment Sale Agreement, dated as of April 1, 2017 (the “**Original Water Installment Sale Agreement**”), between the Authority and the District.

BACKGROUND:

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 District is a member of the Authority;

WHEREAS, the Authority previously issued its Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Bonds, Series 2017 (Water and Wastewater projects) (the “**Bonds**”) pursuant to the Original Water Installment Sale Agreement to assist the District with financing certain capital improvements and facilities (the “**Water Project**”) which constitute part of the District’s water enterprise (the “**Water Enterprise**”), and to finance the acquisition and construction of certain improvements and facilities (the “**Wastewater Project**”) which constitute part of the District’s wastewater enterprise (the “**Wastewater Enterprise**”);

WHEREAS, to provide for the repayment of the Bonds, the Authority sold (i) the Water Project to the District pursuant to the Original Water Installment Sale Agreement under which the District agreed to make installment payments to the Authority payable from the net revenues of the Water Enterprise, and (ii) the Wastewater Project to the District pursuant to a Wastewater Installment Sale Agreement dated as of April 1, 2017 (the “**Original Wastewater Installment Sale Agreement**”), by and between the Authority, as seller, and the District, as purchaser, under which the District agreed to make installment payments to the Authority payable from the net revenues of the Wastewater Enterprise, which together were calculated to be sufficient to enable the Authority to pay the principal of and interest on the Bonds when due and payable;

WHEREAS, the Bonds are outstanding in the aggregate principal amount of \$8,050,000; and

WHEREAS, the District has determined to finance the acquisition and construction of certain additional improvements and facilities to the Water Enterprise and the Wastewater Enterprise;

WHEREAS, for the purpose of raising funds necessary to provide such financial assistance to the District, the Authority proposes to issue its revenue bonds under Article 4 of

the Act, designated as the Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Bonds, Series 2022 (Water and Wastewater Projects) (the “**2022 Bonds**”);

WHEREAS, the District and the Authority desire to enter into this First Supplement to amend the Original Water Installment Sale Agreement to correct and cure certain defective provisions therein due to scrivener’s errors and that are necessary to facilitate the issuance of the 2022 Bonds; and

WHEREAS, contemporaneously with the execution and delivery of this First Supplement, the District and the Authority have entered into a First Supplement to Wastewater Installment Sale Agreement dated as of May 1, 2022, between the District and the Authority, to amend the Original Wastewater Installment Sale Agreement to correct and cure certain defective provisions therein due to scrivener’s errors and that are necessary to facilitate the issuance of the 2022 Bonds;

AGREEMENT:

In consideration of the foregoing and the material covenants hereinafter contained, the Authority and the District formally covenant, agree and bind themselves as follows:

Section 1. Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the terms defined in the recitals above have the respective meanings given those terms when used in this First Supplement. Capitalized terms which are defined in the Original Water Installment Sale Agreement, and which are not otherwise defined herein shall have the respective meanings given those terms in the Original Water Installment Sale Agreement.

Section 2. Amendments.

The Original Water Installment Sale Agreement is hereby amended as follows:

(a) Section 4.05(b)(iv) of the Original Water Installment Sale Agreement is hereby amended by deleting the words “Water Subordinate Debt” and inserting the words “Water Subordinate Obligations” in place thereof.

(b) Section 4.8 of the Original Water Installment Sale Agreement is hereby amended by deleting each instance of the words “the Parity Obligations” appearing therein and inserting the words “the Water Parity Obligations” in place thereof.

(c) Section 4.8(c) of the Original Water Installment Sale Agreement is hereby amended by deleting each instance of the words “Subordinate Obligations” appearing therein and inserting the words “Water Subordinate Obligations” in place thereof.

(d) Section 4.11 of the Original Water Installment Sale Agreement is hereby amended by deleting the words “Adjusted Annual Revenues” and inserting the words “Adjusted Annual Water Gross Revenues” in place thereof.

(e) Section 4.12 of the Original Water Installment Sale Agreement is hereby amended by (i) deleting each instance of the words “Contract Resource Obligation” appearing therein and inserting the words “Water Contract Resource Obligation” in place thereof, and (ii) deleting each

instance of the words “Contract Resource Obligations” appearing therein and inserting the words “Water Contract Resource Obligations” in place thereof.

(f) Section 8.1 of the Original Water Installment Sale Agreement is hereby amended by deleting the words “Installment Payment” and inserting the words “Water Installment Payment” in place thereof.

Section 2. Original Water Installment Sale Agreement. Except as amended hereby, the Original Water Installment Sale Agreement will remain in full force and effect. Reference to this First Supplement need not be made in any note, document, agreement, letter, certificate, the Original Water Installment Sale Agreement or any communication issued or made subsequent to or with respect to the Original Water Installment Sale Agreement, it being hereby agreed that any reference to the Original Water Installment Sale Agreement shall be sufficient to refer to the Original Water Installment Sale Agreement, as hereby amended.

Section 3. Effective Date of First Supplement. This First Supplement shall take effect upon its execution and delivery by the Authority and the District

Section 4. Severability of Invalid Provisions. If any one or more of the provisions contained in this First Supplement are for any reason held to be invalid, illegal or unenforceable in any respect, then such provision or provisions will be deemed severable from the remaining provisions contained in this First Supplement and such invalidity, illegality or unenforceability will not affect any other provision of this First Supplement, and this First Supplement will 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 First Supplement 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 First Supplement may be held illegal, invalid or unenforceable.

Section 5. Execution in Counterparts. This First Supplement may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument. This First Supplement may be delivered by the exchange of signed signature pages by facsimile transmission or by attaching a pdf copy to an email, and any printed or copied version of any signature page so delivered will have the same force and effect as an originally signed version of such signature page.

[Signature Page Follows on the Next Page]

IN WITNESS WHEREOF, the Authority and the District have executed this First Supplement to Water Installment Sale Agreement effective 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

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction.

PRELIMINARY OFFICIAL STATEMENT DATED APRIL ____, 2022

NEW ISSUE – FULL BOOK ENTRY

**RATING: S&P: “AA”
See “RATING” herein.**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS.”



\$ _____ *

DISCOVERY BAY PUBLIC FINANCING AUTHORITY
(Contra Costa County, California)
Enterprise Revenue Bonds, Series 2022
(Water and Wastewater Projects)

Dated: Date of Delivery

Due: December 1, as shown below

The bonds captioned above (the “Bonds”) are being issued by the Discovery Bay Public Financing Authority, a joint exercise of powers entity organized and existing under the laws of the State of California (the “Authority”), pursuant to the provisions of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, a resolution of the Authority and an Indenture of Trust, dated as of May 1, 2022 (the “Indenture”), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The Bonds are being issued to (a) finance the costs of certain improvements to the water enterprise (the “Water Enterprise”) of the Town of Discovery Bay Community Services District (the “District”), (b) finance the costs of certain improvements to the wastewater enterprise (the “Wastewater Enterprise”) of the District, and (c) pay the costs of issuance of the Bonds. See “THE PROJECTS” and “ESTIMATED SOURCES AND USES OF FUNDS” herein.

The Bonds are special obligations of the Authority payable from the revenues pledged under the Indenture, consisting primarily of installment payments (the “2022 Water Installment Payments”) to be made by the District under a Water Installment Sale Agreement, dated as of May 1, 2022, by and between the Authority and the District (the “2022 Water Installment Sale Agreement”), and installment payments (the “2022 Wastewater Installment Payments”) to be made by the District under a Wastewater Installment Sale Agreement, dated as of May 1, 2022, by and between the Authority and the District (the “2022 Wastewater Installment Sale Agreement”). The 2022 Water Installment Payments are secured solely by a pledge of and lien on the net revenues of the Water Enterprise on a parity with certain outstanding installment payment obligations of the District, as described in this Official Statement. The 2022 Wastewater Installment Payments are secured solely by a pledge of and lien on the net revenues of the Wastewater Enterprise on a parity with certain outstanding installment payment obligations of the District, as described in this Official Statement. **A debt service reserve fund will not be established for the Bonds.** See “SECURITY FOR THE BONDS.”

The Bonds are being issued as fully registered bonds, registered in the name of Cede & Co. as nominee of DTC, and will be available to ultimate purchasers in the denomination of \$5,000 or any integral multiple thereof, under the book-entry system maintained by DTC. Ultimate purchasers of Bonds will not receive physical certificates representing their interest in the Bonds. So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references herein to the owners shall mean Cede & Co., and shall not mean the ultimate purchasers of the Bonds. Disbursements of payments to DTC’s Participants is the responsibility of DTC and disbursements of such payments to the Beneficial Owners is the responsibility of DTC’s Participants and Indirect Participants, as more fully described herein. See APPENDIX F – Book-Entry Only System.

The Bonds are subject to redemption prior to maturity as described herein.

Neither the Bonds nor the obligation of the District to make 2022 Water Installment Payments or 2022 Wastewater Installment Payments constitutes an obligation of the District or the Authority for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The Authority has no taxing power. Neither the Bonds nor the obligation of the District to make 2022 Water Installment Payments or the 2022 Wastewater Installment Payments constitutes a debt of the District, the County of Contra Costa, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. The Authority has no taxing power.

This cover page contains information for general reference only. It is not a summary of this issue. Potential purchasers of the Bonds are advised to read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds are offered when, as and if issued subject to the approval, as to their validity, by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel to the District, and certain other conditions. Jones Hall, A Professional Law Corporation, is also serving as Disclosure Counsel to the District. Certain legal matters will be passed upon for the Authority and the District by Neumiller & Beardslee, Stockton, California, as general counsel, and for the Underwriter by Kutak Rock LLP, Irvine, California. It is expected that the Bonds will be available for delivery in book-entry form through the facilities of DTC on or about May 17, 2022.

[Oppenheimer Logo]

Dated: _____, 2022

* Preliminary, subject to change.

MATURITY SCHEDULE

\$ _____ *
DISCOVERY BAY PUBLIC FINANCING AUTHORITY
(Contra Costa County, California)
Enterprise Revenue Bonds, Series 2022
(Water and Wastewater Projects)

Base CUSIP†: _____

<u>Maturity</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Price</u>	<u>CUSIP†</u> <u>Number</u>
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\$ _____ - _____ % Term Bonds Due December 1, 20____; Yield: _____ %;
Price: _____; CUSIP†: _____

† CUSIP Global Services is a registered trademark of American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, which is managed on behalf of American Bankers Association by FactSet Research Systems Inc. Neither the District, the Authority, nor the Underwriter or their agents or counsel takes any responsibility for the accuracy of the CUSIP data.

* Preliminary; subject to change.

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any Bond owner and the Authority, the District or the Underwriter.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the Authority, the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the Authority, the District or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Estimates and Projections. When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases “will likely result,” “are expected to,” “will continue,” “is anticipated,” “estimate,” “project,” “forecast,” “expect,” “intend” and similar expressions identify “forward looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the Authority and the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Document Summaries. All summaries of the Indenture or other documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

Involvement of Underwriter. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the Authority or District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

Stabilization of Market Price. In connection with the offering of the Bonds, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of such Bonds at a level above that which might otherwise prevail in the open market. Such stabilization, if commenced, may be discontinued at any time.

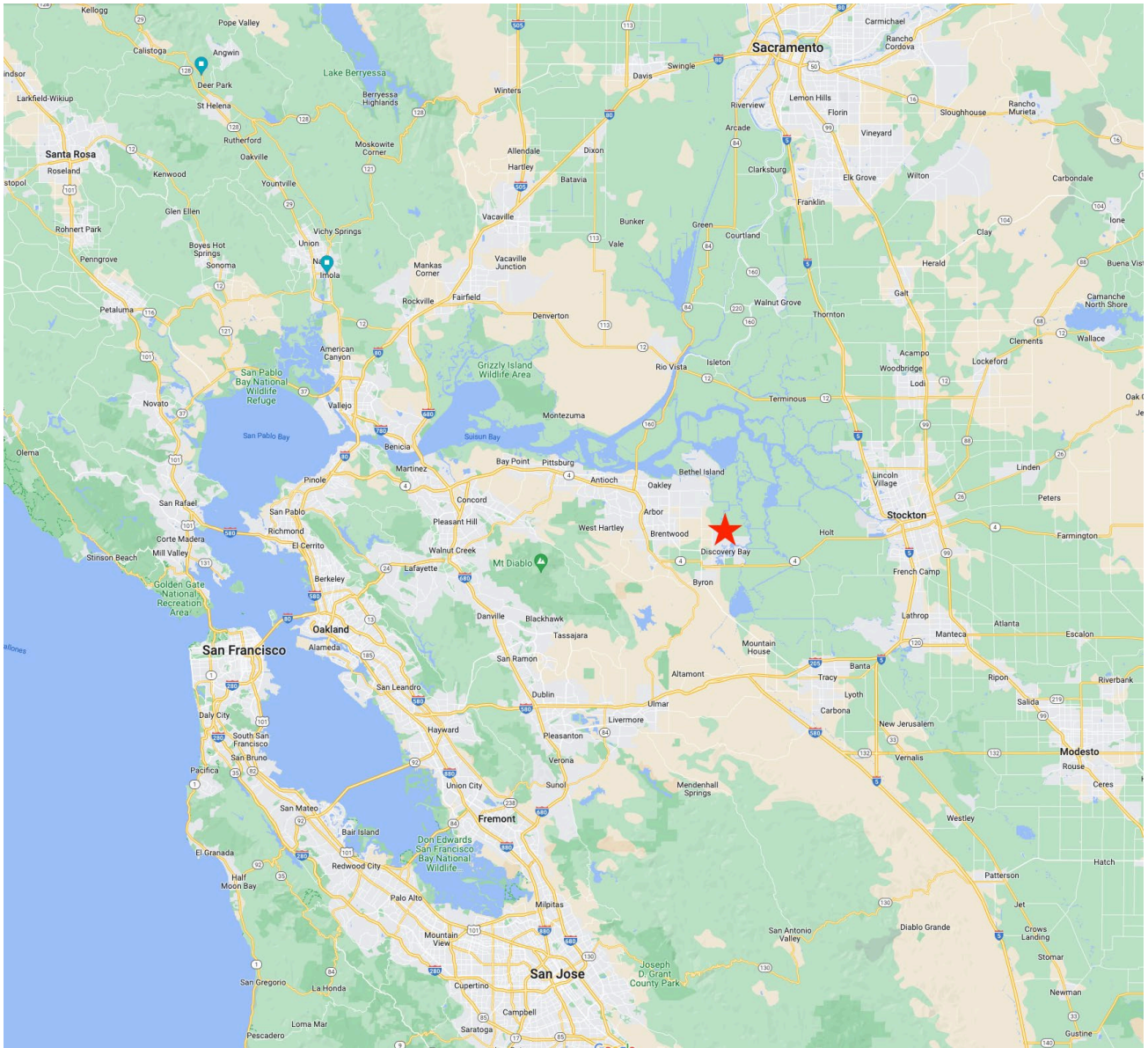
Website. The District maintains a website. However, the information presented on the website is not a part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

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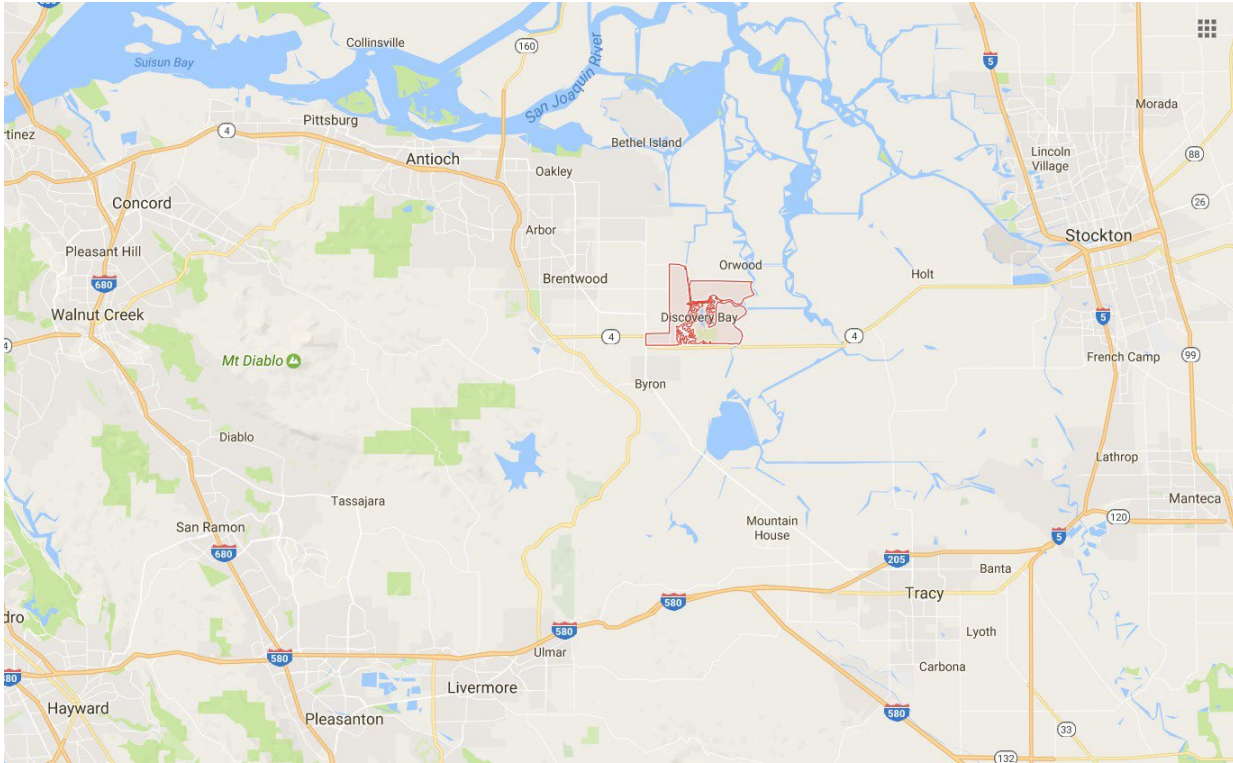
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DISCOVERY BAY LOCATION MAPS



DISCOVERY BAY LOCATION MAPS (Continued)



DISCOVERY BAY PUBLIC FINANCING AUTHORITY

**GOVERNING BODY OF THE AUTHORITY/
DISTRICT BOARD OF DIRECTORS**

Kevin Graves, *President*
Ashley Porter, *Vice President*
Bryon Gutow, *Director*
Michael Callahan, *Director*
Carolyn Graham, *Director*

DISTRICT STAFF

Dina Breitstein, *General Manager*
Aaron Goldsworthy, *Water & Wastewater Manager*
William Engelman, *Parks and Landscape Manager*
Julie Carter, *Finance Manager*
Monica Gallo, *Recreation Programs Supervisor*

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc.
Irvine, California

BOND AND DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

TRUSTEE

U.S. Bank Trust Company, National Association
San Francisco, California

OFFICIAL STATEMENT

\$ _____.*
DISCOVERY BAY PUBLIC FINANCING AUTHORITY
(Contra Costa County, California)
Enterprise Revenue Bonds, Series 2022
(Water and Wastewater Projects)

INTRODUCTION

General

The purpose of this Official Statement is to provide certain information concerning the issuance, sale and delivery by the Discovery Bay Public Financing Authority, a joint exercise of powers entity organized and existing under the laws of the State of California (the "Authority"), of its Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Bonds, Series 2022 (Water and Wastewater Project) (the "Bonds"), in the aggregate principal amount of \$ _____.*

The Bonds are special obligations of the Authority secured by a pledge of Revenues under an Indenture of Trust, dated as of May 1, 2022 (the "Indenture"), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the "Trustee"). Under the Indenture, Revenues consist primarily of (a) installment payments (the "2022 Water Installment Payments") to be made by the Town of Discovery Bay Community Services District (the "District") under a Water Installment Sale Agreement, dated as of May 1, 2022 (the "2022 Water Installment Sale Agreement"), by and between the Authority and the District, as the purchase price for certain improvements to the District's water enterprise (the "Water Enterprise"), and (b) installment payments (the "2022 Wastewater Installment Payments") to be made by the District under a Wastewater Installment Sale Agreement, dated as of May 1, 2022 (the "2022 Wastewater Installment Sale Agreement"), by and between the Authority and the District, as the purchase price for certain improvements to the District's municipal wastewater enterprise (the "Wastewater Enterprise").

The District's obligation to make 2022 Water Installment Payments are secured solely by a pledge of and lien on the net revenues of the Water Enterprise, as described in this Official Statement. The District's obligation to make 2022 Wastewater Installment Payments are secured solely by a pledge of and lien on the net revenues of the Wastewater Enterprise, as described in this Official Statement. The obligation of the District to make 2022 Water Installment Payments and 2022 Wastewater Installment Payments are not cross collateralized. See "SECURITY FOR THE BONDS" and "RISK FACTORS – No Cross-Collateralization of Installment Payment Obligations."

* Preliminary, subject to change.

Capitalized terms used, but not otherwise defined herein, shall have the meanings assigned thereto in the Indenture. See APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS.

The Authority

The Authority is a joint exercise of powers authority, formed under California law for the purpose of implementing the construction, acquisition, maintenance and improvement of public facilities and infrastructure within the District. See “THE AUTHORITY.”

The District and the Enterprises

Discovery Bay is an unincorporated community within the County of Contra Costa (the “County”). The District was officially formed as a California community services district in 1998. The District is governed by a five-member elected Board of Directors (the “Board”). There is a General Manager who oversees the day-to-day operational needs of the community.

The District encompasses an area of approximately nine square miles. The District is located in the eastern portion of the County, approximately 55 miles east of San Francisco, 65 miles south of Sacramento, 15 miles east of Antioch and approximately 15 miles north of Livermore. The city of Brentwood is approximately 6 miles northwest along State Highway 4.

The District provides municipal water treatment and distribution as well as wastewater collection and treatment. The District also provides parks and landscaping and recreation services.

See “THE WATER ENTERPRISE,” “THE WASTEWATER ENTERPRISE” and APPENDIX A – GENERAL INFORMATION ABOUT THE DISTRICT AND CONTRA COSTA COUNTY.

Authority for Issuance of the Bonds

The Bonds are being issued pursuant to (i) the laws of the State of California (the “State”), pursuant to the provisions of Article 4 (commencing with section 6584) of Chapter 5 of Division 7 of Title 1 of the California Government Code, as amended (the “Bond Law”), (ii) the Indenture, (iii) a resolution adopted by the Board of Directors of the Authority on April 20, 2022, and (iv) a resolution adopted by the Board of the District on April 20, 2022.

Purpose of the Bonds

The Bonds are being issued to (a) finance the costs of certain improvements to the Water Enterprise, (b) finance the costs of certain improvements to the Wastewater Enterprise, and (c) pay the costs of issuance of the Bonds. See “THE FINANCING PLAN.”

Security and Source of Repayment

The Bonds are special obligations of the Authority secured by a pledge of Revenues and certain funds and accounts held by the Trustee under the Indenture.

The District will secure its obligation to make the 2022 Water Installment Payments with its pledge of all of the “Water Net Revenues” of the Water Enterprise. Water Net Revenues

generally consist of all gross income and revenue received by the District from the ownership and operation of the Water Enterprise, less Water Operation and Maintenance Costs. See “SECURITY FOR THE BONDS.” The District’s pledge of Water Net Revenues as security for its obligation to make the 2022 Water Installment Payments is on a parity with its pledge of Water Net Revenues as security for certain prior obligations of the District. See “– Outstanding Enterprise Debt” below.

The District will secure its obligation to make 2022 Wastewater Installment Payments with its pledge of all of the “Wastewater Net Revenues” of the Wastewater Enterprise. Wastewater Net Revenues generally consist of all gross income and revenue received by the District from the ownership and operation of the Wastewater Enterprise, less Wastewater Operation and Maintenance Costs. See “SECURITY FOR THE BONDS.” The Bonds are also secured by amounts held in certain funds and accounts established under the Indenture. The District’s pledge of Wastewater Net Revenues as security for its obligation to make the 2022 Wastewater Installment Payments is on a parity with its pledge of Wastewater Net Revenues as security for certain prior obligations of the District. See “– Outstanding Enterprise Debt” below.

The obligation of the District to make 2022 Water Installment Payments and 2022 Wastewater Installment Payments are not cross-collateralized. Accordingly, in the event there is a shortfall in Water Net Revenues to make 2022 Water Installment Payments, Wastewater Net Revenues cannot be used to cover such shortfall. Similarly, in the event there is a shortfall in Wastewater Net Revenues to make 2022 Wastewater Installment Payments, Water Net Revenues cannot be used to cover such shortfall. See “SECURITY FOR THE BONDS.”

No Debt Service Reserve Fund

A debt service reserve fund will not be established for the Bonds.

Outstanding Enterprise Debt

The District’s pledge of Water Net Revenues as security for its obligation to make the 2022 Water Installment Payments under the 2022 Water Installment Sale Agreement is on a parity with its pledge of Water Net Revenues as security for its obligation to (i) make installment payments (the “2012 Water Installment Payments”) under a Water Installment Sale Agreement (the “2012 Water Installment Sale Agreement”) entered into in connection with the issuance of the Authority’s Series 2012 Enterprise Revenue Bonds (Water and Wastewater Financing Projects) (the “2012 Bonds”) and (ii) make installment payments (the “2017 Water Installment Payments”) under a Water Installment Sale Agreement (the “2017 Water Installment Sale Agreement”) entered into in connection with the issuance of the Authority’s Series 2017 Enterprise Revenue Bonds (Water and Wastewater Financing Projects) (the “2017 Bonds”). The 2012 Water Installment Payments and the 2017 Water Installment Payments are outstanding in the aggregate principal amount of \$1,205,512 and \$432,900, respectively, and have final maturity dates of December 1, 2042, and December 1, 2027, respectively.

The District’s pledge of Wastewater Net Revenues as security for its obligation to make the 2022 Wastewater Installment Payments under the 2022 Wastewater Installment Sale Agreement is on a parity with its pledge of Wastewater Net Revenues as security for its obligation to (i) make installment payments (the “2012 Wastewater Installment Payments”) under a Wastewater Installment Sale Agreement (the “2012 Wastewater Installment Sale Agreement”) entered into in connection with the issuance of the 2012 Bonds and (ii) make installment payments (the “2017 Wastewater Installment Payments”) under a Wastewater Installment Sale Agreement

(the “2017 Wastewater Installment Sale Agreement”) entered into in connection with the issuance of the 2017 Bonds. The 2012 Wastewater Installment Payments and the 2017 Wastewater Installment Payments are outstanding in the aggregate principal amount of \$10,124,488 and \$7,617,100, respectively, and have final maturity dates of December 1, 2042, and December 1, 2047, respectively.

The 2012 Bonds and the 2017 Bonds are outstanding in the aggregate principal amount of \$11,330,000 and \$8,065,000, respectively.

See “DEBT SERVICE REQUIREMENTS.”

Future Parity Obligations

The 2022 Water Installment Sale Agreement, the 2017 Water Installment Sale Agreement and the 2012 Water Installment Sale Agreement (each a “Water Installment Sale Agreement” and, collectively, the “Water Installment Sale Agreements”) permit the District to issue bonds or incur other obligations payable from and secured by a pledge of and lien upon any of the Water Net Revenues on a parity with the 2022 Water Installment Payments, the 2017 Water Installment Payments and the 2012 Water Installment Payments if certain conditions are satisfied. See “SECURITY FOR THE BONDS – Limitations on Future Obligations Secured by Water Net Revenues – *Water Parity Obligations.*”

The 2012 Water Installment Sale Agreement, the 2017 Water Installment Sale Agreement, and all bonds, notes, loan agreements, installment sale agreements, leases or other obligations of the District payable from and secured by a pledge of Water Net Revenues on a parity with the payment of the 2022 Water Installment Payments are defined in the Indenture as “Water Parity Obligations.”

The 2022 Wastewater Installment Sale Agreement, the 2017 Wastewater Installment Sale Agreement and the 2012 Wastewater Installment Sale Agreement (each a “Wastewater Installment Sale Agreement” and, collectively, the “Wastewater Installment Sale Agreements”) permit the District to issue bonds or incur other obligations payable from and secured by a pledge of and lien upon any of the Wastewater Net Revenues on a parity with the 2022 Wastewater Installment Payments, the 2017 Wastewater Installment Payments and the 2012 Wastewater Installment Payments if certain conditions are satisfied. See “SECURITY FOR THE BONDS – Limitations on Future Obligations Secured by Wastewater Net Revenues – *Wastewater Parity Obligations.*”

The 2012 Wastewater Installment Sale Agreement, the 2017 Wastewater Installment Sale Agreement, and all bonds, notes, loan agreements, installment sale agreements, leases or other obligations of the District payable from and secured by a pledge of Wastewater Net Revenues on a parity with the payment of the 2022 Wastewater Installment Payments are defined in the Indenture as “Wastewater Parity Obligations.”

Rate Covenants

The District is obligated under the 2022 Water Installment Sale Agreement to fix, prescribe, revise and collect rates, fees and charges in connection with the Water Enterprise during each Fiscal Year which so as to yield Water Gross Revenues at least sufficient to pay operation and maintenance costs of the Water Enterprise, the 2022 Water Installment Payments and all payments of principal of and interest with respect to any Water Parity Obligations as they become

due and payable and all payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Water Gross Revenues.

In addition, the District is required, to the extent permitted by law, to 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 sufficient to yield Adjusted Annual Water Net Revenues for such Fiscal Year equal to at least 125% of the aggregate amount of the 2022 Water Installment Payments and principal of and interest on any Water Parity Obligations coming due and payable during such Fiscal Year.

The District is obligated under the 2022 Wastewater Installment Sale Agreement to fix, prescribe, revise and collect rates, fees and charges in connection with the Wastewater Enterprise during each Fiscal Year so as to yield Wastewater Gross Revenues at least sufficient to pay operation and maintenance costs of the Wastewater Enterprise, the 2022 Wastewater Installment Payments and all payments of principal of and interest with respect to any Wastewater Parity Obligations as they become due and payable and all payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Wastewater Gross Revenues.

In addition, the District is required to 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 sufficient to yield Adjusted Annual Wastewater Net Revenues which are at least equal to 125% of the aggregate amount of the 2022 Wastewater Installment Payments, and principal of and interest on any Wastewater Parity Obligations coming due and payable during such Fiscal Year.

See “SECURITY FOR THE BONDS – 2022 Water Installment Payments; Application of Water Enterprise Revenues – *Rate Covenants; Collection of Rates and Charges*” and “SECURITY FOR THE BONDS – 2022 Wastewater Installment Payments; Application of Wastewater Enterprise Revenues – *Rate Covenants; Collection of Rates and Charges.*”

Redemption

The Bonds are subject to redemption as described herein. See “THE BONDS – Redemption.”

Book-Entry Form

The Bonds will be delivered in fully registered form only and, when issued and delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds. Ownership interests in the Bonds may be purchased in denominations of \$5,000 or any integral multiple thereof, in book-entry form only. Principal, premium, if any, and interest are payable directly to DTC by the Trustee. Upon receipt of payments of principal of, premium, if any, and interest on the Bonds, DTC is obligated to remit such principal, premium, if any, and interest to the participants in DTC for subsequent disbursement to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry Only System” below and APPENDIX F – BOOK-ENTRY ONLY SYSTEM.

Further Information

The summaries and references of the Indenture and other documents, statutes, reports and other instruments referred to herein do not purport to be complete, comprehensive or definitive, and each such summary and reference is qualified in its entirety by reference to the Indenture and each document, statute, report or instrument. Copies of the Indenture, the 2022 Water Installment Sale Agreement and the 2022 Wastewater Installment Sale Agreement are available for inspection during business hours at the corporate trust office of the Trustee. See APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS for a summary of certain terms of the Indenture, the 2022 Water Installment Sale Agreement, and the 2022 Wastewater Installment Sale Agreement not summarized in the main body of this Official Statement.

THE PROJECTS

The Bonds are being issued to (i) finance the costs of certain improvements to the Water Enterprise (as further described below, the “Water Project”), (ii) finance the costs of certain improvements to the Wastewater Enterprise (as further described below, the “Wastewater Project”), and (iii) pay the costs of issuance of the Bonds.

The Water Project. The Water Project is the design, acquisition and construction of new water Well 8, and related equipment and facilities. Construction of the Water Project is expected to begin by April 2023 and is expected to be completed by April 2025. The total cost of the Water Project is expected to be approximately \$5 million. The Water Project will be financed in part by Bond proceeds and in part by District reserves.

The Wastewater Project. The Wastewater Project is the design, acquisition and construction of wastewater denitrification facilities. Construction of the Wastewater Project began in July 2021 and is expected to be completed by July 2023. The total cost of the Wastewater Project is expected to be approximately \$20 million. The Wastewater Project will be financed in part by Bond proceeds and in part by District reserves.

ESTIMATED SOURCES AND USES OF FUNDS

SOURCES

Par Amount of Bonds	\$
Plus: [Net] Original Issue Premium	
Total Sources	\$

USES

Deposit to Water Project Account	\$
Deposit to Wastewater Project Account	
Costs of Issuance ⁽¹⁾	
Total Uses	\$

(1) Includes the underwriter’s discount, legal, advisory and financing costs, printing costs, rating agency fees, initial fees of the Trustee and other costs related to the issuance of the Bonds.

DEBT SERVICE REQUIREMENTS

The following tables sets forth (a) the annual debt service requirement of the Bonds (assuming no optional redemption or mandatory redemption from proceeds of insurance, sale or condemnation), (b) the annual installment payment requirements under the Water Installment Sale Agreements and (c) the annual installment payment requirements under the Wastewater Installment Sale Agreements.

Annual Debt Service Requirement of the Bonds

Year Ending (December 1)	Principal	Interest	Total
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
2049			
2050			
2051			
2052			
Total			

**Annual Installment Payment Requirements under the
Water Installment Sale Agreements**

Year Ending December 1	2012 Water Installment Payments	2017 Water Installment Payments	2022 Water Installment Payments	Total
2022	\$88,605.93	\$170,600.00	\$	\$
2023	88,137.77	170,400.00		
2024	88,651.15	170,000.00		
2025	88,486.23	168,000.00		
2026	88,821.39	170,750.00		
2027	88,781.70	168,000.00		
2028	88,681.74	--		
2029	88,522.14	--		
2030	88,834.69	--		
2031	88,535.44	--		
2032	88,708.34	--		
2033	89,333.44	--		
2034	89,370.68	--		
2035	89,285.56	--		
2036	89,078.08	--		
2037	89,280.24	--		
2038	89,338.76	--		
2039	89,780.32	--		
2040	89,519.75	--		
2041	89,642.00	--		
2042	89,594.12	--		
2043	--	--		
2044	--	--		
2045	--	--		
2046	--	--		
2047	--	--		
2048	--	--		
2049	--	--		
2050	--	--		
2051	--	--		
2052	--	--		
Total	\$1,868,989.52	\$1,017,750.00	\$	\$

**Annual Installment Payment Requirements under the
Wastewater Installment Sale Agreements**

Year Ending December 1	2012 Wastewater Installment Payments	2017 Wastewater Installment Payments	2022 Wastewater Installment Payments	Total
2022	\$744,156.59	\$354,368.76	\$	\$
2023	740,224.75	356,568.76		
2024	744,536.37	353,568.76		
2025	743,151.29	354,818.76		
2026	745,966.15	355,818.76		
2027	745,632.82	356,568.76		
2028	744,793.28	357,068.76		
2029	743,452.88	358,268.76		
2030	746,077.83	354,268.76		
2031	743,564.58	356,268.76		
2032	745,016.68	353,118.76		
2033	750,266.58	349,837.50		
2034	750,579.34	351,425.00		
2035	749,864.46	347,712.50		
2036	748,121.94	354,000.00		
2037	749,819.78	349,800.00		
2038	750,311.26	350,600.00		
2039	754,019.70	345,600.00		
2040	751,831.27	350,600.00		
2041	752,858.02	345,200.00		
2042	752,455.90	349,800.00		
2043	--	1,114,000.00		
2044	--	1,117,400.00		
2045	--	1,119,200.00		
2046	--	1,119,400.00		
2047	--	1,118,000.00		
2048	--	--		
2049	--	--		
2050	--	--		
2051	--	--		
2052	--	--		
Total	\$15,696,701.42	\$12,993,281.36	\$	\$

THE BONDS

General Provisions

The Bonds will be dated their date of delivery, will bear interest from such date at the rates per annum set forth on the inside cover page hereof, payable semiannually on each June 1 and December 1, commencing December 1, 2022, and will mature on December 1 in each of the designated years in the principal amounts set forth on the inside cover page hereof. Interest on the Bonds will be payable from the Interest Payment Date next preceding the date of authentication thereof, unless (a) a Bond is authenticated after the fifteenth (15th) calendar day of the month preceding such Interest Payment Date and on or before the following Interest Payment Date, in which event it will bear interest from such Interest Payment Date, or (b) unless a Bond is authenticated on or before November 15, 2022, in which event it will bear interest from its date of delivery; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Book-Entry Only System

The Bonds, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Bonds so purchased. Individual purchases will be made in book-entry-only form. Purchasers will not receive a certificate representing their beneficial ownership interest in the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders, holders or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the “Beneficial Owners” of the Bonds. In this Official Statement, the term “Beneficial Owner” shall mean the person for whom a Participant (as defined herein) acquires an interest in the Bonds. See APPENDIX F – BOOK-ENTRY ONLY SYSTEM.

In the event the use of the book-entry-only system is discontinued, principal of the Bonds will be payable upon surrender thereof at the principal corporate trust office of the Trustee in San Francisco, California. Interest payable on the Bonds will be paid by check mailed on the Interest Payment Date to the person in whose name each Bond is registered in the registration books maintained by the Trustee as of the applicable Record Date for such Interest Payment Date; provided that registered owners of \$1,000,000 or more in aggregate principal amount of Bonds may request payment by wire transfer, such request to be submitted in writing to the Trustee on or before the applicable Record Date for such Interest Payment Date in accordance with the provisions set forth in the Indenture.

Transfer and Exchange

Transfer of Bonds. 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 his 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. Transfer of any Bond shall not be permitted by the Trustee during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption. 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.

Exchange of Bonds. Any Bond may be exchanged at the principal corporate trust office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of like maturity. Exchange of any Bond shall not be permitted during the period established by the Trustee for selection of Bonds for redemption or if such Bond has been selected for redemption. 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.

Redemption*

Optional Redemption. The Bonds maturing on or before December 1, 20____, are not subject to optional redemption prior to their respective stated maturities. The Bonds maturing on or after December 1, 20____, are subject to optional redemption on any date on or after December 1, 20____, in whole or in part, by such maturities as the District determines, and by lot within a maturity, from any available source of funds, from prepayments of the 2022 Water Installment Payments made at the option of the District pursuant to the 2022 Water Installment Sale Agreement and/or from prepayments of the 2022 Wastewater Installment Payments made at the option of the District pursuant to the 2022 Wastewater Installment Sale Agreement, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest to the redemption date, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on December 1, 20____ (the "Term Bonds") are subject to mandatory redemption, in part by lot, from Sinking Account payments set forth in the following schedule 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 such Term Bonds have been optionally redeemed as described above, 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 such 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
---------------------------------	---------------------

† Maturity.

Purchase of Bonds In Lieu of Redemption. In lieu, or partially in lieu, of such optional redemption or mandatory sinking fund redemption described above, amounts held by the Trustee for such redemption may also be used on any Interest Payment Date, upon receipt by the Trustee at least ninety (90) days prior to the next scheduled Interest Payment Date of the written request of an Authorized Representative of the District, for the purchase of Bonds at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the District may in its discretion direct, but not to exceed the redemption price which would be payable if such Bonds were redeemed.

* Preliminary, subject to change.

Selection of Bonds for Redemption. The Trustee shall select the Bonds to be redeemed from all Bonds or such given portion thereof not previously called for redemption by lot within a maturity. For purposes of such selection, the Trustee shall treat each Bond as consisting of separate \$5,000 portions and each such portion shall be subject to redemption as if such portion were a separate Bond. No Bonds selected for redemption may be transferred.

Notice of Redemption. Notice of redemption shall be mailed by first class mail, postage prepaid, not less than 20 nor more than 60 days before any redemption date, to the respective Owners of any Bonds designated for redemption at their addresses appearing on the Registration Books. 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 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.

Rescission of Redemption Notice. The District has the right to rescind any notice of the optional redemption of Bonds by written notice to the Trustee on or prior to the dated 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. 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.

Effect of Redemption. Notice of redemption having been duly given as specified in the Indenture, 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 the Indenture, and the Owners of said Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

SECURITY FOR THE BONDS

This section provides summaries of the provisions of the Indenture, the 2022 Water Installment Sale Agreement and the 2022 Wastewater Installment Sale Agreement. See APPENDIX C – SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS for a more complete summary of the Indenture, the 2022 Water Installment Sale Agreement and the 2022 Wastewater Installment Sale Agreement.

Revenues; Pledge of Revenues

Pledge of Revenues and Other Amounts. The Bonds are special limited obligations of the Authority, payable solely from and secured by Revenues (as defined below) of the Authority consisting primarily of 2022 Water Installment Payments received by the Authority from the District (which 2022 Water Installment Payments are payable by the District on a parity with the 2012 Water Installment Payments and the 2017 Water Installment Payments) and of 2022 Wastewater Installment Payments received by the Authority from the District (which 2022 Wastewater Installment Payments are payable by the District on a parity with the 2012 Wastewater Installment Payments and the 2017 Wastewater Installment Payments). The Bonds are also secured by amounts on deposit in certain funds and accounts established under the Indenture.

Definition of Revenues. “Revenues” are defined in the Indenture as (a) all amounts received by the Authority or the Trustee pursuant or with respect to the 2022 Water Installment Sale Agreement, including, without limiting the generality of the foregoing, all of the 2022 Water Installment Payments (including both timely and delinquent payments, any late charges, and whether paid from any source) and prepayments, (b) all amounts received by the Authority or the Trustee pursuant or with respect to the 2022 Wastewater Installment Sale Agreement, including, without limiting the generality of the foregoing, all of the 2022 Wastewater Installment Payments (including both timely and delinquent payments, any late charges, and whether paid from any source) and prepayments; but excluding any Additional Payments.

Assignment to Trustee. The Authority, in the Indenture, 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 right, title and interest of the Authority in the 2022 Water Installment Sale Agreement and the 2022 Wastewater Installment Sale Agreement (except for certain rights to indemnification set forth therein).

The Trustee is entitled to all of the protections, limitations from liability and indemnities provided it under the Indenture. 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 the Indenture, 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 2022 Water Installment Sale Agreement and under the 2022 Wastewater Installment Sale Agreement.

2022 Water Installment Payments; Application of Water Enterprise Revenues

2022 Water Installment Payments. Under the 2022 Water Installment Sale Agreement, the District will irrevocably pledge all of the Water Net Revenues to the punctual payment of the 2022 Water Installment Payments and all Water Parity Obligations. This pledge constitutes a first lien on the Water Net Revenues and such other moneys for the payment of the 2022 Water Installment Payments in accordance with the 2022 Water Installment Sale Agreement, on a parity with the pledge and lien which secures any Water Parity Obligations, including the 2012 Water Installment Payments and 2017 Water Installment Payments. The District is obligated to make 2022 Water Installment Payments to the Trustee, on behalf of and as assignee of the Authority.

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

“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 the 2022 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 the Water Installment Sale Agreement.

“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 2022 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.

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 under the 2022 Water Installment Sale Agreement) and the Bond Owners, and for the benefit of the owners of any Water Parity Obligations.

Pledge of Water Net Revenues; Transfers; Release from Lien. Under the 2022 Water Installment Sale Agreement, all of the Water Net Revenues are irrevocably pledged, charged and assigned to the punctual payment of the 2022 Water Installment Payments and all Water Parity Obligations and, except as otherwise provided in the 2022 Water Installment Sale Agreement, the Water Net Revenues shall not be used for any other purpose so long as any of the 2022 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 2022 Water Installment Payments and all Water Parity Obligations in accordance with the terms of the 2022 Water Installment Sale Agreement.

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 2022 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 2022 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 Additional Payments, when and as due and payable under the 2022 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.

Following the transfers described above, excess Water Net Revenues shall be released from the lien of the 2022 Water Installment Sale Agreement and shall be available for any lawful purpose of the District.

Water Rate Stabilization Fund. The District has the right under the Indenture to establish and maintain a rate stabilization fund with respect to the Water Enterprise (the “Water Rate Stabilization Fund”). The District may at any time withdraw from the Water 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 Water 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.

“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 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.

Covenant to Maintain and Operate. The District covenants in the 2022 Water Installment Sale Agreement 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 in the 2022 Water Installment Sale Agreement 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 under the 2022 Water Installment Sale Agreement, or which may otherwise impair the ability of the District to pay the 2022 Water Installment Payments in accordance with the 2022 Water Installment Sale Agreement.

Special Obligation; Obligations Absolute. The District’s obligation to pay the 2022 Water Installment Payments, the Additional Payments, any other amounts coming due and payable under the 2022 Water Installment Sale Agreement 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 in the 2022 Water Installment Sale Agreement for the payment of the 2022 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 2022 Water Installment Payments, the Additional Payments or payments with respect to Water Parity Obligations and any other amounts coming due and payable 2022 Water Installment Sale Agreement.

The obligations of the District to make the 2022 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 in the 2022 Water Installment Sale Agreement 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 under the 2022 Water Installment Sale Agreement 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 2022 Water Installment Payments, all of the Additional Payments and all other amounts coming due and payable under the 2022 Water Installment Sale Agreement shall have been fully paid or prepaid, the District (a) will not suspend or discontinue payment of any 2022 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 the 2022 Water Installment Sale Agreement, and (c) will not terminate the term of the 2022 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 the 2022 Water Installment Sale Agreement.

Rate Covenants; Collection of Rates and Charges. 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 2022 Water Installment Payments and all payments required with respect to Water Parity Obligations;
- (c) all other payments required for compliance with the 2022 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 rate covenant.

“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, if any, 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).

Limitations on Future Obligations Secured by Water Net Revenues

No Obligations Superior to 2022 Water Installment Payments. In order to protect further the availability of the Water Net Revenues and the security for the 2022 Water Installment Payments and any Water Parity Obligations, the District agrees in the 2022 Water Installment Sale Agreement that the District shall not, so long as the 2022 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 2022 Water Installment Payments or such Water Parity Obligations.

Water Parity Obligations. Under the 2022 Water Installment Sale Agreement, the District has 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 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 such 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.

"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.

Water Subordinate Obligations. The District further covenants in the 2022 Water Installment Sale Agreement 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 2022 Water Installment Payments and any Water Parity Obligations, have amounted to at least 1.05 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.

Insurance. Under the 2022 Water Installment Sale Agreement, the District is required to maintain or cause to be maintained, 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.

Condemnation Awards. 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 2022 Water Installment Payments and payments with respect to any Water Parity Obligations in accordance with written instructions of the District filed with the Trustee.

2022 Wastewater Installment Payments; Application of Wastewater Enterprise Revenues

2022 Wastewater Installment Payments. Under the 2022 Wastewater Installment Sale Agreement, the District will irrevocably pledge all of the Wastewater Net Revenues to the punctual payment of the 2022 Wastewater Installment Payments and all Wastewater Parity Obligations.

This pledge constitutes a first lien on the Wastewater Net Revenues and such other moneys for the payment of the 2022 Wastewater Installment Payments in accordance with the 2022 Wastewater Installment Sale Agreement, on a parity with the pledge and lien which secures any Wastewater Parity Obligations, including the 2012 Wastewater Installment Payments and the 2017 Wastewater Installment Payments. The District is obligated to make 2022 Wastewater Installment Payments to the Trustee, on behalf of and as assignee of the Authority.

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

“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 the 2022 Wastewater Installment Sale Agreement, and there shall be added to Wastewater Gross Revenues any amounts transferred out of the Wastewater Rate Stabilization Fund as contemplated by the 2022 Wastewater Installment Sale Agreement.

“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 delivery 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 of the 2022 Wastewater Installment Sale Agreement 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 2022 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.

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 in the 2022 Wastewater Installment Sale Agreement 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 under the 2022 Wastewater Installment Sale Agreement) and the Bond Owners, and for the benefit of the owners of any Wastewater Parity Obligations.

Pledge of Wastewater Net Revenues; Transfers; Release from Lien. Under the 2022 Wastewater Installment Sale Agreement, all of the Wastewater Net Revenues are irrevocably pledged, charged and assigned to the punctual payment of the 2022 Wastewater Installment Payments and all Wastewater Parity Obligations and, except as otherwise provided in the 2022 Wastewater Installment Sale Agreement, the Wastewater Net Revenues shall not be used for any other purpose so long as any of the 2022 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 2022 Wastewater Installment Payments and all Wastewater Parity Obligations in accordance with the terms of the 2022 Wastewater Installment Sale Agreement.

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 2022 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 2022 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 Additional Payments, when and as due and payable under the 2022 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.

Following the transfers described above, excess Wastewater Net Revenues shall be released from the lien of the 2022 Wastewater Installment Sale Agreement and shall be available for any lawful purpose of the District.

Wastewater Rate Stabilization Fund. The District has the right under the Indenture to establish and maintain a rate stabilization fund with respect to the Wastewater Enterprise (the "Wastewater Rate Stabilization Fund"). The District may at any time withdraw from the Wastewater 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 Wastewater 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.

"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.

Covenant to Maintain and Operate. The District covenants in the 2022 Wastewater Installment Sale Agreement 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 in the 2022 Wastewater Installment Sale Agreement 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 under the 2022 Wastewater Installment Sale Agreement, or which may otherwise impair the ability of the District to pay the Wastewater Installment Payments in accordance with the 2022 Wastewater Installment Sale Agreement.

Special Obligation; Obligations Absolute. The District's obligation to pay the 2022 Wastewater Installment Payments, the Additional Payments, any other amounts coming due and payable under the 2022 Wastewater Installment Sale Agreement 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 in the 2022 Wastewater Installment Sale Agreement for the payment of the 2022 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 2022 Wastewater Installment Payments, the Additional Payments or payments with respect to Wastewater Parity Obligations and any other amounts coming due and payable under the 2022 Wastewater Installment Sale Agreement.

The obligations of the District to make the 2022 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 in the 2022 Wastewater Installment Sale Agreement 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 under the 2022 Wastewater Installment Sale Agreement 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 2022 Wastewater Installment Payments, all of the Additional Payments and all other amounts coming due and payable under the 2022 Wastewater Installment Sale Agreement shall have been fully paid or prepaid, the District (a) will not suspend or discontinue payment of any 2022 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 the 2022 Wastewater Installment Sale Agreement, and (c) will not terminate the term of the 2022 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 the 2022 Wastewater Installment Sale Agreement.

Rate Covenants; Collection of Rates and Charges. 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 2022 Wastewater Installment Payments and all payments required with respect to Wastewater Parity Obligations;

(c) all other payments required for compliance with the 2022 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.

“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).

Limitations on Future Obligations Secured by Wastewater Net Revenues

No Obligations Superior to 2022 Wastewater Installment Payments. In order to protect further the availability of the Wastewater Net Revenues and the security for the 2022 Wastewater Installment Payments and any Wastewater Parity Obligations, the District agrees in the 2022 Wastewater Installment Sale Agreement that the District shall not, so long as the 2022 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 2022 Wastewater Installment Payments or such Wastewater Parity Obligations.

Wastewater Parity Obligations. Under the 2022 Wastewater Installment Sale Agreement, the District has 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 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 such 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 the 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 water 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.

"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.

Wastewater Subordinate Obligations. The District further covenants in the 2022 Wastewater Installment Sale Agreement 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 2022 Wastewater Installment Payments and any Wastewater Parity Obligations, have amounted to at least 1.05 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.

Insurance. Under the 2022 Wastewater Installment Sale Agreement, the District is required to maintain or cause to be maintained, 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.

Condemnation Awards. 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 2022 Wastewater Installment Payments and payments with respect to any Wastewater Parity Obligations in accordance with written instructions of the District filed with the Trustee.

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 the Indenture.

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 the Indenture).

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.

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 the Indenture.

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 the Indenture; 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.

No Debt Service Reserve Fund

A debt service reserve fund will not be funded for the Bonds.

No Cross-Collateralization of Installment Payment Obligations

The obligation of the District to make 2022 Water Installment Payments and 2022 Wastewater Installment Payments are not cross-collateralized. Accordingly, in the event there is a shortfall in Water Net Revenues to make 2022 Water Installment Payments, Wastewater Net Revenues cannot be used to cover such shortfall. Similarly, in the event there is a shortfall in Wastewater Net Revenues to make 2022 Wastewater Installment Payments, Water Net Revenues cannot be used to cover such shortfall.

THE AUTHORITY

The Authority was established pursuant to a Joint Exercise of Powers Agreement, dated July 1, 2012 (the "JPA Agreement"), between the District and the Byron Bethany Irrigation District (the "Irrigation District"). The JPA Agreement was entered into pursuant to the provisions of Articles 1 through 4 of Chapter 5 of Division 7 of Title 1 of the California Government Code. The members of the governing board of the Authority consist of the members of the Board of Directors of the District.

The Authority was formed for the purpose of implementing the construction, acquisition, maintenance and improvement of public facilities and infrastructure within the District. Among the powers expressly granted to the Authority is the power to acquire property and to borrow money to provide funds for the construction, acquisition, maintenance or improvement of public facilities and infrastructure and to issue in its name revenue bonds to evidence the indebtedness created by such borrowing.

THE DISTRICT

General

Discovery Bay is an unincorporated community within the Contra. The District is governed by its 5-member elected Board. The District provides water treatment and distribution services as well as wastewater collection, transmission and treatment services. The District also provides parks and landscaping, and recreation services.

The District encompasses an area of approximately nine square miles and, has a population of approximately 15,000 persons. The District is located in eastern portion of the County, approximately 55 miles east of San Francisco, 65 miles south of Sacramento, 15 miles east of Antioch and approximately 15 miles north of Livermore. The city of Brentwood is approximately 6 miles northwest along State Highway 4. See APPENDIX A – GENERAL INFORMATION ABOUT THE DISTRICT AND CONTRA COSTA COUNTY.

The District's general fund is not pledged to secure payment of, and the taxing power of the District is not pledged as security for its payment obligations under any of the Installment Sale Agreements, the Bonds, the 2012 Bonds, or the 2017 Bonds.

Board of Directors

The Board members are elected by the registered voters in the District to staggered four-year terms. The current Board members are listed in the following table.

Board Member	Position	Expiration of Current Term (December)
Kevin Graves	President	2022
Ashley Porter	Vice President	2022
Byron Gutow	Director	2022
Michael Callahan	Director	2024
Carolyn Graham	Director	2024

Day-to-day management of the District is delegated to the General Manager, the Finance Manager and the Water and Wastewater Manager. Counsel to the District provides legal services to the District. A brief biography of certain current key personnel is set forth below:

Dina Breitstein, General Manager. Ms. Breitstein joined the District in 2011 as the Finance Manager before becoming the General Manager in September 2021 and is responsible for day to day operations of the District and oversees all District operations. Prior to joining the District, Ms. Breitstein worked as a regional controller for mid-sized semi-conductor company where she was responsible for the financial operations of the human resources, legal and the financial services departments, as well as the European Region.

Aaron Goldsworthy, Water and Wastewater Manager. Mr. Goldsworthy grew up in Discovery Bay and has been part of the community since the 1980s. He started his career with the District in 2011. Mr. Goldsworthy manages the operations and maintenance of both the water treatment and delivery systems as well as the wastewater flow and treatment plants while maintaining compliance of regulatory procedures and reporting practices. He is responsible for establishing sampling and testing systems, and the proper testing of functionality of pumps, conveyors, blowers, and other equipment. The Water and Wastewater Manager monitors federal, state, and local regulations including environmental guidelines, and updates procedures to adhere to those regulations. Mr. Goldsworthy looks forward continuing his career with the District improving the community’s water and wastewater needs as it grows.

Julie Carter, Finance Manager. Ms. Carter joined the District in the Fall of 2019 as Finance Manager. In such role, she is responsible for the day to day financial operations of the District. Ms. Carter oversees all governmental accounting, reporting, and records maintenance and has the responsibility for coordinating all external auditing and reporting functions. The finance function is responsible for the continuing development of financial accounting software, accounting policy, and implementation of new technologies to increase accuracy and efficiency in the accounting processes, as well as improving the internal and external controls. Prior to joining the District, Ms. Carter worked as a Senior Finance Manager for an international software company, where she was responsible for the financial planning and analysis for Worldwide IT, SaaS, Hosting & Managed Services, Executive, and Human Resource operations.

Operations

General. Veolia Water West Operating Services, Inc. (“Veolia”) provides the District with management, operation and maintenance services for the Water Enterprise and the Wastewater Enterprise pursuant to a multi-year contract, originally dated as of May 1, 2011 and extended multiple times since then, now expiring in April 2026 (the “Management Contract”). Such services include responsibility for maintenance and minor repairs, operation of all facilities, testing of water quality, maintenance of wastewater treatment standards, responding to service calls, provision of

operational information, and recommending capital expenditures to the District. The Management Contract provides that Veolia will at all times staff the District with a minimum of ten employees who have met appropriate licensing and certification requirements of the State. Veolia receives an annual fee, paid in monthly installments, for its services under the Management Contract. The annual fee is set by formula in the Management Contract and is currently approximately \$1.5 million per year. The parties may mutually decide to extend or renew the Management Contract for successive five year terms, each subject to approval by the Board. [The City is in good standing under the Management Contract and is not aware of any defaults or breaches by the City or Veolia thereunder.]

Veolia. *The following information has been obtained from publicly available information on the Veolia website. The District believes such information to be reliable, however none of the District, the Authority, or the Underwriter takes any responsibility as to the accuracy or completeness thereof and has not independently verified such information.*

Veolia is a subsidiary of Veolia Environnement S.A. (the “Company”), a French public limited-liability company headquartered in Paris. The Company has three core businesses: water management, waste management, and energy services. The Company has over 179,000 employees worldwide, and manages over 2,800 wastewater treatment plants.

In North America, Veolia North America, Inc. has approximately 8,100 employees, including Canada, and serves more than 150 municipal clients. Representative Northern California local governments for which Veolia provides operations and maintenance for wastewater treatment plant operations include Atwater, Burlingame, the District, Hollister, Lathrop, Rio Vista, and Novato. Notable US engagements for which Veolia provides operations and maintenance services for wastewater treatment include Milwaukee, where Veolia operates and maintains two water reclamation facilities with combined capacity of 660 mgd, the 320-mile collection system, biosolids production facilities, and the 520 million gallon “Deep Tunnel” storage system. In Atlanta-Fulton County, Veolia operates and maintains the county’s wastewater assets, including three treatment facilities, 30 wastewater pump stations and one grinder station, and also provides maintenance services for other water-related assets. Veolia also provides educational programming at the 10,000 square-foot Johns Creek Environmental Campus, promoting water and wastewater educational opportunities with an emphasis on educating children about the bioscience/life-science industry.

Public Health Emergency – COVID-19

General. The spread of the novel strains of coronavirus that causes the disease known as COVID-19 (“COVID-19”) and local, state and federal actions in response to COVID-19, have impacted the District’s operations and finances. On February 11, 2020, the World Health Organization (“WHO”) announced the official name for the outbreak of COVID-19, an upper respiratory tract illness. COVID-19 has since spread across the globe. The COVID-19 pandemic has had an adverse effect on, among other things, the world economy, global supply chain, international travel and a number of travel-related industries. The temporary and permanent business closures caused by the COVID-19 pandemic have led to an increase in unemployment across County and the nation. Depending on the length and the breadth of the impacts of the COVID-19 pandemic, the economic costs may be very significant for the District and the region’s economy. In addition, domestic and international stock markets experienced declines in market value following the onset of the COVID-19 pandemic. Although rebounds in the global financial markets have since occurred, price volatility remains.

With widespread vaccination currently underway worldwide, some of the domestic governmental imposed “stay-at-home” orders and restrictions on operations of schools and business implemented to respond and control the outbreak have been eased. On June 15, 2021, California fully reopened its economy ending capacity limits, physical distancing and certain mask requirements for individuals who are fully vaccinated in accordance with guidance from the Centers for Disease Control and Prevention (the “CDC”). Masks are still required in certain settings pending updated guidance from the CDC.

The District’s Water Enterprise and Wastewater Enterprise are deemed federally designated critical infrastructure, entitled to exemptions under governmental “stay-at-home” orders as needed to maintain continuity of operations. District personnel necessary for the operation of the Water Enterprise and Wastewater Enterprise have remained onsite. The District did modify its operations to implement remote work opportunities for certain employees performing administrative functions and provide District services online, and cancelled in-person programs and events. The District has worked to provide its employees with personal protective equipment and voluntary access to screening and vaccinations. Board of Directors meetings occurred via teleconference, and public comment and participation for Board of Directors meetings was also conducted via teleconference and electronic means. In person meetings of the Board of Directors have resumed, with virtual attendance available for members of the public, although the Board of Directors may implement entirely virtual meeting procedures if circumstances warrant. The District has maintained continuity of service throughout the COVID-19 pandemic, without any impact or pandemic related interruptions to water or wastewater services. However, there can be no assurance that absences of employees or District leadership due to COVID-19 will not adversely impact District operations in the future.

With improvements in local COVID-19 case rates, the District has phased in the resumption of normal operations and activities while complying with public health orders and California Occupational Safety and Health Administration COVID-19 Prevention Plan mandates. The District does not believe COVID-19 presents a threat to the District’s treated water supplies. To date the District’s operations have delivered ongoing water and wastewater services to the District’s customers that meet or exceed all local, state, and federal standards for safety, quality, and environmental protection.

The COVID-19 pandemic is ongoing, and the duration and severity of the outbreak and the economic and other actions that may be taken by governmental authorities to contain the outbreak or to treat its impact are uncertain. The ultimate impact of COVID-19 on the operations and finances of the District is unknown. The District reports that Water Net Revenues and Wastewater Net Revenues for Fiscal Years 2019-20 and 2020-21 were not materially affected by the COVID-19 pandemic. The District’s customer base is primarily residential and its rate structure consists of variable and fixed rate components, which partially mitigates the effect of any reduced usage by customers. See the captions “THE WATER ENTERPRISE – Water Enterprise Rates and Charges” and “THE WASTEWATER ENTERPRISE – Wastewater Enterprise Rates and Charges.”

In April 2020, the California Governor suspended utility service shutoffs and the collection (although not the imposition) of late fees and penalties for residential customers (including Water Enterprise customers) through December 31, 2021. As of February 28, 2022, 641, or approximately 10%, of the District’s customers are delinquent for a total of approximately \$75,000. Of the 641 delinquent customers, 123 received funds from the California Water and Wastewater Arrearage Payment Program (the “Arrearage Payment Program”) established by the State Water Resources Control Board (the “SWRCB”) and have a remaining past due balance outstanding of

approximately \$33,000. The District is following the guidelines set by the program to remedy these past due accounts. These customers have been notified of their remaining balance and been given 30 days to either pay their balance, make a payment arrangement with the District, or have their services terminated. To date, delinquencies have not adversely affected the District's ability to pay debt service on its outstanding debt obligations. Additionally, to date, the District has not experienced and does not at this time foresee a future negative impact on District's operations as a result of the COVID-19 pandemic. See the captions "THE WATER ENTERPRISE – Water Enterprise Rates and Charges – *Billing and Collection Procedures*" and "THE WASTEWATER ENTERPRISE – Wastewater Enterprise Rates and Charges – *Billing and Collection Procedures*."

The District continues to actively monitor usage, payment delinquencies, revenues and expenditures so that any further impacts of the COVID-19 pandemic can be anticipated. The District does not currently expect that the COVID-19 pandemic will have a material adverse effect on the District's ability to make 2022 Water Installment Payments or 2022 Wastewater Installment Payments when due.

THE WATER ENTERPRISE

General Background

The Water Enterprise consists of water supply wells, two treatment plants, storage tanks, and distribution system pipelines that supply treated groundwater to approximately 15,000 people for residential, commercial and irrigation uses through approximately 50 miles of distribution pipes to 6,148 service connections[, as of June 30, 2021]. Of those connections, 5,793 are single-family residential, 224 are multifamily residential, 42 are commercial, and 89 are irrigation accounts.

The District's service area covers approximately nine square miles and includes seven residential developments. Total water requirements in the District are currently about 900 million gallons per year ("MGY"), which equates to an average daily demand of about 2.5 million gallons per day ("MGD"). The maximum daily demand of the Water Enterprise is estimated to be 8 MGD, or about 5,600 gallons per minute ("gpm"). The peak hour demand of the Water Enterprise is estimated to be 2,000 gpm. The Water Enterprise includes a distribution system that consists of approximately 50 miles of mainline piping varying in material, age and size, ranging in diameter from 6-inch through 20-inch, all in one pressure zone.

Water Supply Sources

The District derives all of its water supply from six active groundwater supply wells (Wells 1B, 2, 4A, 5A, 6, and 7), which draw water from the East Contra Costa Subbasin (the "Basin"). The District tests the supply wells every two years to assess well specific capacity and pump station performance. The total combined production from the wells ranges from approximately 9,500 gpm during summer dry year conditions to approximately 10,700 gpm during winter wet year conditions. The wells deliver raw water to the District's two water treatment plants, the Willow Lake Water Treatment Plant (the "Willow Lake WTP") and the Newport Water Treatment Plant (the "Newport WTP"), through dedicated raw water pipelines. Wells 1B, 2 and 6 deliver water to Willow Lake WTP, and Wells 4A, 5A, and 7 deliver water to the Newport WTP. Storage tanks are located at each plant to provide operational equalization and reserves for fire safety. Booster facilities pump water from storage to provide the flow and pressure required in the distribution system. Each water treatment plant is equipped with standby generators to operate the facilities in the event of prolonged power outages.

Wells and Pump Stations

Well 1B. Well 1B is located on the same site as former Wells 1 and 1A, which have been decommissioned. Well 1B is equipped with a pump designed to deliver 1,700 gpm to the Willow Lake WTP but has experienced a decline in specific capacity. The well currently can produce approximately 1,400 gpm to 1,800 gpm to the treatment plant depending on groundwater level conditions.

Well 2. Well 2 is the oldest active water supply well in the system at approximately 45 years old. Well 2 delivers water to Willow Lake WTP at flow rates approximately 850 gpm. Well 2 is the only well in the system equipped with an oil-lubricated pump. Food grade oil lubricants that accumulate in the well hinder the ability to accurately observe water levels to track performance.

Well 4A. Well 4A is approximately 20 years old and has been the most reliable producer in the system requiring a minimum amount of maintenance. Well 4A is equipped with a submersible pump that delivers 1,800 to 2,000 gpm to the Newport WTP. Well 4A is located at Newport WTP. Considering recent water level trends, well rehabilitation may be appropriate in the future to maintain performance.

Well 5A. Well 5A, which delivers into the Newport Drive WTP, is about 25 years old and has a history of maintenance issues. The well has experienced corrosion problems that have caused damage to the well casing and column pipe. The well casing was patched in 1996 and the column pipe issues have been addressed with a protective coating system. There have also been issues associated with high total dissolved solids (“TDS”) and discoloration in the water. Issues associated with Well 5A corrosion are being addressed by a current maintenance program. The District plans to decommission Well 5A upon completion of the construction of Well 8, which is part of the Water Project to be financed with proceeds from the Bonds. See “THE WATER ENTERPRISE – Water Quality,” “RISK FACTORS – Physical Condition of Water and Wastewater Enterprise Facilities,” and “RISK FACTORS – Permits and Regulations” herein.

Well 6. Well 6 was constructed in 2009 and is located at the Willow Lake WTP. The well delivers raw water to the plant in conjunction with Wells 1B and 2. The well pump was designed to deliver 1,700 gpm during dry year conditions. Testing of the well’s specific capacity in the Fall of 2011 indicate the pumping equipment can deliver flows between 1,800 gpm and 2,000 gpm.

Well 7. Well 7 was constructed in 2015 and is the newest well in the system. The well is located south of the Newport Drive WTP and delivers raw water to the plant through an existing raw water mainline that is shared with Well 5A. Testing conducted during the commissioning of the pump station indicated that the equipped pump can deliver flows between 1,800 gpm and 2,000 gpm, depending on seasonal groundwater basin conditions.

A summary of the District's wells and well pumps information is presented in Table 1, below.

**Table 1
Water Enterprise
Wells and Pumps**

	Well 1B	Well 2	Well 4A	Well 5A	Well 6	Well 7
Well Info						
Drilling date	1995	1971	1996	1991	2009	2014
Well diameter (in)	16"	12"	16"	16"	18"	18"
Well depth (ft)	350'	348'	357'	357'	360'	346'
Top screen interval	271'/289'	245'/335'	307'/347'	261'/291'	270'/295'	282'/292'
24-hr specific capacity	9 gpm/ft	11 gpm/ft	20 gpm/ft	18 gpm/ft	26 gpm/ft	14 gpm/ft
Pump Info						
Pump type ⁽¹⁾	Submersible	Water lube	Submersible	Water lube	Submersible	Submersible
Installation date	2003	2019	2001	2004	2010	2015
Pump setting depth (ft)	260'	220'	220'	240'	250'	290'
Column diameter (in)	12"	8"	12"	10"	12"	12"
Bowl manufacturer	BJ/Flowserve	Goulds	Goulds	Floway	BJ/Flowserve	BJ/Flowserve
Impeller model	13MQH	11CHC	14RJMC	14DKH	14EMM	15EMM
Number of stages	3	4	3	3	3	4
Motor horsepower	150 HP	100 HP	150 HP	200 HP	150 HP	200 HP
Well control	Willow WTP	Willow WTP	Newport WTP	Newport WTP	Willow WTP	Newport WTP
Capacity – Dry year ⁽²⁾	1,500 gpm	800 gpm	1,800 gpm	1,800 gpm	1,800 gpm	1,800 gpm
Capacity – Wet year ⁽²⁾	1,800 gpm	900 gpm	2,000 gpm	2,000 gpm	2,000 gpm	2,000 gpm

(1) Water Lube: water lubricated line shaft vertical turbine pump. Submersible: submersible motor vertical turbine pump.

(2) The pump capacities reflect the average output from the pumps during the dry year and wet year conditions, i.e. hydrologic conditions that cause groundwater levels to be characteristically deep or shallow. The capacities were approximated using well testing information, aquifer information, pump performance curves, and calculated system head curves. The capacities were also compared to production records at the individual wells and at the water treatment plants.

Source: *The District*.

Sustainable Groundwater Management Act

The Sustainable Groundwater Management Act ("SGMA"), which went into effect January 1, 2015, requires that local water agencies within all medium and high-priority sub-basins form one or more Groundwater Sustainability Agencies ("GSAs") to prepare a Groundwater Sustainability Plan ("GSP"). To ensure long-term sustainability of the Basin, eight local agencies that overlay the Basin, including the District, entered into a Memorandum of Understanding on May 9, 2017 to collaborate and develop a single groundwater sustainability plan for the Basin. With the exception of Contra Costa Water District, each member agency has become a GSA to manage the Basin within their respective areas. The GSP for the Basin was completed in October 2021. The GSP notes that groundwater conditions in the Basin are favorable and reflect stability over the prior 30 years. The GSP projects that the Basin will be sustainable under various future scenarios, including scenarios that incorporate climate change and sea level rise.

Water Quality

The water quality standards for District drinking water are dictated by the primary and secondary maximum contaminant levels ("MCLs") as set forth in the Federal and State Drinking Water Standards.

While the District's raw water supply (groundwater from wells) meets primary MCL standards, it exceeds the secondary MCL for manganese. The historic records indicate raw water supplied from all District wells have manganese levels that generally range from 100 parts per billion ("ppb") to 560 ppb. The secondary MCL for manganese is 50 ppb. To a lesser extent, iron has been an issue in the raw water supply, and there has been an occasional exceedance of the secondary MCL for iron (300 ppb). The raw water supply also contains levels of TDS that are near or occasionally exceed the maximum contaminant levels. Well 5A historically has the highest levels of TDS generally varying between 550 parts per million (ppm) to 1,060 ppm. Treatment of TDS is relatively expensive as it involves membrane or reverse osmosis technology; therefore, treatment of the Well 5A source for TDS is not reasonable. Based on the close monitoring of TDS from all wells, the District has determined Well 5A to be unrecoverable. The Water Project, which includes the drilling of a new Well 8, will allow the District to cease use of Well 5A. See "RISK FACTORS – Physical Condition of Water and Wastewater Enterprise Facilities" and "RISK FACTORS – Permits and Regulations" herein.

Further, in the event that the California Department of Health Services or the Federal government, either acting through the United States Environmental Protection Agency or by adoption of additional legislation, should impose stricter quality standards upon the Water Enterprise, its expenses would increase accordingly and rates and charges would have to be increased to offset those expenses. It is not possible to predict the direction which State and federal regulation will take with respect to water treatment. See "RISK FACTORS – Permits and Regulations" herein.

Water Treatment

The District's water supply permit was amended by California Department of Health in 2002 to include removal of manganese and iron at the Newport WTP and the Willow Lake WTP. The treatment process at the Newport WTP and the Willow Lake WTP is essentially the same. Groundwater from the wells is delivered to the plants. As raw water enters the plant it is pre-treated with sodium hypochlorite solution to target a chlorine concentration of 3 mg/L to oxidize soluble ions (e.g. manganese and iron), followed by greensand filters to remove precipitated solids. After the filtration process, water is directed to onsite storage tanks.

The storage tanks provide equalization between the supply capacity and the peak demands. An onsite booster facility pumps treated drinking water from storage to supply the distribution network of the Water Enterprise. The Newport WTP and the Willow Lake WTP are each equipped with four vertical turbine can booster pumps and two jockey pumps that work on variable speed drives to maintain a constant pressure to the distribution system. As water exits the booster facility post-treatment is provided with sodium hypochlorite to maintain chlorine residual in the system of 0.02 mg/L.

Each of the Newport WTP and the Willow Lake WTP is equipped with a 750 KW diesel generator to provide backup power to the pumps during outages. The greensand filters require backwashing to remove solids build-up in the filter media. Filter backwashing occurs when the differential pressure across a filter approaches 10 psi. During high demand periods each filter is backwashed daily. Backwash water is directed to a backwash reclaim tank where settling and decantation is performed. Water from the backwash reclaim tank is pumped to the treatment headworks at a rate of 10-percent total filter output (per the water supply permit requirements). The solids that accumulate in the bottom of the backwash tank are periodically pumped out and disposed of at the District's wastewater treatment facilities. See "THE WASTEWATER ENTERPRISE – Wastewater Treatment – *Wastewater Treatment Plants.*"

Water Distribution System

The distribution system of the Water Enterprise consists of a network of approximately 50 miles of mainline piping varying in material, age and size, ranging in diameter from 6-inch through 20-inch, all in one pressure zone. The system contains approximately 18 miles of asbestos cement (“AC”) pipe, 31 miles of polyvinyl chloride (“PVC”) pipe and about 1 mile of cast iron and ductile iron pipe.

The original housing developments in the District (“Discovery Bay Proper”) were constructed with AC pipe in the early 1970s, and over time some of its water mains have been replaced with PVC pipe. The pipes in Discovery Bay Proper consist mostly of 8-inch and 12-inch mainlines, and the smaller individual streets are served by 6-inch and some 8-inch pipe. There are 11 pipe crossings in Discovery Bay Proper that loop mainlines together beneath the channels and creeks that surround the neighborhoods through 6- and 8- inch cement and mortar lined iron pipe. The newer developments were constructed mostly of PVC pipe and contain larger diameters with 16-inch and 12-inch mainlines and 8-inch pipe on the smaller individual streets. A majority of the AC pipe and cast iron pipe crossings are about 50 years of age. The remaining water mains range from 10 to 30 years of age.

Drought and Response

State Orders. In 2018, the California Governor signed Senate Bill 606 and Assembly Bill 1668 (the “2018 Water Conservation Legislation”) into law. These bills relate to water conservation and drought planning and empower DWR and the SWRCB to adopt long-term standards for the following: (i) indoor residential water use; (ii) outdoor residential water use; (iii) commercial, industrial and institutional water use for landscape irrigation; and (iv) water loss. The indoor water use standard has been defined as 55 gallons per person per day (“GPCD”) until January 2025; the standard will decrease over time to 50 GPCD in January 2030. Standards for outdoor residential water use and commercial, industrial and institutional water use for landscape irrigation are still being developed. Urban water suppliers will be required to stay within annual water budgets, based on these standards, for their service areas.

SWRCB rulemaking to implement the 2018 Water Conservation Legislation is ongoing and the District is unable to predict the effect on the Water Enterprise of the 2018 Water Conservation Legislation or any future legislation with respect to water conservation.

On October 19, 2021, the California Governor declared a Statewide drought state of emergency and requested that all water users voluntarily reduce water use by 15%. The declaration encouraged water agencies to draw upon supplies other than groundwater and to implement their water shortage contingency plans and authorized the SWRCB to adopt regulations that prohibit wasteful water use (such as the use of potable water to wash paved surfaces or to irrigate landscaping during the two days following rainfall). On January 4, 2022, the SWRCB adopted regulations prohibiting overwatering yards, hosing down sidewalks or watering grass within 48 hours after rainfall, among other restrictions.

On March 28, 2022, the California Governor issued Executive Order N-7-22 (“Executive Order N-7-22”), which among other things (a) orders the SWRCB to consider adopting emergency regulations requiring urban water suppliers (such as the District) to implement the shortage response actions corresponding to a 20% shortage under its 2021 WSCP (as defined below), (b) directs that permits for new groundwater wells shall not be approved in a basin subject to the Sustainable Groundwater Management Act and classified as high-priority or medium-priority

(such as the Basin) without first obtaining written verification from a GSA managing the basin where the well is proposed to be located that groundwater extraction by the proposed well would not be inconsistent with any sustainable groundwater management program established in any applicable GSP adopted by that GSA and would not decrease the likelihood of achieving a sustainability goal for the basin, and (c) directs that permits for new groundwater wells shall not be issued by the permitting county, city or other public agency unless it first determines that extraction of groundwater from the proposed well is not likely to interfere with the production and functioning of existing nearby wells and not likely to cause subsidence that would adversely impact or damage nearby infrastructure. [The District does not anticipate that Executive Order N-7-22 will materially adversely affect its ability to complete the construction of Well 8 as described in this Official Statement.]

While the District has historically not experienced water supply shortfalls during period of drought, and the District's 2020 Urban Water Management Plan projected that the District would be able to meet water demand through at least 2045, which is the end of the projection period, there can be no assurance that future drought conditions will not worsen or that subsequent State declarations will not impose additional or more severe mandatory water use restrictions should dry conditions persist in 2022 or future years. See "*– Projected Water Demand.*"

District Response. While the District has not historically been unable to meet water demand, even during periods of drought, the District has adopted various measures to address the impact of drought on water supply and use. On July 6, 2016, the District Board of Directors adopted the District's Ordinance No. 2016-27 (the "Drought Ordinance"), under which the District may, during periods of declared drought emergency, mandate water conservation measures and impose fines for noncompliance. In addition, the District completed metering of all service connections in 2018, regularly conducts home water audits, and provides customers with water conservation information.

Most recently, in March 2021, the District adopted a Water Shortage Contingency Plan (the "2021 WSCP"). The 2021 WSCP is a mechanism by which the District may implement varying stages of restrictions on water usage resulting from conditions under which normal water usage levels cannot be met. This is achieved by mandatory water use restrictions and assessing penalties for noncompliance. Specifically, the District has established six standard water shortage levels corresponding to progressive ranges of up to 10, 20, 30, 40 and 50 percent shortages and greater than 50 percent. To determine the additional specific actions that should be taken at each level, the District will evaluate conditions specific to the timing, supply availability, and cost, along with other pertinent variables at the time a water shortage stage is implemented. Currently no water use reductions are mandated under the 2021 WSCP, although, as discussed above, the SWRCB could mandate the implementation of shortage response actions pursuant to Executive Order N-7-22.

Projected Water Demand

As required by the State, the District updates its Urban Water Management Plan every 5 years to determine if adequate supplies are available to meet projected demands. The District adopted its most recent plan on June 2, 2021 (the "2020 Urban Water Management Plan"). The District anticipates moderate population growth of approximately 3.1% annually, with a projected 2045 population of 32,606, with an associated increase in water demand. The District currently has water supply capacity of approximately 2,500 million gallons. Based on the 2020 Urban Water Management Plan, the District believes that it has adequate supplies available to meet projected demands through 2045, even with a potential increase in dry year demands.

Water Enterprise Rates and Charges

General. Rates and charges for water service within the Water Enterprise service area are set by the District Board and are not subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body. The District increases water service charges from time to time in order to maintain adequate revenue surplus after operating expenses, administrative expenses, debt service, and routine capital replacement costs. Funds available after meeting fixed and operational costs are used to supplement capital improvements, accomplish capital replacements, and maintain reserve levels consistent with Board policy.

The District is subject to certain covenants with respect to the Bonds which require that the District fix, prescribe, revise and collect rates and charges for the services and facilities furnished by the Water Enterprise, during each Fiscal Year which are sufficient to yield Adjusted Annual Water Net Revenues at least equal to 125% of debt service of the Water Enterprise in such Fiscal Year. See the caption "SECURITY FOR THE BONDS – 2022 Water Installment Payments; Application of Water Enterprise Revenues – *Rate Covenants; Collection of Rates and Charges*" herein.

Rate Increases. The Board has the ability to increase rates and charges through a public hearing process. Prior to adopting a fee or charge, the District is required under Proposition 218 to conduct a public hearing and receive protests. If the District should receive a majority of written protests from its customers, the District would not be authorized to impose the increased rate or charge. See "RISK FACTORS – Articles XIIC and XIID of the California Constitution" herein.

Water Service Charges. The District has separated its customer base into various classes, and the rates charged to each class of customer varies. The rate structure for domestic water is comprised of two components: (i) a fixed monthly service charge based on meter size (the "**Service Charge**"); and (ii) a variable volumetric water consumption charge.

Table 2, below, summarizes the District's current water rates for Fiscal Year 2021-22 and rates established by the Board for Fiscal Years 2022-23 through 2024-25. See APPENDIX G – ADOPTED RATE RESOLUTION for a description of charges for water service and other charges.

Table 2
Water Enterprise
Monthly Water Rate Schedule
(Fiscal Years 2021-22 through 2024-25)

	2021-22	2022-23	2023-24	2024-25
Fixed Meter Charges (Monthly Amount)				
<i>Non-Irrigation Accounts</i>				
5/8" Meter	\$21.84	\$22.22	\$22.62	\$23.02
3/4" Meter	21.84	22.22	22.62	23.02
1" Meter	21.84	22.22	22.62	23.02
1 1/2" Meter	40.78	41.50	42.24	42.98
2" Meter	63.96	64.94	65.92	66.94
3" Meter	126.10	127.64	129.20	130.80
4" Meter	196.00	198.20	200.40	202.64
6" Meter	390.22	394.18	398.18	402.22
<i>Irrigation Accounts</i>				
5/8" Meter	19.58	19.92	20.26	20.62
3/4" Meter	19.58	19.92	20.26	20.62
1" Meter	19.58	19.92	20.26	20.62
1 1/2" Meter	37.38	37.64	37.90	38.18
2" Meter	58.72	58.90	59.06	59.24
3" Meter	115.73	115.73	115.73	115.73
4" Meter	180.27	180.27	180.27	180.27
6" Meter	359.54	359.54	359.54	359.54
<i>Vacant</i>	14.67	14.67	14.67	14.67
Meter Install Fee⁽¹⁾	8.01	8.01	8.01	8.01
Metered Usage Charge (\$/ccf)	2.340	2.405	2.479	2.577

(1) Meter install fees are billed monthly for 10 years after meter installation.
Note: ccf = 100 cubic feet (748 gallons)
Source: *The District*.

Billing and Collection Procedures. For residential customers of the Water Enterprise, fixed meter charges are billed on the customer's property tax bill payable each April and [October], while the metered usage charge is billed monthly. For commercial customers of the Water Enterprise, both fixed meter charges and metered usage charges are billed monthly. Monthly bills for water service are due and payable on the date stated on the bill. Any bills not paid within such period are considered delinquent. A delinquent message and a 10% late fee is included on the following month's bill if the previous balance remains unpaid. As previously described, in April 2020, the California Governor suspended utility service shutoffs and the collection (although not the imposition) of late fees and penalties for residential customers (including Water Enterprise customers) through December 31, 2021. As of February 28, 2022, 641, or approximately 10%, of the District's customers are delinquent for a total of approximately \$75,000. To date, such delinquencies have not adversely affected the District's ability to pay debt service on its outstanding debt obligations.

The County has elected the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the “Teeter Plan”), as provided for in Section 4701 et seq. of the California Revenue and Taxation Code. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency. As such, the District expects to consistently receive 100% of its charges billed on customers’ property tax bills. The County can elect to terminate the applicability of the Teeter Plan at any time if delinquencies reach a level unacceptable to the County.

Comparative Water Rates. Table 3 below compares the District’s typical monthly water bill with other local agencies. Rates are as of July 1, 2020 unless otherwise indicated.

**Table 3
Water Enterprise
Comparative Water Rates**

Community	Monthly Residential Bill⁽¹⁾
Tracy	\$50.40
Discovery Bay	50.92
Stockton ⁽²⁾	63.97
Benicia	80.13
Brentwood	81.08
Mountain House CSD	90.02
Lathrop ⁽³⁾	100.91
Hercules & Pinole (EBMUD)	107.77
Pittsburg	130.81

(1) Representative single-family residential water bill, based on 1” meter and 13 ccf monthly usage.

(2) As of 2019.

(3) As of January 1, 2020.

Source: *Town of Discovery Bay Community Services District Water and Wastewater Rate Study, dated June 4, 2020 (the “Rate Study”).*

Identification and Characteristics of Users

The customer base of the Water Enterprise consists primarily of single-family residential units, but also includes a small number of multifamily and commercial properties as well, as well as irrigation accounts. As of June 30, 2021, the District provides service to 5,793 single-family residential, 224 multifamily residential accounts, 42 commercial accounts, and 89 irrigation accounts.

Water Customers and Revenues. Table 4 below sets forth a breakdown of utility revenues of the Water Enterprise by customer and charge type for Fiscal Years 2018-19 through 2020-21. It does not include one-time revenues or other water-related revenue.

Table 4
Water Enterprise
Revenues by Customer and Charge Type
(Fiscal Years 2018-19 through 2020-21)

Description	Fiscal Year					
	2018-19		2019-20		2020-21	
	Accounts	Revenue	Accounts	Revenue	Accounts	Revenue
Condos w/ Irrigation	50	\$10,812	50	\$12,036	50	\$12,876
Condos w/o Irrigation	174	26,381	174	29,368	174	31,417
Empty Lots & Open Land	44	8,348	39	7,641	35	7,057
Exempt	126	--	126	--	126	--
Large Users/Commercial	127	704	126	528	126	528
Meter Charge	5,736	1,240,353	5,770	1,388,954	5,811	1,496,449
Vacant Lots w/ Service	67	11,842	37	6,641	0	--
Vacant Lots w/o Service	13	--	13	--	13	--
Waterways	2	352	2	352	2	352
Commercial (Usage & Account Charge)	74	72,111	74	85,782	74	87,416
Residential, Irrigation, Condos (Usage Only)	5,736	<u>2,640,542</u>	5,770	<u>3,223,019</u>	5,811	<u>3,294,408</u>
Totals		\$4,011,475		\$4,754,321		\$4,930,503

Source: The District.

Table 5 below sets forth the 10 largest customers of the Water Enterprise during Fiscal Year 2020-21. It does not include one-time revenues or other water-related revenue.

Table 5
Water Enterprise
Largest Water Customers Fiscal Year 2020-21

Customer	Customer Type	Annual Revenues
1. The Lakes	Homeowners	\$209,048
2. The District	Zone 8 & 9	71,723
3. Contra Costa County	Zone 57 & 61	67,581
4. Lakeshore	Homeowners	64,465
5. Byron Union School District	School - Timber Point	42,870
6. Sand Bay Isle	Homeowners	24,185
7. Harbor Bay	Homeowners	21,779
8. Discovery Bay Country Club	Golf Course	14,360
9. Pacific Development	Shopping Center	11,328
10. Lakeview Plaza	Shopping Center	7,349
Total Top 10		<u>\$534,689</u>
Total Water User Fees		\$4,930,503
Top 10 Percent of Total Fees		10.8%

Source: The District.

Future Water Enterprise Capital Improvements

The District has an ongoing capital improvement plan with respect to the Water Enterprise. Major capital improvement projects are focused on water supply capacity and distribution/pipeline replacements. Additional projects include upgrades for existing water supply, master plans, additional distribution improvements, administration projects, and 40% of the cost of relocating the District's Office Building. The District anticipates funding these improvements through the possibility of additional borrowings, capacity fees, rate revenues, and other available funds. See "SECURITY FOR THE BONDS – Limitations on Future Obligations Secured by Water Net Revenues – *Water Parity Obligations*" herein for a discussion of conditions which must be satisfied prior to issuance of any future parity obligation.

Environmental Compliance

The Water Project is subject to the California Environmental Quality Act ("CEQA"). Under CEQA, a project which may have a significant effect on the environment and which is to be carried out or approved by a public agency must comply with a comprehensive environmental review process. Generally, the implementation of CEQA entails three separate phases. The first phase consists of a preliminary review of a project to determine whether it is subject to CEQA. The second phase involves preparation of an initial study to determine whether an environmental impact report ("EIR") or negative declaration is required. An EIR must be prepared when the public agency determines that it can be fairly argued, based on substantial evidence, in light of the whole record, that a project may have a significant effect on the environment. A negative declaration may be prepared when no substantial evidence exists in light of the whole record that the project may have a significant environmental impact. A mitigated negative declaration may be prepared if the initial study identifies a potentially significant effect for which the project's proponent, before public release of a proposed negative declaration, has made or agrees to make project revisions that clearly mitigate the effects. The third phase is preparation of an EIR, if the project may have a significant environmental effect or of a mitigated negative declaration if no significant effects will occur. The District does not believe that environmental or permitting considerations will adversely affect the completion of the Water Project within the contemplated budget or the estimated timetable.

THE WASTEWATER ENTERPRISE

General Background

The District owns the Wastewater Enterprise. The Wastewater Enterprise, which includes two biological treatment facilities, 15 sewage pumping stations and approximately 50 miles of sewer lines, is currently permitted to treat and discharge an average flow of 2.35 million gallons per day (Mgal/d). The various facilities and capacities of the Wastewater Enterprise are described below.

Service Area

As of June 30, 2021, the Wastewater Enterprise served domestic wastewater services to approximately 15,000 people through 6,148 active service connections. Residential connections account for 99% of the total service connections while commercial and industrial connections account for the remainder. The Wastewater Enterprise's service area is substantially built out, with a relatively stable customer base. See “– Customer Base” below.

The Collection System

There are approximately 50 miles of sewer lines and fifteen sewage pumping stations within the Wastewater Enterprise's collection system. The pump stations are listed in Table 6 below, which includes information on the type, number, and size of pumps. Also shown in the table is the year that the pump station was constructed, and the year that the pump was last replaced or rehabilitated.

**Table 6
Wastewater Enterprise
Collection System Pump Stations**

Pump Station	Type of Pump	Number of Pumps	Capacity (gpm)	Horsepower (each pump)	When Constructed	Year Last Replaced	Year Last Rehabed.
A	Self Prime	2	225	3	1970s	2008	–
C	Self Prime	2	300	5	1980s	–	2009
D	Self Prime	2	300	5	1970s	2008	–
E	Self Prime	2	680	10	1980s	2008	–
F	Submersible	2	800	10	1970s	–	2014
G	Submersible	2	225	3	1980s	2016	2009
H	Submersible	2	225	3	1990s	–	–
J	Submersible	2	690	15	1990s	–	–
R	Submersible	2	170	3	1990s	–	2008
S	Submersible	2	250	15	1994	–	2009
Newport Lift Station	Submersible	4	1,200	100	2002	2006	2016
Lakeshore at Village II	Submersible	3	1,100	29	2004	–	2009
Lakes No. 1 at Village III	Submersible	3	1,000	45	2004	–	2009
Lakes No. 2 at Village IV	Submersible	3	450	7.5	2005	–	–
Bixler Rd (School)	Submersible	2	110	3	2008	–	–

Source: The District.

Flows and Loads

Wastewater flows and loads handled by the Wastewater Enterprise are detailed in Table 7 below.

**Table 7
Wastewater Enterprise
Summary of Flows and Loads**

Parameter	Value
Flow (mgd/day)	1.3
Average Dry Weather Flow (ADWF)	1.2
Average Annual Flow (AAF)	1.3
Average Day Maximum Monthly Flow (ADMMF)	1.8
Peak Day Flow (PDF)(1)	2.0
Peak Hour Flow (PHF) (2)	1.6
<i>Average Constituent Concentrations</i>	
BOD	218
TSS(3)	203
TK/4(4)	34
<i>Average Annual Load (AAL) (lb/day)</i>	
BOD	2,205
TSSO (3)	2,118
TKN (4)	361
<i>Average Day Maximum Monthly Load (ADMML) (lb/day)</i>	
BOD	3,148
TSS (3)	3,417
TICNIC (4)	411

(1) Allowance at 3x AAF.

(2) AAF combined with AAL.

(3) Based on 1x BOD.

(4) Based on 0.2x BOD

Source: The District.

Wastewater Treatment

Wastewater Treatment Plants. The District has two wastewater treatment plants (“Plant 1” and “Plant 2” respectively) which include an influent pump station, influent screening, and secondary treatment facilities using oxidation ditches, and ultraviolet (“UV”) disinfection prior to export pumping for discharge. Waste sludge is aerobically digested and/or stored in lagoons, dewatered using a belt filter press, and dried in active solar drying units before landfill disposal.

The overall treatment system is located in two distinct geographical areas, referred to as Plant 1 and Plant 2. Plant 1 is located about 1/4 mile north of Highway 4 within the Discovery Bay development area, while Plant 2 is located immediately south of Highway 4. The two plants are interconnected and are dependent upon each other for various functions. Plant 1 was the original plant, which was started as a pond treatment system. Over the years, Plant 1 was upgraded to its current configuration with an oxidation ditch for secondary treatment. Plant 2 was originally constructed in the years 2000 through 2002 and has undergone several upgrades since then.

The influent pump station that serves both plants is located on the Plant 1 site. The discharge from the influent pump station is split approximately evenly to Plant 1 and Plant 2 for treatment in screening and secondary treatment facilities. The secondary effluent from both plants is then combined within Plant 2 for UV disinfection and export pumping for discharge. All of the sludge handling facilities for both plants are located at Plant 2. Plant 2 was laid out to facilitate the future addition of effluent filtration facilities ahead of the UV disinfection system.

The Export Pump Station at Plant 2 currently includes four 20 horsepower vertical turbine pumps, each rated at 1.6 MGD at 45 feet of head. There is space for a fifth pump to be added.

Sludge dewatering and drying facilities at Plant 2 include three 1.5 meter monobelt belt filter presses and four active solar drying beds, each measuring 40 feet by 204 feet. The active solar drying beds are covered by greenhouse structures and include automated tilling machines and ventilation systems to promote sludge drying.

Existing Plant Performance. The effluent from Plant 1 and Plant 2 is discharged at a location approximately one-half mile southeast of Plant 2. Plant 1 and Plant 2 each provide a secondary level of treatment to meet key discharge requirements contained under a National Pollution Discharge Elimination System (the “NPDES”) permit as regulated by the California Regional Water Quality Control Board, Central Valley Region (the “RWQCB”). The current permit was adopted on December 5, 2019 (Order No. R5-2019-0082, NPDES No. CA 0078590) (the “2019 Order”) and needs to be renewed approximately every five years. In general, Plant 1 and Plant 2 have been successful in meeting the discharge requirements, with the exception of occasional historical violations of the Total Suspended Solids and Total Coliform limits and violation of the electrical conductivity limit in 2010. See “RISK FACTORS – Physical Condition of Enterprises Facilities” and “RISK FACTORS – Permits and Regulations” herein. In addition to effluent limitations, the permit contains receiving water limitations that govern the degree to which the plant effluent can impact conditions in the nearby Old River. Included, for example, are limitations on bacteria, dissolved oxygen, pH, turbidity and biostimulatory substances (as well as others). No receiving water limitation compliance issues are known to exist or are anticipated.

Influent Pump Station. The existing Influent Pump Station, although located at Plant 1, serves both Plants 1 and 2. The Influent Pump Station splits the influent wastewater flow and directs it to each of Plants 1 and 2 where secondary treatment is administered.

The Influent Pump Station has a main sump compartment that receives influent raw sewage from the community via a 12-inch gravity sewer, a 12-inch forcemain (from Pump Station F), and an 18-inch gravity sewer from the Newport Pump Station. The sump also receives drainage from the chemical pump station and sewage from sources within Plant 1 through 4-inch and 6-inch pipelines. From the main sump compartment, the raw sewage flows into two separate pump sumps for pumping to Plants 1 and 2. There is an opening in the dividing wall so that each sump can overflow into the other, should the water level rise substantially above the normal operating level.

The sumps serving Plant 1 and 2 are currently fitted with five pumps, rated at 1.8 MGD, each. The reliable pumping capacity with one pump out of service is 7.2 MGD.

Headworks. There are currently separate headworks systems at Plant 1 and at Plant 2. Each headworks includes a 12-inch Parshall flume for measuring the flow, a mechanical screening unit and a manual bypass bar screen unit. The channels of both headworks facilities are covered and vented through soil odor scrubber systems. At Plant 2, there is an automated sampler that is used to characterize the influent wastewater for both plants.

Secondary Treatment Facilities. The existing secondary treatment facilities are divided between Plant 1 and Plant 2. At Plant 1, there is one oxidation ditch, two secondary clarifiers and other ancillary facilities. At Plant 2 there are two oxidation ditches and three secondary clarifiers. These secondary treatment facilities are comprised of two separate activated sludge systems. The oxidation ditches are the reactor basins wherein mixed cultures of microorganisms are used to remove organic material and ammonia contained in the influent wastewater and produced within the process. The suspension of microorganisms and other wastewater solids in each oxidation ditch is referred to as mixed liquor. The microorganisms require oxygen, which is provided by four brush rotors in each ditch. The brush rotors also provide the motive force needed to keep the mixed liquor circulating around each ditch at a velocity that is adequate to keep the microorganisms and other solids in suspension.

At each plant, the mixed liquor from the oxidation ditch flows to a splitter box that is used to divide the flow equally to the secondary clarifiers. Within the secondary clarifiers, the microorganisms and other wastewater solids are settled to the bottom, while the clarified secondary effluent flows over weirs and into a collection channel arranged around the periphery of the clarifier before exiting the clarifier structure. The settled solids are collected by a rotating mechanism above the floor of the clarifier and are, for the most part, pumped back to the oxidation ditch using the return activated sludge (“RAS”) pumps.

A portion of the settled solids are wasted from the system and are pumped (using waste activated sludge (“WAS”) pumps) to the solids handling facilities. In Plant 1, the clarifiers are at a higher elevation than the upstream splitter box; therefore, a clarifier lift pump station is used ahead of each clarifier.

Secondary Effluent Lift Station. The Secondary Effluent Lift Station consists of a rectangular concrete sump that is mostly below grade, three large (12-inch discharge, 15 horsepower) and two small (8-inch discharge, 5 horsepower) vertical turbine pumps and ancillary facilities. Each of the large pumps has a design capacity of 2.2 MGD and each of the small pumps has a design capacity of 1.25 MDG.

The secondary effluent flows from each plant are combined in the sump of the Secondary Effluent Lift Station, which is located on the Plant 2 site. The Secondary Effluent Lift Station then pumps the secondary effluent to the downstream Parshall flume and UV disinfection system for final treatment prior to discharge.

UV Disinfection. UV disinfection is currently employed at Plant 1 and Plant 2 as the means for meeting effluent coliform limits specified in the plant’s NPDES permit for discharge into Old River.

Currently, the UV system at Plant 1 and Plant 2 includes two UV channels. The first channel was installed in 2000 and contains TrojanUV3000 equipment; the second channel was installed in 2010 and contains TrojanUV3000Plus equipment.

Emergency Storage. Within the Plant 1 site, there is an existing earthen basin with a volume of approximately 5 million gallons that is available for use as an emergency storage basin, but is currently not being used. This basin was originally an aerated lagoon, prior to the construction of the oxidation ditch at Plant 1. When the oxidation ditch was constructed, the aerated lagoon was converted to a waste sludge holding basin. The waste sludge holding basin was subsequently abandoned when new sludge handling facilities were constructed at Plant 2. The earthen basin is recognized as an emergency storage basin in the NPDES permit and can be used as such by using portable pumping equipment for filling and draining.

Solids Handling. All of the solids handling facilities for both plants are located at Plant 2. The solids handling facilities consist of WAS pumping systems at each plant, a small aerobic digester (0.69 million gallons), two sludge lagoons (5.75 million gallons each), three belt press dewatering facility, and four active solar sludge dryers. The WAS from both plants is pumped Plant 2 for processing, after which the resultant sludge is then stockpiled and land applied for final disposal.

SCADA System. The District utilizes a Supervisory Control and Data Acquisition (“SCADA”) system to monitor and control the function of the Wastewater Enterprise. The SCADA system controls functions at the wastewater treatment facilities, lift stations and other facilities. The SCADA system includes a computer, 34 programmable logic controllers at remote sites throughout the District, and a radio telemetry communication network over which the computer and programmable logic controllers communicate with each other.

Recent Permit Violations.

Electrical Conductivity. The electrical conductivity (“EC”) is a measure of the salinity associated with wastewater effluent and is primarily controlled by factors contributing salinity to the influent wastewater. In particular, the water quality of the potable water supply contributes significant salinity to the influent, and a large portion of the community softens water, which adds additional salinity.

The District’s prior wastewater discharge permit included a limit on EC of 2,100 $\mu\text{mhos/cm}$ as an annual average. This limit was exceeded in 2018 and in 2019. There is substantial dilution capacity in Old River to minimize any salinity impacts; however, limiting salinity discharges to reasonably obtainable levels are necessary to improve the overall quality of waters in the Sacramento-San Joaquin Delta. The 2019 Order addresses this occurrence by increasing the annual average EC limit to 2,400 $\mu\text{mhos/cm}$. Source control is the most effective means for reducing the salinity of the wastewater. This may require implementation of District policies to limit the use of water softeners. However, since the District’s wastewater effluent is in compliance with the updated salinity limit in the 2019 Order, no wastewater treatment to reduce salinity is currently needed.

Nitrate Plus Nitrite. The District’s has previously exceeded its previous limits on effluent ammonia-nitrogen (0.7 mg/L monthly average) and nitrite+nitrate-nitrogen (10 mg/L monthly average). Understanding that these exceedances represent existing treatment process limitations, the limit was increased to 39 mg/L in the 2019 Order, which allows the effluent to remain in compliance. The denitrification project that is part of the Wastewater Project is expected to mitigate the amount of nitrate and nitrite in the District’s wastewater discharge.

Turbidity. The process limit for filtered effluent turbidity is 2 Nephelometric Turbidity Units as a daily average, measured upstream of UV disinfection. During a two-week period in January

2018 this limit was not achieved and has been attributed to the startup of the new effluent filtration system. After adjusting filtration operating parameters, the effluent has maintained compliance with this limit, other than a single exceedance in February 2018 (during process optimization).

Mercury. The District's prior wastewater discharge permit contained waste load limits of 0.37 grams of methylmercury per year. The Wastewater Enterprise has exceeded this limit in the past and has implemented a pollution prevention program ("PPP") to achieve load reduction. Monitoring of methylmercury has shown the PPP is working and methyl mercury loading has been below the final limitation, with an annual average methylmercury load of less than 0.098 grams in 2017 and 0.064 grams in 2018. Continued implementation of the PPP and effluent monitoring will provide additional information on whether there is a need for treatment process improvements.

Environmental Compliance

The Wastewater Enterprise is subject to CEQA. Under CEQA, a project which may have a significant effect on the environment and which is to be carried out or approved by a public agency must comply with a comprehensive environmental review process. Generally, the implementation of CEQA entails three separate phases. The first phase consists of a preliminary review of a project to determine whether it is subject to CEQA. The second phase involves preparation of an initial study to determine whether an environmental impact report ("EIR") or negative declaration is required. An EIR must be prepared when the public agency determines that it can be fairly argued, based on substantial evidence, in light of the whole record, that a project may have a significant effect on the environment. A negative declaration may be prepared when no substantial evidence exists in light of the whole record that the project may have a significant environmental impact. A mitigated negative declaration may be prepared if the initial study identifies a potentially significant effect for which the project's proponent, before public release of a proposed negative declaration, has made or agrees to make project revisions that clearly mitigate the effects. The third phase is preparation of an EIR, if the project may have a significant environmental effect or of a mitigated negative declaration if no significant effects will occur.

Identification and Characteristics of Users

As of June 30, 2021, the Wastewater Enterprise served domestic wastewater services to approximately 15,000 people through 6,148 active service connections. Residential connections account for 99% of the total service connections while commercial and industrial connections account for the remainder. All residential units are unmetered, and the wastewater service charge rates are based on three classifications of dwelling units: single family, multiple family/condominiums, and vacant properties. This method recognizes varying wastewater discharges between the smaller and larger dwelling units and is similar to the rate structures used by most public agencies. Non-residential properties are metered and charged based upon wastewater discharge.

Wastewater Customers and Revenues. Table 8 below sets forth a breakdown of revenues of the Wastewater Enterprise by customer and charge type for Fiscal Years 2018-19 through 2020-21. It does not include developer fees or other wastewater related revenue.

**Table 8
Wastewater Enterprise
Revenues by Customer and Charge Type
(Fiscal Years 2018-19 through 2020-21)**

Description	Fiscal Year					
	2018-19		2019-20		2020-21	
	Parcels	Revenue	Parcels	Revenue	Parcels	Revenue
Condos w/ Irrigation	50	\$35,722	50	\$37,151	50	\$38,334
Condos w/o Irrigation	174	124,313	174	129,285	174	133,402
Empty Lots & Open Land	44	9,856	39	8,736	35	7,840
Exempt	126	--	126	--	126	--
Large Users/Commercial	127	672	126	448	126	448
Vacant Lots w/ Service	67	15,008	37	8,288	0	--
Vacant Lots w/o Service	13	--	13	--	13	--
Waterways	2	--	2	--	2	--
Commercial	74	142,469	74	115,397	74	110,517
Metered	5,736	<u>5,463,736</u>	5,770	<u>5,692,336</u>	5,811	<u>5,811,393</u>
Totals		\$5,791,776		\$5,991,642		\$6,101,934

Source: The District Finance Department.

Largest Wastewater Customers. Table 9 below lists the ten largest customers of the Wastewater Enterprise by billings for Fiscal Year 2020-21.

**Table 9
Wastewater Enterprise
Ten Largest Customers
Fiscal Year 2020-21**

	Customer	Primary Business Activity	Revenue
1.	Safeway	Grocery Store	\$18,013
2.	McDonald's	Restaurant	14,008
3.	Boardwalk Grill	Restaurant	13,471
4.	Lakeview Business Plaza	Shopping Center	10,732
5.	Pacific Development Group	Shopping Center	8,877
6.	New Discovery, Inc.	Country Club/Golf Course	7,665
7.	Knightsen Elementary School Dist.	School	3,452
8.	Pacific Development Group	Shopping Center	2,505
9.	Presbytery of San Francisco	Church/School	2,037
10.	DB Holdings	Shopping Center	1,615
	Total Top 10		<u>82,375</u>
	Total Wastewater Revenues		\$6,101,934
	% of Top 10		1.4%

Source: The District.

Wastewater Enterprise Rates and Charges

General. Rates and charges for wastewater service within the Wastewater Enterprise service area are set by the Board and are not subject to the jurisdiction of, or regulation by, the California Public Utilities Commission or any other regulatory body. The District increases wastewater service charges from time to time in order to maintain adequate revenue surplus after operating expenses, administrative expenses, debt service, and routine capital replacement costs. Funds available after meeting fixed and operational costs are used to supplement capital improvements, accomplish capital replacements, and maintain reserve levels consistent with Board policy.

The District is subject to certain covenants with respect to the Bonds which require that the District fix, prescribe, revise and collect rates and charges for the services and facilities furnished by the Wastewater Enterprise, during each Fiscal Year which are sufficient to yield Adjusted Annual Wastewater Net Revenues at least equal to 125% of debt service of the Wastewater Enterprise in such Fiscal Year. See the caption “SECURITY FOR THE BONDS – 2022 Wastewater Installment Payments; Application of Wastewater Enterprise Revenues – *Rate Covenants; Collection of Rates and Charges*” herein.

Rate Increases. The Board has the ability to increase rates and charges through a public hearing process. Prior to adopting a fee or charge, the District is required under Proposition 218 to conduct a public hearing and receive protests. If the District should receive a majority of written protests from its customers, the District would not be authorized to impose the increased rate or charge. See “RISK FACTORS – Articles XIIC and XIID of the California Constitution” herein.

Wastewater Service Charges. The District has separated its customer base into various classes, and the rates charged to each class of customer varies. Table 10, below, summarizes the District’s current wastewater rates for Fiscal Year 2021-22 and rates established by the Board for Fiscal Years 2022-23 through 2024-25. See APPENDIX G – ADOPTED RATE RESOLUTION for a description of charges for wastewater service and other charges.

Table 10
Wastewater Enterprise
Monthly Wastewater Rate Schedule
(Fiscal Years 2021-22 through 2024-25)

	2021-22	2022-23	2023-24	2024-25
<u>Residential/Unmetered</u>				
Single Family (Each DU)	\$84.59	\$85.86	\$87.15	\$88.46
Multifamily/Condos (Each DU)	65.92	68.01	70.17	72.40
Vacant	18.67	18.67	18.67	18.67
<u>Nonresidential/Metered (Use \$/ccf)</u>				
Business/Government/Clubs	6.384	6.737	7.109	7.501
Restaurants/Bars/Dining Facilities	17.899	18.479	19.078	19.696
Schools	5.781	6.118	6.475	6.853
Other Domestic Strength Users	6.384	6.737	7.109	7.501

Note: DU = dwelling unit; ccf = 100 cubic feet (748 gallons)
Source: *The District*.

Billing and Collection Procedures. For residential customers of the Wastewater Enterprise, wastewater charges are billed on the customer’s property tax bill payable each April and [October]. For commercial customers of the Wastewater Enterprise, wastewater charges are billed monthly. Monthly bills for wastewater service are due and payable on the date stated on the bill. Any bills not paid by such dates are considered delinquent. A delinquent message and 10% late fee is included on the following month’s bill if the previous balance remains unpaid.

As described previously, the County has implemented a “Teeter Plan”. Under the Teeter Plan, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency. As such, the District expects to consistently receive 100% of its charges billed on customers’ property tax bills. The County can elect to terminate the applicability of the Teeter Plan at any time if delinquencies reach a level unacceptable to the County.

Comparative Wastewater Rates. Table 11 below compares the District’s typical monthly wastewater bill with other local agencies. Rates are as of July 1, 2020 unless otherwise indicated.

Table 11
Wastewater Enterprise
Comparative Wastewater Rates

	Monthly
Manteca ⁽¹⁾	\$43.30
Stockton	46.75
Benicia	54.80
Brentwood	61.76
Pinole	69.34
Mountain House CSD	80.80
Discovery Bay	83.34
Lathrop ⁽¹⁾	87.00

⁽¹⁾ As of January 1, 2020.
Source: *The Rate Study*.

Future Wastewater Enterprise Capital Improvements

The District has an ongoing capital improvement plan with respect to the Wastewater Enterprise. Major projects include denitrification facilities (including the Wastewater Project), refurbishment of Plant 1, and 60% of the cost to relocate the District’s Office Building. The District anticipates funding these improvements through debt, capacity fees, rate revenues, existing reserves, and other available funds. See “SECURITY FOR THE BONDS – Limitations on Future Obligations Secured by Wastewater Net Revenues – *Wastewater Parity Obligations*” herein for a discussion of conditions which must be satisfied prior to issuance of any future parity obligation. The projections of debt service coverage in this Official Statement do not take into any such future parity obligations.

WATER AND WASTEWATER ENTERPRISE FINANCIAL INFORMATION

Financial Statements

APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2021, includes the audited financial statements of the District (the “Financial Statements”) for Fiscal Year 2020-21, which include financial statements for the Enterprise, prepared by the District Department of Finance and audited by Croce, Sanguinetti & Vander Veen Inc., Stockton, California (the “Auditor”).

The Auditor’s letter concludes that the Financial Statements present fairly, in all material respects, the financial position of the District as of June 30, 2021, and the results of its operations and the cash flows of its proprietary fund type for the Fiscal Year then ended in conformity with accounting principles generally accepted in the United States of America. The Financial Statements should be read in their entirety. The District has not requested nor did the District obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the District. In addition, the Auditor has not reviewed this Official Statement.

Enterprise Accounting

The Water Enterprise and Wastewater Enterprise are accounted for as proprietary funds with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. The enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises—where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis are to be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. Revenues are fully accrued to include unbilled services at year end.

The District uses the accrual basis of accounting for its “proprietary funds,” including the District’s Water Fund and Wastewater Fund. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred. All assets and liabilities for these funds are included on the balance sheet with this measurement focus. Fund equity (i.e., net total assets) is segregated into restricted, unrestricted and net investment in capital assets. See APPENDIX B – AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2021 for a more complete summary of the District’s accounting policies.

Outstanding Enterprise Obligations

Following issuance of the Bonds, the obligations of the District secured by Water Net Revenues will be the 2022 Water Installment Sale Agreement, the 2017 Water Installment Sale Agreement, and the 2012 Water Installment Sale Agreement. Following issuance of the Bonds, the obligations of the District secured by Wastewater Net Revenues will be the 2022 Wastewater Installment Sale Agreement, the 2017 Wastewater Installment Sale Agreement, and the 2012 Wastewater Installment Sale Agreement. The 2012 Water Installment Payments and the 2017 Water Installment Payments are outstanding in the aggregate principal amount of \$1,205,512 and \$432,900, respectively, and have final maturity dates of December 1, 2042, and December 1,

2027, respectively. The 2012 Wastewater Installment Payments and the 2017 Wastewater Installment Payments are outstanding in the aggregate principal amount of \$10,124,488 and \$7,617,100, respectively, and have final maturity dates of December 1, 2042, and December 1, 2047, respectively. See “DEBT SERVICE REQUIREMENTS.”

Historical Revenues, Expenses and Debt Service Coverage

The following Tables 12 and 13 present Water Enterprise and Wastewater Enterprise revenues, expenses and changes in net position for each of the four fiscal years ended June, 30, 2018 through 2021, plus budgeted projections for Fiscal Year 2021-22. The results presented in the following summary are qualified in their entirety by reference to the respective annual consolidated audited financial statements of the District, including the notes thereto. Copies of the audited financial statements for the District’s other Fiscal Years can be obtained at the office of the General Manager.

Table 12
Water Enterprise
Revenues, Expenses and Changes in Net Position

	<u>Fiscal Year</u>				2021-22 Modified Budget
	2017-18 <u>Audited</u>	2018-19 <u>Audited</u>	2019-20 <u>Audited</u>	2020-21 <u>Audited</u>	
<u>OPERATING REVENUES</u>					
Charges for services	\$3,367,746	\$4,011,475	\$4,754,321	\$4,930,503	\$4,802,304
Connection fees	504,930	175,440	201,240	20,640	31,000
Other	50,078	153,796	32,138	36,394	12,000
Grants	--	--	61,716	67,530	--
Total Operating Revenues	3,922,754	4,340,711	5,049,415	5,055,067	4,845,304
<u>OPERATING EXPENDITURES</u>					
Depreciation	548,700	655,356	669,172	688,071	680,000 ⁽¹⁾
Contract services	591,240	651,455	666,143	857,187	700,000
Utilities	450,532	485,549	506,996	525,090	567,000
Payroll expenses	376,116	388,194	428,150	571,236	715,303
Repairs and maintenance	649,021	600,740	493,755	724,387	842,100
Professional fees	435,944	167,692	243,942	383,652	387,500
Insurance	116,431	145,043	150,995	124,065	160,915
Permits and fees	52,251	43,048	33,329	39,645	65,000
Chemicals	26,377	25,677	27,353	5,938	45,000
Supplies	12,959	21,536	21,011	13,761	17,500
Miscellaneous	78,359	16,931	30,968	62,660	60,177
Telephone and communications	16,254	12,984	14,285	16,210	17,100
Directors' expenses	13,341	10,403	13,871	11,582	22,500
Contract mailings	--	32,405	33,455	35,510	41,000
Rent	--	13,200	13,200	13,200	13,400
Bank fees and merchant charges	--	22,118	23,837	23,170	25,000
Memberships	5,692	6,131	7,982	8,198	8,863
Public communication	10,474	5,596	5,680	--	7,500
Staff training	2,851	3,526	525	--	--
Total Operating Expenditures	3,386,542	3,307,584	3,384,649	4,103,562	4,375,858
OPERATING INCOME (LOSS)	536,212	1,033,127	1,664,766	951,505	469,446
<u>NONOPERATING REVENUES (EXPENSES)</u>					
Loss on asset disposal	(6,333)	(4,996)	--	--	--
Bad debt expense	(19,365)	(12,293)	(35,916)	(217)	(5,000)
Interest expense	(3,892)	--	--	--	--
Total nonoperating revenues (expenses)	(29,590)	(17,289)	(35,916)	(217)	(5,000)
Operating Transfers In (Out)	261,939	225,281	(238,886)	(178,628)	--
Change in Net Position	768,561	1,241,119	1,389,964	772,660	464,446
Net Position, Beginning of Year	11,749,669	12,518,230	13,759,349	15,149,313	15,921,973
Net Position, End of Year	12,518,230	13,759,349	15,149,313	15,921,973	16,386,419

(1) Represents District's estimate of depreciation. District does not budget for non-cash items such as depreciation.
Source: *The District*.

Table 13
Wastewater Enterprise
Revenues, Expenses and Changes in Net Position

	<u>Fiscal Year</u>				2021-22 Modified Budget
	2017-18 <u>Audited</u>	2018-19 <u>Audited</u>	2019-20 <u>Audited</u>	2020-21 <u>Audited</u>	
<u>OPERATING REVENUES</u>					
Charges for services	5,490,570	5,791,776	\$5,991,642	\$6,101,934	\$6,194,153
Connection fees	540,004	203,309	264,759	49,160	85,000
Other	118,170	20,425	175,254	59,026	16,300
Total Operating Revenues	<u>6,148,744</u>	<u>6,015,510</u>	<u>6,431,655</u>	<u>6,210,120</u>	<u>6,295,453</u>
<u>OPERATING EXPENDITURES</u>					
Depreciation	2,036,265	2,065,976	2,042,378	2,062,410	2,050,000
Contract services	1,084,292	1,016,067	999,214	1,252,089	1,044,000
Utilities	491,684	538,846	496,443	505,558	533,000
Payroll expenses	448,790	462,425	520,000	604,364	784,382
Repairs and maintenance	267,426	298,222	286,561	62,689	511,802
Professional fees	--	176,880	532,019	211,027	270,000
Insurance	188,511	210,245	226,493	188,367	235,475
Permits and Fees	39,825	60,500	94,443	55,524	76,000
Chemicals	58,208	24,176	50,633	17,743	--
Supplies	69,299	58,160	54,120	10,570	14,424
Miscellaneous	75,147	42,885	27,774	48,771	53,328
Telephone and communications	31,106	27,482	27,393	26,343	27,500
Directors' expenses	19,901	15,259	20,826	17,310	22,500
Rent	--	19,800	19,800	19,800	19,800
Bank fees and merchant charges	--	1,429	118	--	250
Memberships	7,958	7,579	6,352	8,874	10,000
Public communication	--	--	--	--	2,500
Staff training	1,577	2,461	375	--	--
Total Operating Expenditures	<u>4,819,989</u>	<u>5,028,392</u>	<u>5,404,942</u>	<u>5,091,439</u>	<u>5,654,961</u>
OPERATING INCOME (LOSS)	1,328,755	987,118	1,026,713	1,118,681	640,492
<u>NONOPERATING REVENUES</u>					
<u>(EXPENSES)</u>					
Investment income	--	--	--	--	--
Bad debt expense	(545)	--	--	(719)	(500)
Loss on asset disposal	(445,487)	--	--	--	--
Interest expense	(25,203)	--	--	--	--
Total nonoperating revenues (expenses)	<u>(471,235)</u>	<u>--</u>	<u>--</u>	<u>(719)</u>	<u>(500)</u>
Operating Transfers In (Out)	(1,367,832)	(501,819)	(368,076)	(619,331)	--
Change in Net Position	<u>(510,312)</u>	<u>485,299</u>	<u>658,637</u>	<u>498,631</u>	<u>639,992</u>
Net Position, Beginning of Year	31,072,928	30,562,616	31,047,915	31,706,552	32,205,183
Net Position, End of Year	30,562,616	31,047,915	31,706,552	32,205,183	32,845,175

(1) Represents District's estimate of depreciation. District does not budget for non-cash items such as depreciation.
Source: The District.

Historical Revenues, Expenses and Debt Service Coverage

Tables 14 and 15 below show operating results and debt service coverage for the District for the last four Fiscal Years for the Water Enterprise and Wastewater Enterprise, respectively.

Table 14
Water Enterprise
Historical Revenues, Expenses, and Debt Service Coverage

	Fiscal Year			
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total Water Gross Revenues	\$3,922,754	\$4,340,711	\$5,049,415	\$5,055,067
Total Water Operation and Maintenance Costs	\$2,837,842	\$2,652,228	\$2,715,477	\$3,415,491
Water Net Revenues	\$1,084,912	\$1,688,483	\$2,333,938	\$1,639,576
Debt Service				
2012 Water Installment Payments	\$87,549	\$87,623	\$87,563	\$87,584
2017 Water Installment Payments	<u>191,231</u>	<u>170,000</u>	<u>170,400</u>	<u>169,179</u>
Total Debt Service	\$278,780	\$257,623	\$257,963	\$256,764
Debt Service Coverage	3.89x	6.55x	9.05x	6.39x

Source: The District.

Table 15
Wastewater Enterprise
Historical Revenues, Expenses, and Debt Service Coverage

	Fiscal Year			
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Total Wastewater Gross Revenues	\$6,148,744	\$6,015,510	\$6,431,655	\$6,210,120
Total Wastewater Operation and Maintenance Costs	\$2,783,724	\$2,962,416	\$3,362,564	\$3,029,029
Wastewater Net Revenues	\$3,365,020	\$3,053,094	\$3,069,091	\$3,181,091
Debt Service				
2012 Wastewater Installment Payments	\$735,276	\$735,902	\$735,399	\$735,578
2017 Wastewater Installment Payments	<u>336,788</u>	<u>362,769</u>	<u>359,969</u>	<u>357,390</u>
Total Debt Service	\$1,072,064	\$1,098,671	\$1,095,368	\$1,092,968
Debt Service Coverage	3.14x	2.78x	2.80x	2.91x

Source: The District.

Projection of Revenues, Expenses and Debt Service Coverage

Tables 16 and 17 below show estimated projected operating results and debt service coverage for the Water Enterprise and Wastewater Enterprise, respectively, for the current and next four Fiscal Years. Certain assumptions have been made by the District in the development of the projections, such expected increases in revenues from new planned developments and steady rate increases. Many of these assumptions are reflected in the projections. While the District believes its assumptions are reasonable, there can be no assurance that the assumed conditions will in fact occur. The District's projections may be affected (favorably or unfavorably) by unforeseen future events. Therefore, the results projected below cannot be assured.

Table 16
Water Enterprise
Projection of Revenues, Expenses, and Debt Service Coverage

	Fiscal Year				
	<u>2022⁽¹⁾</u>	<u>2023⁽²⁾</u>	<u>2024⁽³⁾</u>	<u>2025⁽³⁾</u>	<u>2026⁽⁴⁾</u>
Total Water Gross Revenues	\$4,845,304	\$4,958,082	\$5,044,848	\$5,133,133	\$5,235,796
Total Water Operation and Maintenance Costs ⁽⁵⁾	\$3,701,014	\$3,864,780	\$3,980,723	\$4,100,145	\$4,223,149
Water Net Revenues	\$1,144,290	\$1,093,302	\$1,064,125	\$1,032,988	\$1,012,646
Debt Service					
2012 Water Installment Payments	\$87,744	\$87,840	\$87,596	\$88,037	\$87,856
2017 Water Installment Payments	169,339	196,300	169,042	168,255	166,192
2022 Water Installment Payments*	--	<u>262,912</u>	<u>258,100</u>	<u>259,475</u>	<u>260,600</u>
Total Debt Service	\$257,083	\$520,052	\$514,738	\$515,766	\$514,648
Debt Service Coverage*	4.45x	2.10x	2.07x	2.00x	1.97x

(1) Based on modified Fiscal Year 2021-22 Budget.

(2) Based on recommended Fiscal Year 2022-23 Budget.

(3) Revenues June 4, 2020 Water and Wastewater Rate Study.

(4) Assumes 2% increase in revenues based on average of previously adopted rate increases.

(5) Excludes depreciation and debt service. Assumes 3% growth in operating expenses in Fiscal Year 2023-24 to Fiscal Year 2025-26.

* Preliminary; subject to change.

Source: The District.

Table 17
Wastewater Enterprise
Projection of Revenues, Expenses, and Debt Service Coverage

	Fiscal Year				
	2022 ⁽¹⁾	2023 ⁽²⁾	2024 ⁽³⁾	2025 ⁽³⁾	2026 ⁽⁴⁾
Total Wastewater Gross Revenues	\$6,295,453	\$6,388,327	\$6,476,400	\$6,588,700	\$6,720,474
Total Wastewater Operation and Maintenance Costs ⁽⁵⁾	\$3,605,461	\$3,864,780	\$3,980,723	\$4,100,145	\$4,223,149
Wastewater Net Revenues	\$2,689,992	\$2,523,547	\$2,495,677	\$2,488,555	\$2,497,325
Debt Service					
2012 Wastewater Installment Payments	\$736,918	\$737,723	\$735,679	\$739,376	\$737,857
2017 Wastewater Installment Payments	354,529	351,669	353,727	349,939	351,001
2022 Wastewater Installment Payments*	--	<u>686,428</u>	<u>690,475</u>	<u>685,600</u>	<u>690,225</u>
Total Debt Service	\$1,091,448	\$1,775,819	\$1,779,880	\$1,774,915	\$1,779,083
Debt Service Coverage*	2.46x	1.42x	1.40x	1.40x	1.40x

(1) Based on modified Fiscal Year 2021-22 Budget.

(2) Based on recommended Fiscal Year 2022-23 Budget.

(3) Revenues June 4, 2020 Water and Wastewater Rate Study, less Zone Reimbursement Revenues of \$243,000.

(4) Assumes 2% increase in revenues based on average of previously adopted rate increases.

(5) Excludes depreciation and debt service. Assumes 3% growth in operating expenses in Fiscal Year 2023-24 to Fiscal Year 2025-26.

* Preliminary; subject to change.

Source: *The District*.

Deferred Compensation and Deferred Contribution Plans

The District has established a deferred compensation plan in accordance with Internal Revenue Code Section 457(b), whereby employees may elect to defer portions of their compensation in a self-directed investment plan. Plan assets are invested in each individual's name with a deferred compensation plan provider. All full-time employees are eligible for plan participation. Employer and employee contributions to the plan for the Fiscal Year ended June 30, 2021 were \$95,198. The District believes it has no liability for losses under the plan. Plan assets are held in trust and are not reflected in the District's audited financial statements.

Additionally, the District has established a defined contribution plan in accordance with Internal Revenue Code Section 401(a). The District will match employee contributions up to a maximum of \$5,000 per plan year. Additional employer contributions may be awarded with approval of the Board. Plan assets are invested in each individual's name with the defined contribution plan provider. Employer contributions for the Fiscal Year ended June 30, 2021 were \$43,248. The District believes it has no liability for losses under the plan. Plan assets are held in trust and are not reflected in the District's audited financial statements.

The District does not participate in the California Public Employees' Retirement System and does not offer other post-employment benefits.

Financial Policies

The District has adopted, and from time to time revises, a number of policies to promote the District's sound financial operation, including a reserve policy and an investment policy.

Reserve Policy. The District's reserve policy, the most recent version of which was approved by the District on January 4, 2012 (the "Reserve Policy"), provides for the establishment of Enterprise reserves of not less than 30% of the District Enterprise revenues on an annual basis. The Reserve Policy is intended to assure adequate reserves for ongoing needs while minimizing the need for new debt. The reserve levels established in the policy also help provide rate stabilization and ensure adequate fund levels to meet aging infrastructure replacements, unanticipated emergencies, and future expansion needs of the District.

Investment Policy. The District's Investment Policy, the most recent version of which was adopted by resolution of the District Board on January 18, 2012 (the "Investment Policy"), is intended to provide guidelines and restrictions for prudent investment of the District's unexpended cash reserves. In accordance with Section 61050(b) of the California Government Code, the Contra Costa County Treasurer currently serves as the District's Treasurer, and is therefore responsible for overseeing the District's investment portfolio. However, the County is in the process of transferring the treasurer functions back to the District. At such time, the District's Investment Policy is expected to be amended to reflect the transition.

The Contra Costa County Treasurer directs investments pursuant to the Contra Costa County Investment Policy, adopted pursuant to Board of Supervisors action on June 21, 2011. The Contra Costa County Investment Policy is included as a part of the District Policy and serves as the prevailing Investment Policy of the District.

The District is, however, responsible for directing the Treasurer as to the authorized types of investments, maturity dates, and amount in each investment vehicle. The District's Investment Policy sets forth the policies and procedures applicable to the investment of District funds and designates eligible investments. The Investment Policy directs that investment of the funds of the District is directed to the goals of safety, liquidity and yield.

RISK FACTORS

The following section describes certain special considerations and risk factors affecting the risk of nonpayment or the security for the Bonds. The following discussion is not meant to be an exhaustive or definitive description of the risks associated with a purchase of the Bonds and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following special factors regarding the Bonds, together with all other information in this Official Statement, in order to make an informed investment decision with respect to the Bonds. There can be no assurance that other risk factors are not or will not become material in the future.

General

The payment of principal of and interest on the Bonds is secured solely by a pledge of Revenues, which is secured by pledges by the District of the Water Net Revenues, Wastewater Net Revenues, and certain funds under the respective 2022 Water Installment Sale Agreement and the 2022 Wastewater Installment Sale Agreement. The realization of the Water Net Revenues and Wastewater Net Revenues is subject to, among other things, the capabilities of management of the District, the ability of the District to provide water and wastewater services to its users, and the ability of the District to establish and maintain water and wastewater fees and charges sufficient to provide the required debt service coverage as well as pay for Water Operation and Maintenance Costs and Wastewater Operation and Maintenance Costs.

Among other matters, general and local economic conditions and changes in law and government regulations (including initiatives and moratoriums on growth) could adversely affect the amount of Water Net Revenues and Wastewater Net Revenues realized by the District.

Limited Obligations

The 2022 Water Installment Payments and 2022 Wastewater Installment Payments are limited obligations of the District and are not secured by a legal or equitable pledge or charge or lien upon any property of the District or any of its income or receipts, except the Water Net Revenues and Wastewater Net Revenues, respectively. The obligation of the Authority, under the Indenture, to pay debt service on the Bonds from Revenues does not constitute an obligation of the District to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The Authority has no taxing power.

The District is obligated under the 2022 Water Installment Sale Agreement to make 2022 Water Installment Payments solely from Water Net Revenues. There is no assurance that the District can succeed in operating the Water Enterprise such that the Water Net Revenues in the future will be sufficient for that purpose.

The District is obligated under the 2022 Wastewater Installment Sale Agreement to make 2022 Wastewater Installment Payments solely from Wastewater Net Revenues. There is no assurance that the District can succeed in operating the Wastewater Enterprise such that the Wastewater Net Revenues in the future will be sufficient for that purpose.

No Cross-Collateralization of Installment Payment Obligations

The obligation of the District to make 2022 Water Installment Payments and 2022 Wastewater Installment Payments are not cross-collateralized. Accordingly, in the event there is a shortfall in Water Net Revenues to make 2022 Water Installment Payments, Wastewater Net Revenues cannot be used to cover such shortfall. Similarly, in the event there is a shortfall in Wastewater Net Revenues to make 2022 Wastewater Installment Payments, Water Net Revenues cannot be used to cover such shortfall.

Parity Obligations

As described in “SECURITY FOR THE BONDS – Limitations on Future Obligations Secured by Water Net Revenues – *Parity Obligations*” above, the 2022 Water Installment Sale Agreement permits the District to issue or incur additional Water Parity Obligations which would be payable from Water Net Revenues on a parity with the payment of the 2022 Water Installment Payments, the 2012 Water Installment Payments, and the 2017 Water Installment Payments. In the event of a decline in Water Net Revenues available to pay the 2022 Water Installment Payments, the existence of Water Parity Obligations could adversely affect the District’s ability to pay the 2022 Water Installment Payments, the 2012 Water Installment Payments, and the 2017 Water Installment Payments.

As described in “SECURITY FOR THE BONDS – Limitations on Future Obligations Secured by Wastewater Net Revenues – *Parity Obligations*” above, the 2022 Wastewater Installment Sale Agreement permits the District to issue or incur additional Wastewater Parity Obligations which would be payable from Wastewater Net Revenues on a parity with the payment of the 2022 Wastewater Installment Payments, the 2012 Wastewater Installment Payments, and

the 2017 Wastewater Installment Payments. In the event of a decline in Wastewater Net Revenues available to pay the 2022 Wastewater Installment Payments, the existence of Wastewater Parity Obligations could adversely affect the District's ability to pay the 2022 Wastewater Installment Payments, the 2012 Wastewater Installment Payments, and the 2017 Wastewater Installment Payments.

Physical Condition of Enterprise Facilities/Operation and Maintenance Costs

The reliability of the Water Enterprise and the Wastewater Enterprise is affected by a number of factors including physical and operational vulnerabilities of their facilities. Certain Water Enterprise and the Wastewater Enterprise facilities are near the end of their useful life. Long-lived facilities result in decreased reliability due to unplanned outages and place a greater maintenance burden on operations. The District budgets for the maintenance and operations of its facilities; however, the District gives no assurance that any future significant diminished physical status of its facilities would not materially adversely affect the operations of the Water Enterprise and the Wastewater Enterprise. Partial or complete failure of components of the Water Enterprise and the Wastewater Enterprise could cause a material increase in costs for repairs or a corresponding material adverse impact on Water Net Revenues and the Wastewater Net Revenues, respectively.

There can be no assurance that the District's expenses for the Water Enterprise and the Wastewater Enterprise will be consistent with the descriptions in this Official Statement. Changes in technology, changes in quality standards, loss of large customers, increased or decreased development, increases in the cost of operation, or other expenses could require increases in rates or charges in order to comply with the District's rate covenant in the 2022 Water Installment Sale Agreement and 2022 Wastewater Installment Sale Agreement. See "SECURITY FOR THE BONDS – 2022 Water Installment Payments; Application of Water Enterprise Revenues – *Rate Covenants; Collection of Rates and Charges*" and "SECURITY FOR THE BONDS – 2022 Wastewater Installment Payments; Application of Wastewater Enterprise Revenues – *Rate Covenants; Collection of Rates and Charges*" and "– Rate Process" below.

Risk of Nonperformance or Bankruptcy by a Major Contractor

The District currently contracts with Veolia for the operation of the Water Enterprise and Wastewater Enterprise. In the event that Veolia (or its successor), or any future company contracted to operate any major component of the Water Enterprise or Wastewater Enterprise (a "Major Contractor"), fails to meet its obligations under the Management Contract, it would be subject to damages and, if the nonperformance is material and continues for an extended period of time, termination. There can be no assurances that Veolia will provide services in accordance with their contractual commitments. The extended failure of a Major Contractor to meet its obligations under contracts with the District could materially adversely affect the ability of the District to generate Water Gross Revenues, Wastewater Gross Revenues, Water Net Revenues, or Wastewater Net Revenues in the amounts required pursuant to the 2022 Water Installment Sale Agreement or 2022 Wastewater Installment Sale Agreement.

In the event of the bankruptcy of a Major Contractor of the District, the automatic stay provisions of the United States Bankruptcy Code (the "Bankruptcy Code") could prevent (unless approval of the bankruptcy court was obtained) any action to collect any amount owing by such Major Contractor to the District or any action to enforce any obligation of the Major Contractor to the District. With the authorization of the bankruptcy court, the Major Contractor may be able to repudiate some or all of its agreements with the District and to stop performing its obligations (including payment obligations) under its agreements. Such a repudiation could also excuse the

other parties to such agreements from performing any of their obligations. The Major Contractor may be able, without the consent and over the objection of the District, the Trustee, and the holders of the Bonds, to alter the terms, including the payment terms, of its agreements with the District, as long as the bankruptcy court determines that the alterations are fair and equitable. In addition, with the authorization of the bankruptcy court, the Major Contractor may be able to assign its rights and obligations under any of its agreements with the District to another entity, despite any contractual provisions otherwise limiting such an assignment.

Environmental Regulation

The kind and degree of treatment effected through the Water Enterprise and the Wastewater Enterprise is regulated, to a large extent, by the federal government and the State of California. Treatment standards set forth in federal and state law control the operations of the Enterprise and mandate the use of treatment technology. In the event that the federal government, acting through the United States Environmental Protection Agency, or the State of California, acting through the Department of Health Services, or additional federal or state agencies, should impose stricter potable water and wastewater quality standards upon the Water Enterprise and the Wastewater Enterprise, the District's expenses could increase accordingly and rates and charges would have to be increased to offset those expenses. It is not possible to predict the direction federal or state regulation will take with respect to wastewater quality standards, although it is likely that, over time, both will impose more stringent standards with attendant higher costs.

Public Health Emergencies

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. On February 11, 2020, the WHO announced the official name for the outbreak of COVID-19, an upper respiratory tract illness. COVID-19 has since spread across the globe. The spread of COVID-19 is having significant adverse health and financial impacts throughout the world, including the County. The WHO has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the California Governor and the President of the United States.

The COVID-19 outbreak is ongoing, and its duration and severity and its economic effects are uncertain in many respects. Uncertain too are the additional actions, if any, that may be taken by federal and State governmental authorities to contain or mitigate the effects of the outbreak. The ultimate impact of COVID-19 on the District's operations and finances and the economy, real estate market and development within the District's service area is not fully known, and it may be some time before the full adverse impact of the COVID-19 outbreak is known. Further, there could be future COVID-19 outbreaks or other public health emergencies that could have material adverse effects on the District's operations and finances.

Permits and Regulations

The operations of the District are subject to discharge permits from the RWQCB, as the enforcement agency for federal and State discharge requirements. The major Wastewater Enterprise permit is the 2019 Order. The 2019 Order is subject to future application to, and approval by, the RWQCB. In addition, the 2019 Order may be modified from time to time to provide for increased capacity or other changes in the District's treatment and disposal strategies. The District's is unable to predict at this time what additional conditions, if any, will be imposed under pertinent treatment or discharge requirements or whether such new conditions, if any, would

impose additional operating constraints on the Wastewater Enterprise, as the case may be, or result in additional costs to the Wastewater Enterprise, as the case may be.

In the event that the federal government, acting through the United States Environmental Protection Agency, or the State, acting through the RWQCB or the Department of Health Services, or additional federal or State agencies, should impose stricter wastewater quality standards upon the Wastewater Enterprise, the District's expenses could increase significantly and rates and charges would have to be increased accordingly to offset those expenses. It is not possible to predict the direction federal or State regulation will take with respect to wastewater quality standards, although it is likely that, over time, both will impose more stringent standards with attendant higher costs. No assurance can be given that the cost of compliance with such laws and regulations will not adversely affect the ability of the District to generate Net Revenues in the amounts required by the Wastewater Installment Sale Agreements to pay the 2012 Wastewater Installment Payments, the 2017 Wastewater Installment Payments, and the 2022 Wastewater Installment Payments.

Natural Disasters

The area in and surrounding the District, like those in much of California, may be subject to unpredictable droughts, storms, floods, fires, soil expansion and liquefaction and seismic activity that could negatively affect the value of the Water Enterprise and the Wastewater Enterprise, as well as other assets of the District. The possibility of the occurrence of some of these conditions and events has not been taken into account in the design of the Water Enterprise and the Wastewater Enterprise and has not been taken into account in the designs of other public improvements which may be acquired or constructed by the District or other public agencies.

The District is located immediately adjacent to the Sacramento/San Joaquin delta (the "Delta") which has experienced levee failures that have occurred periodically throughout the Delta, flooding thousands of acres, and causing millions of dollars in damages. While Federal Emergency Management Agency has mapped the District levee system as providing protection from the 1-percent-annual-chance flood, it is important to note that levees are only designed to provide a specific level of protection. They can be overtopped or fail in larger flood events. Levee systems require regular maintenance and periodic upgrades to retain their level of protection. When levees do fail, they fail catastrophically, and damage may be more significant than if the levee was not there.

The District expects that one or more of these conditions will likely occur in the future, and, even if design criteria have been implemented to mitigate certain geologic events, which may or may not prove to be the case, such conditions may nevertheless result in damage to or destruction of part or all of the Water Enterprise and the Wastewater Enterprise. If there were to be an occurrence of a severe geotechnical condition or natural disaster in the area of the District, there could be an interruption in the service provided by the Water Enterprise and the Wastewater Enterprise resulting in a reduction in the amount of Water Net Revenues available to pay 2022 Water Installment Payments and Wastewater Net Revenues available to pay 2022 Wastewater Installment Payments. Further, damage to components of either the Water Enterprise or the Wastewater Enterprise could cause a material increase in costs for repairs or a corresponding material adverse impact on respective Net Revenues.

The District is not obligated under the Indenture or the 2022 Water Installment Sale Agreement or the 2022 Wastewater Installment Sale Agreement to procure and maintain, or

cause to be procured and maintained, nor does the District plan to procure and maintain, earthquake or flood insurance on either the Water Enterprise or the Wastewater Enterprise.

Climate Change

The State has historically been susceptible to wildfires and hydrologic variability. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, climate change is expected to intensify, increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels. The future fiscal impact of climate change on the District is difficult to predict, but it could be significant and it could have a material adverse effect on the District's finances by requiring greater expenditures to counteract the effects of climate change, by changing the business and activities of the District's customers or by increasing the cost or decreasing the availability of water supplies.

Drought Declarations

As previously described, on October 19, 2021, the Governor declared a Statewide drought state of emergency and requested that all water users voluntarily reduce water use by 15%. The declaration encouraged water agencies to draw upon supplies other than groundwater and to implement their water shortage contingency plans and authorized the State Water Resources Control Board to adopt regulations that prohibit wasteful water use (such as the use of potable water to wash paved surfaces or to irrigate landscaping during the two days following rainfall). On March 28, 2022, the Governor issued Executive Order N-7-22, which directs new state and local efforts related to the ongoing drought. The Governor has called on local water suppliers to move to Level 2 of their Water Shortage Contingency Plans, which require locally-appropriate actions that will conserve water across all sectors. In most cases, Level 2 requires 10-20 percent conservation within a district though local discretion is allowed. The Governor also ordered the State Water Board to evaluate the adoption of regulations banning irrigation of "non-functional" turf (or grass), such as decorative grass adjacent to large industrial and commercial buildings. The ban would not include residential lawns or grass used for recreation, such as school fields, sports fields and parks. The Department of Water Resources estimates this ban alone would result in potential water savings of several hundred thousand acre-feet. An acre-foot of water serves the needs of approximately three households for a year.

The projected operating results of the Water Enterprise and Wastewater Enterprise that are set forth under the caption "WATER AND WASTEWATER ENTERPRISE FINANCIAL INFORMATION – Projection of Revenues, Expenses and Debt Service Coverage" do not reflect any reductions in water service or wastewater service demand as a result of drought. The District does not currently expect that any drought restrictions imposed by the State or the District will have a material adverse effect on its ability to make 2022 Water Installment Payments or 2022 Wastewater Installment Payments when due. As discussed under the caption "WASTEWATER ENTERPRISE FINANCIAL INFORMATION – Wastewater Rates and Charges," the District's rate structure consists of fixed rate components for all customers, and variable rate components for some customers. Decreased water and wastewater service demand is partially offset by a decrease in related variable water and wastewater treatment costs. In addition, the District has covenanted to set Water Enterprise and Wastewater Enterprise rates and charges in amounts that it expects to be sufficient to pay the 2022 Water Installment Payments from Water Net Revenues and the 2022 Wastewater Installment Payments from Wastewater Net Revenues, respectively. See "SECURITY FOR THE BONDS – 2022 Water Installment Payments; Application of Water Enterprise Revenues – *Rate Covenants; Collection of Rates and Charges*"

and “SECURITY FOR THE BONDS – 2022 Wastewater Installment Payments; Application of Wastewater Enterprise Revenues – *Rate Covenants; Collection of Rates and Charges*” and “– Rate Process” below.

Cybersecurity

The District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a recipient and provider of personal, private or other sensitive electronic information, the District is potentially subject to multiple cyber threats, including without limitation hacking, viruses, ransomware, malware and other attacks. The District maintains several methods to protect and fortify electronic information and consistently implements new procedures and defenses. No assurance can be given that the District’s efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of the District, or the administration of the Bonds.

The District is also reliant on other entities and service providers in connection with the administration of the Certificates, including without limitation the Trustee. No assurance can be given that the District and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Owners of the Bonds.

Articles XIII C and XIII D of the California Constitution

General. On November 5, 1996, California voters approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, changed, among other things, the procedure for the imposition of any new or increased property-related “fee” or “charge,” which is defined as “any levy other than an ad valorem tax, a special tax or an assessment, imposed by a (local government) upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service” (and referred to in this section as a “property-related fee or charge”).

On November 2, 2010, California voters approved Proposition 26, the so-called “Supermajority Vote to Pass New Taxes and Fees Act”. Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Proposition 26’s amendments to Article XIII C broadly define “tax,” but specifically exclude, among other things:

- “(1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.
- (2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.
- ...
- (6) A charge imposed as a condition of property development.

(7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D.”

Property-Related Fees and Charges. Under Article XIID, before a public agency may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The public agency must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the public agency may not impose or increase the property-related fee or charge.

Further, under Article XIID, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

Initiative and Referendum Powers. In addition, Article XIIC states that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

Moreover, Article II, section 9, subdivision (a) states, “[t]he referendum is the power of the electors to approve or reject statutes or parts of statutes except urgency statutes, statutes calling elections, and statutes providing for tax levies or appropriations for usual current expenses of the State.” In *Wilde v. City of Dunsmuir*, involving a plaintiff that sought to challenge the City of Dunsmuir’s water rate master plan, the Court of Appeal of California, Third Appellate District, held that Proposition 218 does not curtail the voters’ referendum powers under Article II to challenge local resolutions and ordinances. In addition, the Court rejected the City’s allegation that its rate schedule was not subject to referendum under the “essential government service exception” to the voter’s referendum power. In general, referendum that would preclude the functioning of essential government services is not permissible. *Hunt v. Mayor and Council of City of Riverside (1948) 31 Cal.2d 619, 628-29*. But the Court held that the City of Dunsmuir’s water rate schedule did not affect the functioning of essential government services.

Judicial Interpretation of Article XIID. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General opinion initially indicated that fees and charges levied for water and wastewater services would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIID regarding notice, hearing and protests in connection with any increase in the fees and charges being imposed. However, three subsequent cases have held that certain types of water and wastewater charges could be subject to the requirements of Article XIID under certain circumstances.

In *Richmond v. Shasta Community Services District* (9 Cal. Rptr. 3rd 121), the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIID to certain charges related to water service. In *Richmond*, the Court held that connection charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for

ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (March 23, 2005), the California Court of Appeal, Fifth District, concluded that water, wastewater and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIID before imposing or increasing such fees. The California Supreme Court denied the City of Fresno's petition for review of the Court of Appeal's decision on June 15, 2005.

In July 2006 the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (S127535, July 24, 2006), addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIC and was therefore invalid.)

The court in *Bighorn* specifically noted that it was not holding that the initiative power is free of all limitations; the court stated that it was *not* determining whether the electorate's initiative power is subject to the statutory provision requiring that water service charges be set at a level that will pay for operating expenses, provide for repairs and depreciation of works, provide a reasonable surplus for improvements, extensions, and enlargements, pay the interest on any bonded debt, and provide a sinking or other fund for the payment of the principal of such debt as it may become due.

Compliance by the District with Article XIIC and Article XIID. The District believes its water and wastewater rates and charges do not constitute "taxes" under Article XIIC as revised by Proposition 26 because, as described in subsection 1(e)(7) of Article XIIC, they are "property-related fees imposed in accordance with the provisions of Article XIID" (and are also charges for a "property-related service" as defined in subsection 2(g) of Article XIID) and because, as described in subsection 1(e)(2) of Article XIIC, they are charged for water or wastewater service, "a specific government service or product provided directly to the payor that is not provided to those not charged."

The District will continue to comply with the provisions of Articles XIIC and XIID and implementing legislation in connection with future rate increases, as such requirements may be interpreted by state courts.

Conclusion. It is not possible to predict how courts will further interpret Article XIIC and Article XIID in future judicial decisions, and what, if any, further implementing legislation will be enacted.

Under the *Bighorn and Wilde v. City of Dunsmuir* cases, local voters could adopt an initiative or referendum measure that reduces or repeals the District's rates and charges, although it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness.

There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIC and Article XIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for utility service, or to call into question previously adopted utility rate increases.

Limited Recourse on Default

Failure by the District to make 2022 Water Installment Payments constitutes an event of default under the 2022 Water Installment Sale Agreement and the Trustee is permitted to pursue remedies at law or in equity to enforce the District's obligation to make such payments. Although the Trustee has the right to accelerate the total unpaid principal amount of the 2022 Water Installment Payments, there is no assurance that the District would have sufficient funds to pay the accelerated amounts.

Failure by the District to make 2022 Wastewater Installment Payments constitutes an event of default under the 2022 Wastewater Installment Sale Agreement and the Trustee is permitted to pursue remedies at law or in equity to enforce the District's obligation to make such payments. Although the Trustee has the right to accelerate the total unpaid principal amount of the 2022 Wastewater Installment Payments, there is no assurance that the District would have sufficient funds to pay the accelerated amounts.

Limitations on Remedies

The ability of the District to comply with its covenants under the 2022 Water Installment Sale Agreement and to generate Water Net Revenues sufficient to pay the 2022 Water Installment Payments and its covenants under the 2022 Wastewater Installment Sale Agreement and to generate Wastewater Net Revenues sufficient to pay the 2022 Wastewater Installment Payments and, therefore, of principal of and interest on the Bonds, may be adversely affected by actions and events outside of the control of the District and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or persons obligated to pay assessments, fees and charges. Furthermore, the remedies available to the owners of the Bonds upon the occurrence of an event of default under the 2022 Water Installment Sale Agreement and the 2022 Wastewater Installment Sale Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

Initiatives

In recent years, several initiative measures have been proposed or adopted which affect the ability of local governments to increase taxes and rates. There is no assurance that the electorate or the State legislature will not at some future time approve additional limitations which could affect the ability of the District to implement rate increases which could reduce Water Net Revenues and/or Wastewater Net Revenues and adversely affect the security for the Bonds. See “– Articles XIIC and XIID of the California Constitution.”

Bankruptcy

The rights and remedies provided in the 2022 Water Installment Sale Agreement, the 2022 Wastewater Installment Sale Agreement, and the Indenture may be limited by and are subject to the provisions of federal bankruptcy laws, to other laws or equitable principles that may affect the enforcement of creditors' rights, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State of California. The various opinions of counsel to be delivered with respect to the Bonds, the 2022 Water Installment Sale Agreement, the 2022 Wastewater Installment Sale Agreement and the Indenture, including the opinion of Bond Counsel, will be similarly qualified. If the District were to file a petition under Chapter 9 of the Bankruptcy Code, the Owners of the Bonds and the District could be prohibited from taking any steps to enforce their rights under the Indenture.

Rate Process

The passage of Proposition 218 by the California electorate potentially affects the District's ability to impose future rate increases, and no assurance can be given that future rate increases will not encounter majority protest opposition under Proposition 218. See "– Articles XIII C and XIII D of the California Constitution."

Insurance

The 2022 Water Installment Sale Agreement and the 2022 Wastewater Installment Sale Agreement obligates, subject to the terms described therein, the District to obtain and keep in force various forms of insurance or self-insurance, subject to deductibles, for repair or replacement of a portion of the Water Enterprise and the Wastewater Enterprise in the event of damage or destruction to such portion of the Water Enterprise and the Wastewater Enterprise. The District expects to self-insure a portion of the risk of loss as permitted by the 2022 Water Installment Sale Agreement and the 2022 Wastewater Installment Sale Agreement. No assurance can be given as to the adequacy of any such self-insurance or any additional insurance to fund necessary repair or replacement of any other portion of the Water Enterprise or the Wastewater Enterprise. Significant damage to the Water Enterprise or the Wastewater Enterprise could result in a lack of the ability to generate sufficient Water Net Revenues and/or Wastewater Net Revenues to repay the Bonds. The District does not, and does not expect to, maintain earthquake insurance on the Water Enterprise or the Wastewater Enterprise.

Tax Exemption

The Authority and the District have covenanted that they will take all actions necessary to assure the exclusion of interest with respect to 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 Internal Revenue in the gross income of the Owners thereof for federal tax purposes. See "TAX MATTERS." See also "TAX MATTERS – Changes in Federal and State Tax Law."

Secondary Market

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made

will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

APPROVAL OF LEGAL PROCEEDINGS

The legality and enforceability of the Bonds is subject to the approval of Jones Hall, A Professional Law Corporation, San Francisco, California, acting as Bond Counsel. Certain disclosure matters will be passed upon for the District and the Authority by Jones Hall, A Professional Law Corporation, San Francisco, California, acting as Disclosure Counsel. Certain legal matters will be passed upon for the District and the Authority by Neumiller & Beardslee, Stockton, California, as general counsel. Payment of the fees and expenses of Bond Counsel and Disclosure Counsel is contingent upon the issuance and delivery of the Bonds.

LITIGATION

At the time of delivery of and payment for the Bonds, the District and the Authority will certify that there is no action, suit, proceedings, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the District and the Authority, threatened against the District or the Authority affecting the existence of the District or the Authority or the titles of its officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture, the 2022 Water Installment Sale Agreement or the 2022 Wastewater Installment Sale Agreement or any action of the District or the Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Official Statement or any amendment or supplement thereto, or contesting the powers of the District or the Authority with respect to the Bonds or any action of the District or the Authority contemplated by any of said documents, nor to the knowledge of the District or the Authority, is there any basis therefor.

RATING

S&P Global Ratings ("S&P") has assigned the Bonds a rating of "AA." Future events, including the impacts of the COVID-19 pandemic on The District, could have an adverse impact on the rating of the Bonds, and there is no assurance that any credit rating that is given to the Bonds will be maintained for any period of time or that a rating may not be qualified, downgraded, lowered or withdrawn entirely by S&P, if, in its judgment circumstances so warrant, nor can there be any assurance that the criteria required to achieve the ratings on the Bonds will not change during the period that the Bonds remain outstanding.

Any qualification, downward revision, lowering or withdrawal of the rating on the Bonds may have an adverse effect on the market price of the Bonds. The rating reflects only the views of S&P, and an explanation of the significance of the rating, and any outlook assigned to or associated with the rating, should be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The District has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement).

In providing a rating on the Bonds, S&P may have performed independent calculations of coverage ratios using its own internal formulas and methodology, which may not reflect the provisions of the Ordinance. The District makes no representations as to any such calculations, and such calculations should not be construed as a representation by the District as to past or future compliance with any financial covenants, the availability of particular revenues for the payment of debt service or for any other purpose.

The District has covenanted in the Continuing Disclosure Certificate to file notices of any rating changes on the Bonds with Municipal Securities Rulemaking Board's Electronic Municipal Market Access ("**EMMA**") system. See the caption "CONTINUING DISCLOSURE" and Appendix E. Notwithstanding such covenant, information relating to rating changes on the Bonds may be publicly available from the rating agencies prior to such information being provided to the District and prior to the date by which the District is obligated to file a notice of rating change. Purchasers of the Bonds are directed to S&P and its website and official media outlets, for the most current ratings with respect to the Bonds after their initial sale and delivery. No information on such websites or outlets are incorporated herein by reference.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of Bond Owners and beneficial owners of the Bonds to provide certain financial information and operating data relating to the Water Enterprise and the Wastewater Enterprise by not later than nine months following the end of the District's fiscal year (presently June 30) (the "Annual Report"), commencing with the report for the fiscal year ended June 30, 2022, due by no later than March 31, 2023, and to provide notices of the occurrence of certain enumerated events. The Annual Report and the notices of material events will be filed by the District with the EMMA. The specific nature of the information to be contained in the Annual Report or the notices of material events is summarized below under the caption APPENDIX E – FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

The District has previously entered into continuing disclosure undertakings under the Rule in connection with the issuance of the 2012 Bonds and 2017 Bonds. During the previous five years, the District has filed its audited financial statements for Fiscal Years 2016-17 and 2017-18 32 days and 7 days, respectively, after the due date, although in each case unaudited financial statements were provided in a timely manner, as permitted by the District's prior continuing disclosure undertakings.

The District plans to adopt continuing disclosure policies and procedures to ensure that it will comply with all material provisions of its continuing disclosure undertakings in the future.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax.

The opinions set forth in the preceding paragraph are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986, as amended (the "**Tax Code**") that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes. The Authority has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes "bond premium" for purposes of federal income taxes and State of California personal income taxes.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or

marketability of, the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the Bonds, or as to the consequences of owning or receiving interest on the Bonds, as of any future date. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Bonds, the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

UNDERWRITING

The Bonds are being purchased by Oppenheimer & Co. Inc. (the "Underwriter"), at a purchase price of \$_____ (which represents the aggregate principal amount of the Bonds (\$_____), plus a [net] original issue premium of \$_____, less an Underwriter's discount of \$_____).

The purchase agreement relating to the Bonds provides that the Underwriter will purchase all of the Bonds, if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in such purchase agreement.

The Underwriter may offer and sell the Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

MUNICIPAL ADVISOR

Fieldman, Rolapp & Associates, Inc. (the "Municipal Advisor") has assisted the District with various matters relating to the planning, structuring and delivery of the Bonds. The Municipal Advisor is a financial advisory firm and is not engaged in the business of underwriting or distributing municipal securities or other public securities. The Municipal Advisor assumes no responsibility for the accuracy, completeness or fairness of this Official Statement. The Municipal Advisor will receive compensation from the District contingent upon the sale and delivery of the Bonds.

MISCELLANEOUS

Any statement in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official

Statement is not to be construed as a contract or agreement between the Authority or the District and the purchasers or Holders of any of the Bonds.

EXECUTION

The execution and delivery of this Official Statement have been duly authorized by the Authority and the District.

**DISCOVERY BAY PUBLIC FINANCING
AUTHORITY**

By _____
Executive Director

**TOWN OF DISCOVERY BAY
COMMUNITY SERVICES DISTRICT**

By _____
General Manager

APPENDIX A

GENERAL INFORMATION ABOUT THE DISTRICT AND CONTRA COSTA COUNTY

The information in this section of the Official Statement is presented as general background data. The Bonds are payable solely from the revenues of the Water Enterprise, the Wastewater Enterprise and other sources as described in the Official Statement. The taxing power of the District, the County, the State of California, or any political subdivision thereof is not pledged to the payment of the Bonds. The Authority has no taxing power.

General

Discovery Bay. Discovery Bay is an unincorporated community within the County of Contra Costa (the “County”). The Town of Discovery Bay Community Services District (the “District”) was officially formed as a California Community Services District in 1998. Discovery Bay contains a full-service deep water yacht harbor with a chandlery and marina shops, two shopping centers, three public schools and one private school. Boaters can navigate from Discovery Bay to San Francisco Bay. Discovery Bay encompasses an area of approximately seven square miles, located in the eastern portion of the County in the Central Valley region of California, approximately 55 miles east of San Francisco, 65 miles south of Sacramento, 15 miles east of Antioch and approximately 15 miles north of Livermore. The city of Brentwood is approximately 6 miles northwest along State Highway 4.

The County. The County was incorporated in 1850 as one of the original 27 counties of the state. It is one of nine counties in the San Francisco-Oakland Bay Area. The County occupies the northern portion of the East Bay region and is primarily suburban. The County covers about 733 square miles: the western and northern shorelines are highly industrialized, while the interior sections are suburban/residential, commercial, and light industrial.

The County’s physical geography is dominated by the bayside alluvial plain, the Oakland Hills– Berkeley Hills, several inland valleys, and Mount Diablo, an isolated 3,849-foot (1,173 m) up-thrust peak at the north end of the Diablo Range of hills. The Hayward Fault Zone runs through the western portion of the county, from Kensington to Richmond. The Calaveras Fault runs in the south-central portion of the county, from Alamo to San Ramon. The Concord Fault runs through part of Concord and Pacheco, and the Clayton-Marsh Creek-Greenville Fault runs from Clayton at its north end to near Livermore.

The establishment of BART, the modernization of Highway 24, and the addition of a fourth Caldecott Tunnel bore all served to reinforce the demographic and economic trends in the Diablo area of the County, with cities such as Lafayette becoming edge cities.

The central County cities have in turn spawned their own suburbs within the County, extending east along the County’s estuarine north shore; with the older development areas of Bay Point and Pittsburg being augmented by extensive development in Antioch, Oakley, and Brentwood.

Population

The following table lists population estimates for the County and the State for the last five calendar years, as of January 1.

CONTRA COSTA COUNTY AND CALIFORNIA Population Estimates

	2017	2018	2019	2020	2021
Contra Costa County	1,137,577	1,143,188	1,147,623	1,149,853	1,153,854
State of California	39,352,398	39,519,535	39,605,361	39,648,938	39,466,855

Source: State Department of Finance estimates (as of January 1).

Industry and Employment

The County is a part of the Oakland-Hayward-Berkeley Metropolitan Division (the "MD"). The unemployment rate in the MD was 3.9% in February 2022, down from a revised 4.5% in January 2022, and below the year-ago estimate of 7.5%. This compares with an unadjusted unemployment rate of 4.8% for the State and 4.1% for the nation during the same period. The unemployment rate was 3.8% in Alameda County, and unemployment rate was 4.1% in the County. The table below list employment by industry group for the years 2017 through 2021.

OAKLAND-HAYWARD-BERKELEY MD Annual Average Civilian Labor Force, Employment and Unemployment, Employment by Industry Calendar Years 2017 through 2021 (March 2020 Benchmark)

	2017	2018	2019	2020	2021
Civilian Labor Force ⁽¹⁾	1,396,000	1,401,700	1,403,400	1,362,300	1,352,300
Employment	1,343,400	1,357,700	1,360,500	1,239,100	1,268,700
Unemployment	52,600	44,000	42,900	123,200	83,600
Unemployment Rate	3.8%	3.1%	3.1%	9.0%	6.2%
<u>Wage and Salary Employment ⁽²⁾</u>					
Agriculture	1,400	1,300	1,400	1,500	1,600
Mining and Logging	200	200	200	200	200
Construction	71,200	74,900	75,500	70,700	73,000
Manufacturing	95,700	100,600	101,000	98,700	105,200
Wholesale Trade	48,700	47,500	45,400	42,100	41,300
Retail Trade	114,400	114,500	111,800	101,100	105,300
Transportation, Warehousing, Utilities	41,300	42,300	43,700	45,200	48,600
Information	26,900	27,600	27,600	25,800	25,000
Finance and Insurance	38,900	37,500	37,200	35,900	34,700
Real Estate and Rental and Leasing	17,400	17,800	18,100	16,700	16,800
Professional and Business Services	184,500	189,500	193,200	184,800	189,900
Educational and Health Services	191,500	194,300	198,400	191,300	198,200
Leisure and Hospitality	114,900	117,700	121,000	84,700	91,700
Other Services	40,200	41,000	41,200	33,100	35,000
Federal Government	13,800	13,400	13,400	14,200	13,500
State Government	39,300	39,400	39,600	38,200	37,900
Local Government	121,500	121,800	121,800	113,500	111,900
Total all Industries ⁽³⁾	1,161,800	1,181,300	1,190,300	1,097,700	1,129,700

(1) Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Footnotes continued:

(2) Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

(3) Totals may not add due to rounding.

Source: State of California Employment Development Department.

Largest Employers

The following tables list the largest manufacturing and non-manufacturing employers within the County as of March 2022, in alphabetical order without regard to number of employees.

CONTRA COSTA COUNTY Largest Employers March 2022

Employer Name	Location	Industry
Bart	Richmond	Transit Lines
Bio-Rad Laboratories Inc	Hercules	Physicians & Surgeons Equip & Supls-Mfrs
Broadspectrum Americas	Richmond	Oil Refiners (mfrs)
C & H Sugar Co Inc	Crockett	Sugar Refiners (mfrs)
Chevron Corp	San Ramon	Oil Refiners (mfrs)
Chevron Research & Technology	San Ramon	Service Stations-Gasoline & Oil
Chevron Richmond Refinery	Richmond	Oil Refiners (mfrs)
Contra Costa Regional Med Ctr	Martinez	Hospitals
John Muir Health Concord Med	Concord	Hospitals
Kaiser Permanente Antioch Med	Antioch	Hospitals
Kaiser Permanente Martinez Med	Martinez	Clinics
Kaiser Permanente Walnut Creek	Walnut Creek	Hospitals
La Raza Market	Richmond	Grocers-Retail
Los Medanos College	Pittsburg	Junior-Community College-Tech Institutes
Martinez Arts Outpatient Clnc	Martinez	Surgical Centers
Nordstrom	Walnut Creek	Department Stores
Oakley Union School District	Oakley	School Districts
Robert Half Intl	San Ramon	Employment Agencies & Opportunities
San Ramon Regional Medical Ctr	San Ramon	Hospitals
Santa Fe Pacific Pipe Lines	Richmond	Pipe Line Companies
Shell Oil Prod US Martinez	Martinez	Oil & Gas Producers
Sutter Delta Medical Ctr	Antioch	Hospitals
US Veterans Medical Ctr	Martinez	Outpatient Services
Uss Posco Industries	Pittsburg	Steel Mills (mfrs)

Source: State of California Employment Development Department, extracted from The America's Labor Market Information System (ALMIS) Employer Database, 2022 1st Edition.

Major Employers

The following table lists the top 10 employers within the County as of June 30, 2021.

CONTRA COSTA COUNTY Top 10 Employers as of June 30, 2021

Employer	Employees	% of Total County Employment
Chevron Corporation	10,000+	2.01%
Kaiser Permanente	10,000+	2.01
Bio-Rad Laboratories, Inc.	1,000-4,999	0.60
John Muir Medical Center	1,000-4,999	0.60
La Raza Market	1,000-4,999	0.60
USS-POSCO Industries	1,000-4,999	0.60
Target Corporation	--	--
Walmart Stores, Inc.	--	--
Doctors Medical Center	--	--
Contra Costa Newspapers, Inc.	--	--
Total Top 10	498,700	100.00%

Source: Contra Costa County Annual Comprehensive Financial Report Fiscal Year 2020-21.

Construction Activity

Provided below are the building permits and valuations for the County for the past five years.

CONTRA COSTA COUNTY Building Permit Valuation For Calendar Years 2016 through 2020 (Dollars in Thousands)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>Permit Valuation</u>					
New Single-family	\$605,151.7	541,940.5	\$576,116.0	\$502,567.7	\$458,503.6
New Multi-family	155,051.9	55,154.8	169,461.5	213,697.9	203,967.0
Res. Alterations/Additions	<u>312,967.0</u>	<u>354,340.6</u>	<u>337,089.0</u>	<u>300,066.4</u>	<u>213,070.0</u>
Total Residential	1,073,170.6	951,435.9	1,082,666.5	1,016,332.0	875,540.6
New Commercial	144,878.8	133,930.0	200,592.4	148,405.7	175,260.2
New Industrial	11,624.9	3,552.0	52,919.3	2,974.5	50,551.2
New Other	309,861.2	108,530.0	189,246.6	81,032.5	55,865.5
Com Alterations/Additions	<u>333,717.2</u>	<u>361,757.0</u>	<u>287,139.5</u>	<u>240,543.0</u>	<u>142,395.8</u>
Total Nonresidential	800,082.1	607,769.0	729,897.8	472,955.7	424,072.7
<u>New Dwelling Units</u>					
Single Family	1,853	1,732	1,647	1,573	1,525
Multiple Family	<u>1,043</u>	<u>272</u>	<u>1,161</u>	<u>1,229</u>	<u>1,243</u>
TOTAL	2,896	2,004	2,808	2,802	2,768

Source: Construction Industry Research Board, Building Permit Summary.

Commercial Activity

During the first three quarters of calendar year 2021, total taxable transactions in the County were reported to be \$15,354,858,919, representing a 19.98% increase over the total taxable transactions of \$12,797,537,458 that were reported in the County during the first three quarters of calendar year 2020.

CONTRA COSTA COUNTY Taxable Transactions (Dollars in Thousands)

Year	Retail Permits on July 1	Retail Stores Taxable Transactions	Total Permits on July 1	Total Outlets Taxable Transactions
2016	14,920	\$11,746,808	24,064	\$15,924,592
2017	14,945	12,302,863	24,114	16,558,840
2018	15,095	13,163,891	25,317	17,607,890
2019	15,337	13,301,946	26,201	18,048,985
2020	15,832	13,037,715	27,445	17,907,507

Source: State Department of Tax and Fee Administration.

Effective Buying Income

“Effective Buying Income” is defined as personal income less personal tax and nontax payments, a number often referred to as “disposable” or “after-tax” income. Personal income is the aggregate of wages and salaries, other labor-related income (such as employer contributions to private pension funds), proprietor’s income, rental income (which includes imputed rental income of owner-occupants of non-farm dwellings), dividends paid by corporations, interest income from all sources, and transfer payments (such as pensions and welfare assistance). Deducted from this total are personal taxes (federal, state and local), nontax payments (fines, fees, penalties, etc.) and personal contributions to social insurance. According to U.S. government definitions, the resultant figure is commonly known as “disposable personal income.”

The following table summarizes the total median household effective buying income for the District, the County, the State and the United States for the period 2018 through 2022.

**TOWN OF DISCOVERY BAY, CONTRA COSTA COUNTY
STATE OF CALIFORNIA AND UNITED STATES
Median Household Effective Buying Income**

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2018	Discovery Bay	\$552,268	\$87,901
	Contra Costa County	42,543,271	74,398
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	Discovery Bay	\$643,773	\$92,314
	Contra Costa County	46,121,254	79,603
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	Discovery Bay	\$724,830	\$98,724
	Contra Costa County	48,775,464	83,242
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	Discovery Bay	\$746,096	\$100,207
	Contra Costa County	51,959,070	87,804
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790
2022	Discovery Bay	\$866,854	\$123,368
	Contra Costa County	57,555,435	98,409
	California	1,452,426,153	77,058
	United States	11,208,582,541	64,448

Source: The Nielsen Company (US), Inc for 2018; Claritas, LLC for 2019 through 2022.

APPENDIX B

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE
FISCAL YEAR ENDED JUNE 30, 2021**

APPENDIX C

SUMMARY OF CERTAIN PROVISIONS OF THE PRINCIPAL LEGAL DOCUMENTS

APPENDIX D
FORM OF FINAL OPINION OF BOND COUNSEL

[To come]

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
DISCOVERY BAY PUBLIC FINANCING AUTHORITY
(Contra Costa County, California)
Enterprise Revenue Bonds, Series 2022
(Water and Wastewater Projects)

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by THE TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT (the “District”) in connection with the issuance by the Discovery Bay Public Financing Authority (the “Authority”) of its \$ _____ Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Bonds, Series 2022 (Water and Wastewater Projects) (the “Bonds”). The Bonds are being issued pursuant to an Indenture of Trust, dated as of May 1, 2022 (the “Indenture”), by and between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “Trustee”). The District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

“*Annual Report*” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Beneficial Owner*” shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“*Dissemination Agent*” shall mean Urban Futures Incorporated, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District shall act as the Dissemination Agent.

“*EMMA*” or “*Electronic Municipal Market Access*” means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final Official Statement dated _____, 2022, executed by the District and Authority in connection with the issuance of the Bonds.

“*Participating Underwriter*” shall mean any original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“*Rule*” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District’s fiscal year (which currently ends on June 30), commencing with the report for the 2021-22 Fiscal Year, which is due not later than March 31, 2023, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year*. If the District’s fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance*. If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall send a notice to EMMA substantially in the form prescribed by the MSRB. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form prescribed by the MSRB.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the District for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the District, the Annual Report shall also include financial and operating data with respect to the District for preceding fiscal year, as follows:

(i) Water service structure and pricing, together with adopted rates in a format comparable to Table 2 of the Official Statement for the prior Fiscal Year, if such information is not otherwise included elsewhere in the Annual Report;

(ii) Wastewater service structure and pricing, together with adopted rates in a format comparable to Table 10 of the Official Statement for the prior Fiscal Year, if such information is not otherwise included elsewhere in the Annual Report;

(iii) Largest ten users of the Water Enterprise, based on annual billings for the prior calendar year, in a format comparable to Table 5 of the Official Statement, if such information is not otherwise included elsewhere in the Annual Report;

(iv) Largest ten users of the Wastewater Enterprise, based on annual billings for the prior calendar year, in a format comparable to Table 9 of the Official Statement, if such information is not otherwise included elsewhere in the Annual Report;

(v) Any additional indebtedness incurred during the prior Fiscal Year which is payable from revenues of the Water Enterprise on a parity with the 2022 Water Installment Sale Agreement, if such information is not otherwise included elsewhere in the Annual Report; and

(vi) Any additional indebtedness incurred during the prior Fiscal Year which is payable from revenues of the Wastewater Enterprise on a parity with the 2022 Wastewater Installment Sale Agreement, if such information is not otherwise included elsewhere in the Annual Report.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on EMMA. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.
- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District or other obligated person.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or an obligated person, or the sale of all or substantially all of the assets of the District or an obligated person (other than in the ordinary course of business), the entry into a definitive agreement to undertake such an action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.

- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material.
- (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the obligated person, any of which reflect financial difficulties.

(b) Upon the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to the Owners of the Bonds under the Indenture.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier “if material” and that subparagraph (a)(6) also contains the qualifier “material” with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that it determines the event’s occurrence is material for purposes of U.S. federal securities law. Whenever the District obtains knowledge of the occurrence of any of these Listed Events, the District will as soon as possible determine if such event would be material under applicable federal securities law. If such event is determined to be material, the District will cause a notice to be filed as set forth in paragraph (b) above.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with Rule 15c2-12.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(b).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent*. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Bond owner, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent*. In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the District to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the District under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances.* If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted.

(b) *Compliance as of Issue Date.* The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion.* The amendment or waiver either (i) is approved by the Bond owners in the same manner as provided in the Indenture for amendments to the Indenture with the consent of Bond owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bond owners or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(b), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Certificate owner or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees and expenses) of

defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Trustee under the Indenture. The obligations of the District under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

By _____
General Manager

ACKNOWLEDGED:

URBAN FUTURES INCORPORATED, as
Dissemination Agent

By: _____
Authorized Officer

APPENDIX F

BOOK-ENTRY ONLY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, redemption premium, if any, and interest with respect to the Bonds to The Depository Trust Company (“DTC”), New York, NY, its Participants or Beneficial Owners, confirmation and transfers of beneficial ownership interests in the Bonds and other related transactions by and between DTC, its Participants and the Beneficial Owners is based solely on the understanding of the Authority of such procedures and record keeping from information provided by DTC. Accordingly, no representations can be made concerning these matters and neither DTC, its Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or its Participants, as the case may be. The District, the Authority, the Trustee and the Underwriter understand that the current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and that the current “Procedures” of DTC to be followed in dealing with Participants are on file with DTC.

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a rating from Standard & Poor’s of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership

interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Trust Agreement. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC, if less than all of the Bonds within a maturity are being redeemed. DTC's practice is to determine by lot the amount of the interest of each Direct Participant in each issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of, premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District, the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the District or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payments of principal of, premium, if any, and interest on the Bonds by Cede & Co (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District, the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District, the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The foregoing information concerning DTC and DTC's book-entry system has been provided by DTC, and neither the Authority nor the Trustee takes any responsibility for the accuracy thereof.

NEITHER THE AUTHORITY NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS OR THE SELECTION OF BONDS FOR REDEMPTION.

Neither the Authority nor the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of, premium, if any, and interest on the Bonds paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

In the event that the book-entry system is discontinued as described above, the requirements of the Trust Agreement will apply.

The District, the Authority and the Trustee cannot and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, evidenced by the Bonds paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Authority nor the Trustee are responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the Bonds or an error or delay relating thereto.

APPENDIX G
ADOPTED RATE RESOLUTION

**FIRST SUPPLEMENT TO
WASTEWATER INSTALLMENT SALE AGREEMENT**

Dated as of May 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:

**\$8,825,000
Discovery Bay Public Financing Authority
(Contra Costa County, California)
Enterprise Revenue Bonds, Series 2017
(Water and Wastewater Projects)**

FIRST SUPPLEMENT TO WASTEWATER INSTALLMENT SALE AGREEMENT

THIS FIRST SUPPLEMENT TO **WASTEWATER INSTALLMENT SALE AGREEMENT**, made and entered into and dated as of May 1, 2022 (this “**First Supplement**”), 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**”), and supplements and amends that certain Wastewater Installment Sale Agreement, dated as of April 1, 2017 (the “**Original Wastewater Installment Sale Agreement**”), between the Authority and the District.

BACKGROUND:

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 District is a member of the Authority;

WHEREAS, the Authority previously issued its Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Bonds, Series 2017 (Water and Wastewater projects) (the “**Bonds**”) pursuant to the Original Water Installment Sale Agreement to assist the District with financing certain capital improvements and facilities (the “**Water Project**”) which constitute part of the District’s water enterprise (the “**Water Enterprise**”), and to finance the acquisition and construction of certain improvements and facilities (the “**Wastewater Project**”) which constitute part of the District’s wastewater enterprise (the “**Wastewater Enterprise**”);

WHEREAS, to provide for the repayment of the Bonds, the Authority sold (i) the Water Project to the District pursuant to a Water Installment Sale Agreement dated as of April 1, 2017 (the “**Original Water Installment Sale Agreement**”), by and between the Authority, as seller, and the District, as purchaser, under which the District agreed to make installment payments to the Authority payable from the net revenues of the Water Enterprise, and (ii) the Wastewater Project to the District pursuant to the Original Wastewater Installment Sale Agreement, under which the District agreed to make installment payments to the Authority payable from the net revenues of the Wastewater Enterprise, which together were calculated to be sufficient to enable the Authority to pay the principal of and interest on the Bonds when due and payable;

WHEREAS, the Bonds are outstanding in the aggregate principal amount of \$8,050,000; and

WHEREAS, the District has determined to finance the acquisition and construction of certain additional improvements and facilities to the Water Enterprise and the Wastewater Enterprise;

WHEREAS, for the purpose of raising funds necessary to provide such financial assistance to the District, the Authority proposes to issue its revenue bonds under Article 4 of

the Act, designated as the Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Bonds, Series 2022 (Water and Wastewater Projects) (the “**2022 Bonds**”);

WHEREAS, the District and the Authority desire to enter into this First Supplement to amend the Original Wastewater Installment Sale Agreement to correct and cure certain defective provisions therein due to scrivener’s errors and that are necessary to facilitate the issuance of the 2022 Bonds; and

WHEREAS, contemporaneously with the execution and delivery of this First Supplement, the District and the Authority have entered into a First Supplement to Wastewater Installment Sale Agreement dated as of May 1, 2022, between the District and the Authority, to amend the Original Wastewater Installment Sale Agreement to correct and cure certain defective provisions therein due to scrivener’s errors and that are necessary to facilitate the issuance of the 2022 Bonds;

A G R E E M E N T:

In consideration of the foregoing and the material covenants hereinafter contained, the Authority and the District formally covenant, agree and bind themselves as follows:

Section 1. Definitions. Unless the context clearly otherwise requires or unless otherwise defined herein, the terms defined in the recitals above have the respective meanings given those terms when used in this First Supplement. Capitalized terms which are defined in the Original Wastewater Installment Sale Agreement, and which are not otherwise defined herein shall have the respective meanings given those terms in the Original Wastewater Installment Sale Agreement.

Section 2. Amendments.

The Original Wastewater Installment Sale Agreement is hereby amended as follows:

(a) Section 4.05(b)(iv) of the Original Wastewater Installment Sale Agreement is hereby amended by deleting the words “Wastewater Subordinate Debt” and inserting the words “Wastewater Subordinate Obligations” in place thereof.

(b) Section 4.8 of the Original Wastewater Installment Sale Agreement is hereby amended by deleting each instance of the words “the Parity Obligations” appearing therein and inserting the words “the Wastewater Parity Obligations” in place thereof.

(c) Section 4.8(c) of the Original Wastewater Installment Sale Agreement is hereby amended by deleting each instance of the words “Subordinate Obligations” appearing therein and inserting the words “Wastewater Subordinate Obligations” in place thereof.

(d) Section 4.11 of the Original Wastewater Installment Sale Agreement is hereby amended by deleting the words “Adjusted Annual Revenues” and inserting the words “Adjusted Annual Wastewater Gross Revenues” in place thereof.

(e) Section 4.12 of the Original Wastewater Installment Sale Agreement is hereby amended by (i) deleting each instance of the words “Contract Resource Obligation” appearing

therein and inserting the words “Wastewater Contract Resource Obligation” in place thereof, and (ii) deleting each instance of the words “Contract Resource Obligations” appearing therein and inserting the words “Wastewater Contract Resource Obligations” in place thereof.

(f) Section 8.1 of the Original Wastewater Installment Sale Agreement is hereby amended by deleting the words “Installment Payment” and inserting the words “Wastewater Installment Payment” in place thereof.

Section 2. Original Wastewater Installment Sale Agreement. Except as amended hereby, the Original Wastewater Installment Sale Agreement will remain in full force and effect. Reference to this First Supplement need not be made in any note, document, agreement, letter, certificate, the Original Wastewater Installment Sale Agreement or any communication issued or made subsequent to or with respect to the Original Wastewater Installment Sale Agreement, it being hereby agreed that any reference to the Original Wastewater Installment Sale Agreement shall be sufficient to refer to the Original Wastewater Installment Sale Agreement, as hereby amended.

Section 3. Effective Date of First Supplement. This First Supplement shall take effect upon its execution and delivery by the Authority and the District

Section 4. Severability of Invalid Provisions. If any one or more of the provisions contained in this First Supplement are for any reason held to be invalid, illegal or unenforceable in any respect, then such provision or provisions will be deemed severable from the remaining provisions contained in this First Supplement and such invalidity, illegality or unenforceability will not affect any other provision of this First Supplement, and this First Supplement will 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 First Supplement 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 First Supplement may be held illegal, invalid or unenforceable.

Section 5. Execution in Counterparts. This First Supplement may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument. This First Supplement may be delivered by the exchange of signed signature pages by facsimile transmission or by attaching a pdf copy to an email, and any printed or copied version of any signature page so delivered will have the same force and effect as an originally signed version of such signature page.

[Signature Page Follows on the Next Page]

IN WITNESS WHEREOF, the Authority and the District have executed this First Supplement to Wastewater Installment Sale Agreement effective 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

§ _____
**DISCOVERY BAY PUBLIC FINANCING AUTHORITY
(CONTRA COSTA COUNTY, CALIFORNIA)
ENTERPRISE REVENUE BONDS, SERIES 2022
(WATER AND WASTEWATER PROJECTS)**

BOND PURCHASE AGREEMENT

_____, 2022

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

Ladies and Gentlemen:

Oppenheimer & Co. Inc. (the “**Underwriter**”) hereby offers to enter into this Bond Purchase Agreement (the “**Purchase Agreement**”) with you, the Discovery Bay Public Financing Authority (the “**Authority**”) and the Town of Discovery Bay Community Services District (the “**District**”), for the purchase by the Underwriter and the delivery by the Authority of the above-referenced Bonds (the “**Bonds**”). The proceeds of the Bonds will be used to: (i) finance the costs of certain improvements to the municipal water enterprise (the “**Water Enterprise**”) of the District, (ii) finance the costs of certain improvements to the municipal wastewater enterprise (the “**Wastewater Enterprise**”) of the District, and (iii) pay the costs of issuance of the Bonds. This offer is subject to your acceptance prior to 11:59 p.m., California time, on the date hereof and if not so accepted will be subject to withdrawal by the Underwriter upon written notice delivered to the Authority and the District at any time prior to the acceptance thereof by the Authority and the District. Upon such acceptance, this Purchase Agreement shall be in full force and effect in accordance with its terms and shall be binding upon you and the Underwriter. All terms not defined herein shall have the meanings set forth in the Indenture and the Installment Sale Agreements (each defined below).

The Authority and the District acknowledge and agree that: (i) the purchase and sale of the Bonds pursuant to this Purchase Agreement is an arm’s-length commercial transaction among the District, the Authority and the Underwriter in which the Underwriter is acting solely as a principal and not as an agent of the Authority or the District and the Underwriter is not acting as a municipal advisor, financial advisor or fiduciary to the Authority or the District; (ii) the Underwriter has not assumed any advisory or fiduciary responsibility to the Authority or the District with respect to the transaction contemplated by this Purchase Agreement and the discussions, undertakings or procedures leading thereto (irrespective of whether the Underwriter, or any affiliate of the Underwriter has provided other services or is currently providing other services to the Authority or the District on other matters); (iii) the only obligations the Underwriter has to the Authority and the District with respect to the transaction contemplated by this Purchase Agreement are expressly set forth in this Purchase Agreement; (iv) the Underwriter has financial and other interests that differ from those of the Authority and the District;

and (v) the Authority and the District have consulted their own financial and/or municipal, legal, accounting, tax and other advisors, as applicable, to the extent the Authority and the District have deemed appropriate. The Authority acknowledges that it has previously provided the Underwriter with an acknowledgement of receipt of the required Underwriter disclosure under Rule G-17 of the Municipal Securities Rulemaking Board (the “**MSRB**”).

1. Upon the terms and conditions and upon the basis of the representations herein set forth, the Underwriter hereby agrees to purchase from the Authority for offering to the public, and the Authority hereby agrees to sell and deliver to the Underwriter, all (but not less than all) of the \$ _____ aggregate principal amount of the Bonds to be dated the Closing Date, at a price of \$ _____, being the principal amount of the Bonds, plus original issue premium of \$ _____, less an Underwriter’s discount of \$ _____.

The Bonds shall mature in the amounts and on the dates, and bear interest at the rates, set forth in Exhibit A hereto. The Bonds shall be as described in and shall be secured under and pursuant to an Indenture of Trust, dated as of May 1, 2022 (the “**Indenture**”), between the Authority and U.S. Bank Trust Company, National Association, as trustee (the “**Trustee**”), substantially in the form previously submitted to the Underwriter with only such changes therein as shall be mutually agreed upon by the Authority, the District, the Trustee and the Underwriter.

The obligation of the Authority to pay the principal of and interest on the Bonds is a special obligation of the Authority, payable solely from Revenues (as defined in the Indenture), and certain other amounts held under the Indenture. Revenues consist primarily of installment payments (the “**2022 Water Installment Payments**”) to be made by the District under an installment sale agreement, dated as of May 1, 2022 (the “**2022 Water Installment Sale Agreement**”), by and between the Authority and the District, and installment payments (the “**2022 Wastewater Installment Payments**,” and together with the 2022 Water Installment Payments, the “**Installment Payments**”) to be made by the District under an installment sale agreement, dated as of May 1, 2022 (the “**2022 Wastewater Installment Sale Agreement**,” and together with the 2022 Water Installment Sale Agreement, the “**Installment Sale Agreements**”), by and between the Authority and the District.

The principal of and interest on the Bonds are not required to be paid from any other funds of the Authority, including any proceeds of any taxes, and the Bonds do not constitute a debt or pledge of the faith and credit of the Authority or the State of California (the “**State**”) or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

The obligation of the District to make 2022 Water Installment Payments under the 2022 Water Sale Installment Sale Agreement is a special obligation of the District payable solely from and secured by a pledge of Water Net Revenues of the District’s Water Enterprise on a parity with the District’s obligations with respect to the 2012 Water Installment Sale Agreement (as defined in the Indenture) and the Water Installment Sale Agreement dated as of April 1, 2017, between the District and the Authority, as amended by the First Supplement to Water Installment Sale Agreement dated as of May 1, 2022 (the “**2017 First Supplement to Water Installment Sale Agreement**”), between the District and the Authority (as so amended, the “**2017 Water Installment Sale Agreement**”).

The obligation of the District to make 2022 Wastewater Installment Payments under the 2022 Wastewater Sale Installment Sale Agreement is a special obligation of the District payable solely from and secured by a pledge of Wastewater Net Revenues of the District’s Wastewater Enterprise on a parity with the District’s obligations with respect to the 2012 Wastewater Installment Sale Agreement

(and the Wastewater Installment Sale Agreement dated as of April 1, 2017, between the District and the Authority, as amended by the First Supplement to Wastewater Installment Sale Agreement dated as of May 1, 2022 (the “**2017 First Supplement to Wastewater Installment Sale Agreement**”), between the District and the Authority (as so amended, the “**2017 Wastewater Installment Sale Agreement**”).

The 2017 Water Installment Sale Agreement, the 2012 Water Installment Sale Agreement and are collectively referred to herein as the “**Water Parity Obligations.**” The 2017 Wastewater Installment Sale Agreement and the 2012 Wastewater Installment Sale Agreement are collectively referred to herein as the “**Wastewater Parity Obligations.**”

In connection with the issuance of the Bonds, the Authority and U.S. Bank Trust Company, National Association, as trustee of the Discovery Bay Public Financing Authority (Contra Costa County, California) Enterprise Revenue Bonds, Series 2017 (Water and Wastewater projects) (the “2017 Trustee”), will enter into a First Supplement to Indenture of Trust dated as of May 1, 2022 (the “**First Supplement to 2017 Indenture of Trust**”). The 2017 First Supplement to Water Installment Sale Agreement, the 2017 First Supplement to Wastewater Installment Sale Agreement and the First Supplement to 2017 Indenture of Trust collectively referred to herein as the “**2017 Supplements.**”

The Authority and the District hereby ratify the use by the Underwriter of the Preliminary Official Statement, dated _____, 2022 relating to the Bonds (together with the cover page and all appendices thereto, and any supplements thereof, the “**Preliminary Official Statement**”), and authorize the Underwriter to use and distribute the Preliminary Official Statement, the Official Statement (as defined below), the Indenture, the Installment Sale Agreements, the Continuing Disclosure Certificate as required by Securities and Exchange Commission Rule 15c2-12 (“**Rule 15c2-12**”), dated the Closing Date relating to the Bonds (the “**Continuing Disclosure Certificate**”), and substantially in the form attached as an appendix to the Official Statement, executed by the District and acknowledged by the dissemination agent named therein and this Purchase Agreement, and all information contained therein, and all other documents, certificates and statements furnished by the Authority and the District to the Underwriter in connection with the offer and sale of the Bonds by the Underwriter. The Authority and the District have heretofore “deemed final” the Preliminary Official Statement within the meaning of Rule 15c2-12.

The District will undertake pursuant to the Continuing Disclosure Certificate to provide certain annual financial and operating information and notices of the occurrence of certain events. A description of this undertaking is set forth in the Preliminary Official Statement and will also be set forth in the final Official Statement. This undertaking will be entered into in order to assist the Underwriter in complying with Rule 15c2-12.

2. The Underwriter agrees to offer all the Bonds to the public initially at the prices (or yields) set forth on the inside cover page of the Official Statement of the Authority pertaining to the Bonds, dated _____, 2022 (together with all appendices thereto, and with such changes therein and supplements thereto and as are consented to in writing by the Underwriter, and with the Preliminary Official Statement, are herein called the “**Official Statement**”). Subsequent to the initial public offering of the Bonds, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds subject to Section 5 hereof. The Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. The Underwriter agrees that prior to the time the final Official Statement relating to the Bonds is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such

potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail or electronic distribution (or other equally prompt means) not later than the first business day following the date upon which each such request is received.

3. The Authority shall also deliver a sufficient number of copies of the Official Statement to enable the Underwriter to distribute a single copy of each Official Statement to any potential customer of the Underwriter requesting an Official Statement during the time period beginning when the Official Statement becomes available and ending on the End Date (defined below). The Authority shall deliver these copies to the Underwriter no later than the earlier of (i) seven (7) business days after the execution of this Purchase Agreement or (ii) one (1) business day prior to the Closing Date in order to permit the Underwriter to comply with Rule 15c2-12, and the applicable rules of the MSRB, with respect to distribution of the Official Statement. The Authority and the District shall prepare the Official Statement, including any amendments thereto, in word-searchable PDF format as described in the MSRB's Rule G-32 and shall provide the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriter no later than one (1) business day prior to the Closing Date to enable the Underwriter to comply with MSRB Rule G-32. The Underwriter covenants to file the Official Statement with the MSRB on a timely basis.

The Official Statement, as of its date, as of the Closing Date (as defined herein) and as of the date of any update, amendment or supplement thereto as required hereby subsequent to the Closing, up to and including the date which is twenty-five (25) days following the end (the "**End Date**") of the Underwriting Period (as hereinafter defined), will be correct and complete in all material respects and will not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

If, after the date of this Purchase Agreement and until the earlier of (i) ninety (90) days after the end of the "underwriting period" (as defined in Rule 15c2-12) (the "**Underwriting Period**"), or (ii) twenty-five (25) days following the end of the Underwriting Period if the Official Statement is available to any person from the MSRB as contemplated by Rule 15c2-12(b)(4), any event shall occur or circumstance shall exist of which the Authority or the District have knowledge that would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, the Authority or the District, as the case may be, shall notify the Underwriter (and for the purpose of this Section provide the Underwriter with such information as it may from time to time reasonably request), and, if in the opinion of the District, the Authority or the Underwriter such event or circumstance requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority and the District will, at their expense, supplement or amend the Official Statement in a form and manner jointly approved by the District, the Authority and the Underwriter and furnish to the Underwriter a reasonable number of copies of such supplement or amendment provided that the Underwriter agrees that it will promptly notify the Authority and the District of the end of the Underwriting Period. The Underwriter acknowledges that the "underwriting period" will end on the date of Closing unless the Underwriter otherwise notifies the District and the Authority in writing that it still owns some or all of the Bonds.

4. At 8:30 a.m., Pacific Time, on _____, 2022, or at such other time or date as shall be agreed upon by the Underwriter, Authority and the District (such time and date being herein referred to as the "**Closing Date**"), the Authority will deliver to the Underwriter, at a location or locations to be designated by the Underwriter, the Bonds in book-entry form (all Bonds having had the CUSIP

numbers assigned to them thereon), duly executed by an authorized officer of the Trustee as provided in the Indenture, and the other documents herein mentioned; and the Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in Section 1 of this Purchase Agreement in immediately available funds (such delivery and payment being herein referred to as the “**Closing**”).

Upon initial issuance, the ownership of such Bonds shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as the nominee of The Depository Trust Company.

It is anticipated that CUSIP numbers will be printed on the Bonds, but neither the failure to provide such numbers nor any error with respect thereto shall constitute a cause for failure or refusal by the Underwriter to accept delivery of the Bonds in accordance with the terms of this Purchase Agreement.

5. A. The Underwriter agrees to assist the Authority in establishing the issue price of the Bonds and shall execute and deliver to the Authority at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit B, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the Authority and Bond Counsel (as defined herein), to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds.

B. Except as otherwise set forth in Exhibit A attached hereto, the Authority will treat the first price at which 10% of each maturity of the Bonds (the “**10% test**”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Agreement, the Underwriter shall report to the Authority the price or prices at which it has sold to the public each maturity of Bonds. If at that time the 10% test has not been satisfied as to any maturity of the Bonds, the Underwriter agrees to promptly report to the Authority the prices at which it sells the unsold Bonds of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until either (i) the Underwriter has sold all Bonds of that maturity to the public or (ii) the 10% test has been satisfied as to the Bonds of that maturity, provided that, the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Authority or Bond Counsel. For purposes of this Section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds. For clarity, and notwithstanding any other condition to Closing set forth in this Purchase Agreement, the sale of 10% of each maturity of the Bonds to the public prior to the Closing Date shall not be a condition to Closing.

C. The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Purchase Agreement at the offering price or prices (the “**initial offering price**”), or at the corresponding yield or yields, set forth in Exhibit A attached hereto. Exhibit A also sets forth, as of the date of this Purchase Agreement, the maturities, if any, of the Bonds for which the Underwriter represents that (i) the 10% test has been satisfied (assuming orders are confirmed by the close of the business day immediately following the date of this Purchase Agreement) and (ii) the 10% test has not been satisfied and for which the Authority and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the Authority to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “**hold-the-offering-price rule**”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at

a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- a. the close of the fifth (5th) business day after the sale date; or
- b. the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the Authority promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

D. The Underwriter confirms that:

(i) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(B) to promptly notify the Underwriter of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it, whether or not the Closing Date has occurred, until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Bonds of that maturity, provided that, the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter or the dealer, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

E. The Authority acknowledges that, in making the representation set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing the issue price of the Bonds, including,

but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing the issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires. The Authority further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply with its corresponding agreement to comply with the requirements for establishing the issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds.

F. The Underwriter acknowledges that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

a. “public” means any person other than an underwriter or a related party;

b. “underwriter” means (A) any person that agrees pursuant to a written contract with the Authority (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public);

c. a purchaser of any of the Bonds is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

d. “sale date” means the date of execution of this Purchase Agreement by all parties.

6. The Underwriter represents to and agrees with the Authority and the District that, as of the date hereof and as of the Closing Date:

(i) The Underwriter is duly authorized to execute this Purchase Agreement and to take any action under this Purchase Agreement required to be taken by it;

(ii) The Underwriter is in compliance with MSRB Rule G-37 with respect to the Authority and the District, and is not prohibited thereby from acting as the underwriter with respect to securities of the Authority and the District; and

(iii) The Underwriter has, and has had, no financial advisory relationship, as that term is defined in California Government Code Section 53590 (c) or MSRB Rule G-32, with the District or the Authority with respect to the Bonds, and no investment firm controlling, controlled by or under common control with such Underwriter have or has had any such financial advisory relationship; and

7. The Authority represents, warrants and covenants to the Underwriter that:

(a) The Authority is a joint exercise of powers authority duly organized and validly existing pursuant to the laws of the State of California and has all necessary power and authority to enter into and perform its duties under the Indenture, the Installment Sale Agreements, the 2017 Supplements and this Purchase Agreement (collectively, the “**Authority Documents**”) and, when executed and delivered by the respective parties thereto, the Authority Documents will constitute the legal, valid and binding obligations of the Authority in accordance with their respective terms.

(b) Neither the execution and delivery of the Authority Documents, or the approval of the Preliminary Official Statement or the approval and execution of the Official Statement, and compliance with the provisions on the Authority’s part contained therein, nor the consummation of any other of the transactions herein and therein contemplated, nor the fulfillment of the terms hereof and thereof, conflicts with or constitutes a breach of or default under nor contravenes any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, nor does any such execution, delivery, adoption or compliance result in a security interest in or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Authority Documents.

(c) Except as may be required under blue sky or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the Authority required for the execution and delivery of the Bonds or the consummation by the Authority of the other transactions contemplated by the Preliminary Official Statement, the Official Statement and this Purchase Agreement.

(d) To the best of the knowledge of the Authority, there is, and on the Closing there will be, no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the Authority to restrain or enjoin the delivery of any of the Bonds, or the payments to be made pursuant to the Indenture, or in any way contesting or affecting the validity of the Authority Documents or of the Authority to enter into the Authority Documents or contesting the powers of the Authority to perform its obligations under any of the foregoing or in any way contesting the powers of the Authority in connection with any action contemplated by this Purchase Agreement, or in any way questioning or challenging the tax status of interest on the Bonds.

(e) As of its date and as of the date hereof, the information relating to the Authority and the Bonds contained in the Preliminary Official Statement (other than statements regarding DTC,

its book-entry system for the Bonds, the information under the caption “TAX MATTERS” and in Appendix E — “FORM OF FINAL OPINION OF BOND COUNSEL,” and information provided by the Underwriters (including under the heading “UNDERWRITING”), as to which no view is expressed) was and is true and correct in all material respects and such information did not and does not contain any untrue or misleading statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) As of the date thereof and at all times subsequent thereto up to and including the End Date, the information relating to the Authority contained in the Official Statement will be complete and will not contain any untrue or misleading statement of a material fact or omit to state any material fact (unless an event occurs of the nature described in Section 7(j) below) necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of its date and as of the date hereof, the information relating to the Authority and the Bonds contained in the Official Statement (other than statements regarding DTC, its book-entry system for the Bonds, the information under the caption “TAX MATTERS” and in Appendix E — “FORM OF FINAL OPINION OF BOND COUNSEL,” prices and yields for the Bonds and any other information provided by the Underwriter (including under the heading “UNDERWRITING”), as to which no view is expressed) is true and correct in all material respects and such information does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) The Authority agrees to cooperate with the Underwriter in endeavoring to qualify the Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Underwriter may request; provided, however, that the Authority will not be required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business as a foreign agency in any jurisdiction where it is not so qualified.

(h) By official action of the Authority at a regularly scheduled meeting of the Board of Directors thereof prior to or concurrently with the execution hereof, the Authority has duly approved the distribution of the Preliminary Official Statement and the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in the Authority Documents and the consummation by it of all other transactions contemplated by the Preliminary Official Statement, the Official Statement and this Purchase Agreement.

(i) The Authority is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument.

(j) The Authority is not in default, nor has been in default at any time, as to the payment of principal or interest with respect to an obligation issued by the Authority or with respect to an obligation guaranteed by the Authority as guarantor.

(k) If between the date of this Purchase Agreement and the End Date an event occurs, of which the Authority has knowledge, which might or would cause the information relating to the Authority or the Authority's functions, duties and responsibilities contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the Authority will notify the Underwriter, and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will cooperate with the Underwriter in the preparation of an amendment or supplement to the Official Statement in a form and in a manner approved by the Underwriter, provided all expenses thereby incurred will be paid for by the Authority.

(l) If the information relating to the Authority, its functions, duties and responsibilities contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subsection, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subsection) at all times subsequent thereto up to and including the End Date, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading.

(m) No consent, approval, authorization or other action by a governmental or regulatory authority that has not been obtained is or will be required of the Authority for the delivery and sale of the Bonds or the consummation of the other transactions contemplated by this Purchase Agreement, the Preliminary Official Statement and the Official Statement, except as may be required under the state securities or blue sky laws in connection with the sale of the Bonds by the Underwriter.

(n) At or prior to the Closing, the Authority will deliver all opinions, Bonds, letters and other instruments and documents reasonably required by the Underwriter and this Purchase Agreement.

(o) Any certificate signed by a duly authorized officer of the Authority delivered to the Underwriter shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.

(p) As of the time of acceptance hereof and as of the Closing the Authority does not and will not have outstanding any indebtedness which is secured by a lien on the Revenues superior to or on a parity with the lien of the Bonds thereon.

(q) Between the date of this Purchase Agreement and the date of Closing, the Authority will not, without the prior written consent of the Underwriter, and except as disclosed in the Preliminary Official Statement and the Official Statement, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities, direct or contingent.

(r) The Authority is not presently and as a result of the execution of the Authority Documents and the sale of the Bonds will not be in violation of any debt limitation, appropriation limitation or any other provision of the California Constitution or statutes or any additional debt or

similar provision of any bond, note, contract or other evidence of indebtedness to which the Authority is a party or to which the Authority is bound.

(s) The Authority will not knowingly take or omit to take any action, which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner other than as provided in the Authority Documents, unless otherwise required by law.

8. The District represents, warrants and covenants to the Underwriter that:

(a) The District is a community services district organized under the laws of the State of California, and has all necessary power and authority to enter into and perform its duties under the Installment Sale Agreements, the Continuing Disclosure Certificate, the 2017 Supplements and this Purchase Agreement (collectively, the “**District Documents**”) and, when executed and delivered by the respective parties thereto, the District Documents will constitute the legal, valid and binding obligations of the District in accordance with their respective terms.

(b) Neither the execution and delivery of the District Documents, or the approval of the Preliminary Official Statement or the approval and execution of the Official Statement, and compliance with the provisions on the District’s part contained therein, nor the consummation of any other of the transactions herein and therein contemplated, nor the fulfillment of the terms hereof and thereof, conflicts with or constitutes a breach of or default under nor contravenes any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party or is otherwise subject, nor does any such execution, delivery, adoption or compliance result in a security interest in or encumbrance of any nature whatsoever upon any of the properties or assets of the District under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the District Documents.

(c) Except as may be required under blue sky or other securities laws of any state, there is no consent, approval, authorization or other order of, or filing with, or certification by, any regulatory authority having jurisdiction over the District required for the execution and delivery of the Bonds or the consummation by the District of the other transactions contemplated by the Preliminary Official Statement, the Official Statement and this Purchase Agreement.

(d) To the best of the knowledge of the District, there is, and on the Closing there will be, no action, suit, proceeding or investigation at law or in equity before or by any court or governmental agency or body pending or threatened against the District to restrain or enjoin the delivery of any of the Bonds, or the payments to be made pursuant to the Installment Sale Agreements and Indenture, or in any way contesting or affecting the validity of the District Documents or of the District to approve or enter into the District Documents, or in any way questioning or challenging the tax status of interest on the Bonds.

(e) As of its date and as of the date hereof, the information relating to the District, the Bonds and As of its date and as of the date hereof, the information relating to the District, the Bonds and the Water Enterprise and Wastewater Enterprise contained in the Preliminary Official Statement (other than statements regarding DTC, its book-entry system for the Bonds, the information under the caption “TAX MATTERS” and in Appendix E — “FORM OF FINAL OPINION OF BOND COUNSEL,” and information provided by the Underwriters (including under the heading “UNDERWRITING”), as to which no view is expressed) was and is true and correct in all material

respects and such information did not and does not contain any untrue or misleading statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(f) As of the date thereof and at all times subsequent thereto up to and including the End Date, the information relating to the District, the Bonds, the Water Enterprise and the Wastewater Enterprise contained in the Official Statement (other than statements regarding DTC, its book-entry system for the Bonds, the information under the caption “TAX MATTERS” and in Appendix E — “FORM OF FINAL OPINION OF BOND COUNSEL,” prices and yields for the Bonds and any other information provided by the Underwriter (including under the heading “UNDERWRITING”), as to which no view is expressed) will be complete and will not contain any untrue or misleading statement of a material fact or omit to state any material fact (unless an event occurs of the nature described in Section 8(j) below) necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. As of its date and as of the date hereof, the information relating to the District, the Bonds, the Water Enterprise and the Wastewater Enterprise contained in the Official Statement (other than statements regarding DTC, its book-entry system for the Bonds, the information under the caption “TAX MATTERS” and in Appendix E — “FORM OF FINAL OPINION OF BOND COUNSEL,” prices and yields for the Bonds and any other information provided by the Underwriter (including under the heading “UNDERWRITING”), as to which no view is expressed) is true and correct in all material respects and such information does not contain any untrue or misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(g) The District agrees to cooperate with the Underwriter in endeavoring to qualify the Bonds for offering and sale under the securities or blue sky laws of such jurisdictions of the United States as the Underwriter may request; provided, however, that the District will not be required to execute a special or general consent to service of process in any jurisdiction in which it is not now so subject or to qualify to do business as a foreign agency in any jurisdiction where it is not so qualified.

(h) By official action of the District prior to or concurrently with the execution hereof, the District has duly approved the distribution of the Preliminary Official Statement and the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the District of the obligations on its part contained in the District Documents and the consummation by it of all other transactions contemplated by the Preliminary Official Statement, the Official Statement and this Purchase Agreement.

(i) The District is not in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party or is otherwise subject, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument.

(j) The District is not in default, nor has been in default at any time, as to the payment of principal or interest with respect to an obligation issued by the District or with respect to an obligation guaranteed by the District as guarantor.

(k) If between the date of this Purchase Agreement and the End Date an event occurs, of which the District has knowledge, which might or would cause the information relating to the District, the Water Enterprise and the Wastewater Enterprise or the District's functions, duties and responsibilities contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading, the District will notify the Underwriter, and if, in the opinion of the Underwriter, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District will cooperate with the Underwriter in the preparation of an amendment or supplement to the Official Statement in a form and in a manner approved by the Underwriter, provided all expenses thereby incurred will be paid for by the District.

(l) If the information relating to the Water Enterprise, the Wastewater Enterprise, the District, its functions, duties and responsibilities contained in the Official Statement is amended or supplemented pursuant to the immediately preceding subsection, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such subsection) at all times subsequent thereto up to and including the End Date, the portions of the Official Statement so supplemented or amended (including any financial and statistical data contained therein) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading.

(m) The District covenants that it will comply with all tax covenants relating to it in the District Documents and the Certificate as to Arbitrage of the District.

(n) The written information supplied by the District to the Underwriter with respect to the financial information relating to the Water Enterprise and the Wastewater Enterprise is true, correct and complete in all material respects for the purposes for which it was supplied.

(o) No consent, approval, authorization or other action by a governmental or regulatory agency that has not been obtained is or will be required of the District for the delivery and sale of the Bonds or the consummation of the other transactions contemplated by this Purchase Agreement, the Preliminary Official Statement and the Official Statement, except for such licenses, certificates, approvals, variances or permits which may be necessary for the construction or operation of the Water Enterprise and the Wastewater Enterprise which the District has applied for (or will apply for in the ordinary course of business) and expects to receive, and except as may be required under the state securities or blue sky laws in connection with the sale of the Bonds by the Underwriter.

(p) The District will not take or omit to take any action which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner contrary to that provided in the Indenture and as described in the Preliminary Official Statement and Official Statement, unless otherwise required by law.

(q) At or prior to the Closing, the District will deliver all opinions, certificates, letters and other instruments and documents reasonably required by the Underwriter and this Purchase Agreement.

(r) Any certificate signed by a duly authorized officer of the District delivered to the Underwriter shall be deemed a representation and warranty by the District to the Underwriter as to the statements made therein.

(s) Other than as described in the Preliminary Official Statement and the Official Statement, as of the time of acceptance hereof and as of the Closing, the District does not and will not have outstanding any indebtedness which is secured by a lien on the Water Net Revenues and the Wastewater Net Revenues superior to or on a parity with the lien thereon established under the Water Installment Sale Agreement and the Wastewater Installment Sale Agreement.

(t) Between the date of this Purchase Agreement and the date of Closing, the District will not, without the prior written consent of the Underwriter, and except as disclosed in the Preliminary Official Statement and the Official Statement, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities, direct or contingent payable from the Water Net Revenues and the Wastewater Net Revenues.

(u) The District is not presently and as a result of the execution of the District Documents and the sale of the Bonds will not be in violation of any debt limitation, appropriation limitation or any other provision of the California Constitution or statutes or any additional debt or similar provision of any bond, note, contract or other evidence of indebtedness to which the District is a party or to which the District is bound.

(v) Based on a review of its previous undertakings, the District has not, in the last five years, failed to comply in any material respect with its obligations under any continuing disclosure undertaking entered into pursuant to Rule 15c2-12 except as disclosed in the Preliminary Official Statement and the Official Statement. The District will undertake, pursuant to the Continuing Disclosure Certificate to provide annual reports and notices of certain events in accordance with the requirements of Rule 15c2-12.

9. The Underwriter has entered into this Purchase Agreement in reliance upon the representations, warranties and agreements of the Authority and the District contained herein, and the opinions of Bond Counsel, Counsel to the Trustee, General Counsel to the District and Counsel to the Authority required hereby. The Underwriter's obligations under this Purchase Agreement are and shall be subject to the following further conditions:

(a) At the time of Closing, this Purchase Agreement, the Indenture, the Installment Sale Agreements, the 2017 Supplements, and the Continuing Disclosure Certificate (collectively the "**Legal Documents**"), all as described in the Preliminary Official Statement and the Official Statement (other than 2017 Supplements which are not required to be described therein), shall be in full force and effect as valid and binding agreements between or among the various parties thereto, and the Legal Documents and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter, and there shall be in full force and effect such resolutions as, in the opinion of Jones Hall, A Professional Law Corporation ("**Bond Counsel**"), shall be necessary in connection with the transactions contemplated hereby.

(b) At or prior to the Closing, the Underwriter shall receive the following documents, in each case satisfactory in form and substance to them:

(1) The unqualified approving opinion of Bond Counsel, dated the date of Closing, addressed to the Authority and the District (with a reliance letter to the Trustee and the Underwriter), in substantially the form attached as Appendix D to the Official Statement.

(2) A supplemental opinion of Bond Counsel, dated as of the date of Closing addressed to the Underwriter, in form and substance to the effect that:

(a) The statements and information contained in the Official Statement on the cover page relating to tax exemption, the description of the Bonds and security for the Bonds, and statements under the captions “INTRODUCTION,” “THE BONDS,” “SECURITY FOR THE BONDS,” “TAX MATTERS” and APPENDICES C and D to the extent they purport to summarize information concerning the Bonds and certain provisions of the Indenture and the Installment Sale Agreements and the opinion of such counsel, present a fair and accurate summary of such information and such provisions;

(b) The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification as an Indenture pursuant to the Indenture Act of 1939, as amended; and

(c) The Purchase Agreement has been duly authorized, executed and delivered by the Authority and the District, and, assuming due authorization, execution and delivery by the other parties thereto, constitutes legal, valid and binding agreement of the Authority and the District enforceable against each in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors’ rights generally and equitable remedies if equitable remedies are sought, and except no opinion need be expressed as to the enforceability of the indemnification, waiver, choice of law or contributions provisions contained in the Purchase Agreement.

(3) A letter from Jones Hall, A Professional Law Corporation, Disclosure Counsel, dated the date of Closing and addressed to the Authority, the District and the Underwriter, to the effect that, based upon the information made available to them in the course of their participation in the preparation of the Preliminary Official Statement and the Official Statement and without passing on and without assuming any responsibility for the accuracy, completeness and fairness of the statements in the Preliminary Official Statement and the Official Statement, and having made no independent investigation or verification thereof, no facts have come to their attention that lead them to believe that the Preliminary Official Statement as of its date and as of the date of this Purchase Agreement and the Official Statement, as of its date and as of the date of Closing, (except for any CUSIP data, financial or statistical data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, any appendices thereto, or any information about DTC and its book-entry only system), as to which no opinion or view need be expressed) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact required

to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(4) An opinion of Neumiller & Beardslee, as counsel to the Authority, dated the date of Closing in form and substance satisfactory to the Underwriter and Bond Counsel, addressed to the District, Bond Counsel and the Underwriter, to the effect that:

(i) the Authority is a joint powers authority duly organized and validly existing under the laws of the State of California;

(ii) the preparation and distribution of the Preliminary Official Statement and Official Statement and the Authority Documents have been duly approved by the Authority;

(iii) the resolution of the Authority approving the Preliminary Official Statement and approving and authorizing the execution and delivery of the Official Statement and the Authority Documents has been duly adopted at a regular meeting of the governing body of the Authority which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and such resolution has not been amended or modified and is in full force and effect;

(iv) to the best knowledge of such firm, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, threatened against or affecting the Authority, which would adversely impact the Authority's ability to complete the transactions described in and contemplated by the Preliminary Official Statement and the Official Statement, to restrain or enjoin the payments under, or in any way contesting or affecting the validity of the Authority Documents, or the transactions described and defined in the Preliminary Official Statement and the Official Statement wherein an unfavorable decision, ruling or finding would adversely affect the validity and enforceability of the Authority Documents;

(v) the execution and delivery of the Authority Documents and the approval of the Preliminary Official Statement and the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the Authority a breach of or default under any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject;

(vi) the Authority Documents and the Official Statement have been duly authorized, executed and delivered by the Authority, and, assuming due authorization, execution and delivery by the other parties thereto, the Authority Documents constitute legal, valid and binding agreements of the Authority enforceable in accordance with their respective terms, except as the

enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if sought and by the limitations on legal remedies imposed on actions against public agencies in the State of California;

(vii) no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California is required for the valid authorization, execution and delivery of the Authority Documents and the approval of the Preliminary Official Statement and the Official Statement.

(5) An opinion of Neumiller & Beardslee, as General Counsel to the District, dated the date of Closing in form and substance satisfactory to the Underwriter and Bond Counsel, addressed to the Authority, Bond Counsel and the Underwriter, to the effect that:

(i) the District is a community services district created in accordance with the laws of the State of California;

(ii) the preparation and distribution of the Preliminary Official Statement and the Official Statement and the District Documents have been duly approved by the District;

(iii) the resolutions of the District approving the Preliminary Official Statement and approving and authorizing the execution and delivery of the Official Statement and the District Documents have been duly adopted at meetings of the governing body of the District which were called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and such resolutions have not been amended or modified and are in full force and effect;

(iv) to the best knowledge of such firm, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, threatened against or affecting the District, which would adversely impact the District's ability to complete the transactions described in and contemplated by the Official Statement, to restrain or enjoin the payments under, or in any way contesting or affecting the validity of the District Documents, or the transactions described and defined in the Official Statement wherein an unfavorable decision, ruling or finding would adversely affect the validity and enforceability of the District Documents;

(v) the execution and delivery of the District Documents and the approval of the Preliminary Official Statement and the Official Statement, and compliance with the provisions thereof and hereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the District a breach of or default under any agreement or other instrument to which the District is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the District is subject;

(vi) the District Documents and the Official Statement have been duly authorized, executed and delivered by the District, and, assuming due authorization, execution and delivery by the other parties thereto, the District Documents constitute legal, valid and binding agreements of the District enforceable in accordance with their respective terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by the application of equitable principles if sought and by the limitations on legal remedies imposed on actions against public agencies in the State of California;

(vii) no authorization, approval, consent, or other order of the State of California or any other governmental authority or agency within the State of California is required for the valid authorization, execution and delivery of the District Documents and the approval of the Preliminary Official Statement and the Official Statement;

(viii) the District's charges and fees with respect to the Water Enterprise and with respect to the Wastewater Enterprise were duly approved and adopted by the District and are valid and enforceable at the current levels levied by the District.

(6) The opinion of counsel to the Trustee, dated the date of Closing in form and substance satisfactory to the Underwriter and Bond Counsel, and addressed to the Authority, the District and the Underwriter, to the effect that:

(i) the Trustee is a national banking association duly organized and validly existing under the laws of the United States;

(ii) the Trustee has duly authorized the execution and delivery of the Indenture;

(iii) the Indenture has been duly entered into and delivered by the Trustee and assuming due, valid and binding authorization, execution and delivery by the other parties thereto, constitutes the legal, valid and binding obligation of the Trustee enforceable against the Trustee in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally, or by general principles of equity;

(iv) the Trustee has duly authenticated and delivered the Bonds in its capacity as trustee under the Indenture;

(v) acceptance by the Trustee of the duties and obligations under the Indenture and compliance with provisions thereof will not conflict with or constitute a breach of or default under any law or administrative regulation to which the Trustee is subject; and

(vi) all approvals, consents and orders of any governmental authority or agency having jurisdiction in the matter which would constitute a

condition precedent to the performance by the Trustee of its duties and obligations under the Indenture have been obtained and are in full force and effect.

(7) An opinion dated the date of the Closing and addressed to the Underwriter, of Kutak Rock LLP, counsel to the Underwriter (“**Underwriter’s Counsel**”), in such form as may be acceptable to the Underwriter.

(8) A certificate, dated the date of Closing, signed by a duly authorized official of the Authority satisfactory in form and substance to the Underwriter and Bond Counsel, (a) confirming as of such date the representations and warranties of the Authority contained in this Purchase Agreement; (b) certifying that the Authority has complied with all agreements, covenants and conditions to be complied with by the Authority at or prior to the Closing under the Authority Documents; and (c) certifying that to the best of such official’s knowledge, no event affecting the Authority has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing the statements or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect.

(9) A certificate or certificates, dated the date of Closing, signed by a duly authorized official of the District satisfactory in form and substance to the Underwriter and Bond Counsel, (a) confirming as of such date the representations and warranties of the District contained in this Purchase Agreement; (b) certifying that the District has complied with all agreements, covenants and conditions to be complied with by the District at or prior to the Closing under the District Documents; and (c) certifying that to the best of such official’s knowledge, no event affecting the District has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the Closing the statements or information contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein not misleading in any material respect.

(10) A certificate, dated the date of the Preliminary Official Statement, signed by a duly authorized official of the Authority deeming the Preliminary Official Statement “final” for purposes of Rule 15c2-12.

(11) A certificate, dated the date of the Preliminary Official Statement, signed by a duly authorized official of the District deeming the Preliminary Official Statement “final” for purposes of Rule 15c2-12.

(12) An executed or certified copy of each of the Legal Documents.

(13) One counterpart original or copy certified by a duly authorized officer of the District of a complete transcript of all proceedings of the District relating to the approval of the District Documents and the authorization, issuance, sale and delivery of the Bonds, together with a certificate dated as of the date of Closing of a duly authorized officer of the District to the effect that each included resolution is a true,

correct and complete copy of the one duly adopted by the Board of Directors of the District and that none have been amended, modified or rescinded since adoption (except as reflected in said transcript or as may have been agreed to in writing by the Underwriter) and is in full force and effect as of the date of Closing.

(14) One counterpart original or copy certified by a duly authorized officer of the Authority of a complete transcript of all proceedings of the Authority relating to the approval of the Authority Documents and the authorization, issuance, sale and delivery of the Bonds, together with a certificate dated as of the date of Closing of a duly authorized officer of the Authority to the effect that each included resolution is a true, correct and complete copy of the one duly adopted by the Board of Directors of the Authority and that none have been amended, modified or rescinded since adoption (except as reflected in said transcript or as may have been agreed to in writing by the Underwriter) and is in full force and effect as of the date of Closing.

(15) An executed copy of the Official Statement.

(16) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of certain documents by certain officers of the Trustee, which resolution authorizes the execution and delivery of documents such as the Bonds and the Indenture.

(17) A certificate of the District with respect to the Water Enterprise and the Wastewater Enterprise evidencing that the insurance required by the Installment Sale Agreements has been procured and is in full force and effect.

(18) A certificate as to arbitrage and use of proceeds certificate of the Authority and the District in form and substance acceptable to Bond Counsel.

(19) A certificate of the Trustee, dated the Closing Date to the effect that:

(i) the Trustee is duly organized and existing as a national banking association in good standing under the laws of the United States, having the full power and authority to accept and perform its duties under the Indenture;

(ii) subject to the provisions of the Indenture, the Trustee will apply the proceeds from the Bonds to the purposes specified in the Indenture;

(iii) the Trustee has duly authorized and executed the Indenture; and

(iv) the Trustee has duly authenticated and delivered the Bonds in its capacity as trustee under the Indenture.

(20) Evidence that the Bonds have been given the rating set forth in the Official Statement and that such rating continues in effect as of the date of Closing.

(21) The certificates of the District and Fiscal Consultant required by the Water Parity Obligations relating to the execution and delivery of the Water Installment Sale Agreement.

(22) The certificates of the District and Fiscal Consultant required by the Wastewater Parity Obligations relating to the execution and delivery of the Wastewater Installment Sale Agreement.

(23) Evidence that a federal tax information form 8038-G has been prepared for filing with respect to the Bonds.

(24) A copy of the Notice of Final Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 8855 of the California Government Code.

(25) Such additional legal opinions, certificates, proceedings, instruments and other documents as Bond Counsel, the Underwriter and Underwriter's Counsel may reasonably request to evidence compliance with legal requirements, the truth and accuracy, as of the time of Closing, of the representations contained herein and in the Official Statement and the due performance or satisfaction by the Trustee and the Authority at or prior to such time of all agreements then to be performed and all conditions then to be satisfied.

(c) All matters relating to this Purchase Agreement, the Bonds and the sale thereof, the Legal Documents and the consummation of the transactions contemplated by this Purchase Agreement shall have been approved by the Underwriter, such approval not to be unreasonably withheld.

If the conditions to the Underwriter's obligations contained in this Purchase Agreement are not satisfied or if the Underwriter's obligations shall be terminated for any reason permitted by this Purchase Agreement, this Purchase Agreement shall terminate and none of the Underwriter, the District nor the Authority shall have any further obligation hereunder.

10. The Underwriter shall have the right to terminate this Purchase Agreement, without liability therefore, by written notification to the Authority and the District if at any time at or prior to the Closing:

(i) Legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to alter, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds, or the interest on the Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions contemplated herein; or

(ii) Legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering, or sale of obligations of the general character of the Bonds, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect; or

(iii) A general suspension of trading on the New York Stock Exchange or other major exchange shall be in force, or minimum or maximum prices for trading shall have been fixed and be in force, or maximum ranges for prices for securities shall have been required and be in force on any such exchange, whether by virtue of determination by that exchange or by order of the Securities and Exchange Commission or any other governmental authority having jurisdiction, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, or any material increase of restrictions now in force (including, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter) which, in the Underwriter's reasonable professional judgment, materially adversely affects the marketability or market price of the Bonds; or

(iv) A general banking moratorium shall have been established by federal, New York or California authorities; or

(v) A decision by a court of the United States shall be rendered, or a stop order, release, regulation or no-action letter by or on behalf of the SEC or any other governmental agency having jurisdiction of the subject matter shall have been issued or made, to the effect that the issuance, offering or sale of the Bonds, including the underlying obligations as contemplated by this Purchase Agreement or by the Official Statement, or any document relating to the issuance, offering or sale of the Bonds, is or would be in violation of any provision of the federal securities laws at the Closing Date, including the Securities Act of 1933, as amended, the Exchange Act of 1934, as amended and the Trust Indenture Act of 1939, as amended; or

(vi) Establishment of any new restrictions in securities materially affecting the free market for securities of the same nature as the Bonds (including the imposition of any limitations on interest rates) or the charge to the net capital requirements of the Underwriter established by the New York Stock Exchange, the Securities and Exchange Commission, any other Federal or state agency or the Congress of the United States, or by Executive Order; or

(vii) A material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred; or

(viii) Any amendment to the federal or California Constitution or action by any federal or California court, legislative body, regulatory body or other authority

materially adversely affecting the tax status of the Authority or the District, its property, income or securities (or interest thereon), or the ability of the District to execute the Installment Sale Agreements or the Authority to issue the Bonds and pledge the Revenues as contemplated by the Indenture and the Official Statement; or

(ix) There shall have occurred (1) an outbreak or escalation of hostilities or the declaration by the United States of a national emergency or war or (2) any other calamity or crisis in the financial markets of the United States or elsewhere or the escalation of such calamity or crisis the effect of which on financial markets is materially adverse such as to make it, in the reasonable professional judgment of the Underwriter, impractical to proceed with the purchase or delivery of the Bonds as contemplated by the Official Statement (exclusive of any amendment or supplement thereto); or

(x) There shall have occurred any materially adverse change in the affairs or financial position, results of operations or condition, financial or otherwise, of the Authority or the District, other than changes in the ordinary course of business or activity or in the normal operation of the Authority or the District, except as described in the Preliminary Official Statement and the Official Statement; or

(xi) Any event shall occur or facts are discovered which causes any statement contained in the Official Statement to be materially misleading or results in a failure of the Official Statement to state a material fact necessary in order to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading, provided, however, the Underwriter shall not terminate this Purchase Agreement if prior to the Closing and prior to the distribution of the Official Statement to any public investor the Authority, the District and the Underwriter agree to and shall have amended or supplemented the Official Statement so that the Official Statement as so amended or supplemented will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made in the light of the circumstances in which they were made, not misleading, and, in the sole judgment of the Underwriter, such amendment or supplement would not have a material adverse effect on the marketability or market price of the Bonds on the terms and conditions contemplated by this Purchase Agreement or the ability of the Underwriter to enforce contracts with investors for the sale of Bonds; or

(xii) An event described in Section 7(j) or 8(j) hereof shall have occurred which, in the reasonable professional judgment of the Underwriter, requires the preparation and publication of a supplement or amendment to the Official Statement; or

(xiii) The marketability of the Bonds or the market price thereof, in the reasonable professional judgment of the Underwriter, has been materially and adversely affected by disruptive events, occurrences or conditions in the securities or debt markets; or

(xiv) The suspension by the SEC of the trading in the outstanding bonds of the Authority or the District; or

(xv) Other material disruptive events, occurrences or conditions in the securities or debt markets that materially and adversely affect the marketability of the Bonds or the market price thereof, in the reasonable professional judgment of the Underwriter; or

(xvi) Any rating of the Bonds or other obligations of the Authority or the District by a national rating agency shall have been withdrawn, suspended or downgraded or placed on negative outlook or negative watch which, in the reasonable judgment of the Underwriter, materially adversely affects the market price of the Bonds.

11. Performance by the Authority and the District of their respective obligations under this Purchase Agreement is conditioned upon (i) performance by the Underwriter of its obligations hereunder, and (ii) receipt by the Underwriter of all opinions and certificates to be delivered at Closing by persons and entities other than the Authority or the District.

12. After the Closing and until the End Date (a) neither the Authority nor the District will adopt any amendment of or supplement to the Official Statement to which the Underwriter shall object in writing or which shall be disapproved by the Underwriter, and (b) if any event relating to or affecting the Bonds, the Authority or the District shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in the light of the circumstances existing at the time it is delivered to an initial purchaser of the Bonds, and the Authority will forthwith prepare and furnish to the Underwriter a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to an initial purchaser of the Bonds, not misleading. The costs of preparing any necessary amendment or supplement to the Official Statement to be utilized until the End Date shall be borne by the Authority and any costs incurred thereafter incident to amending or supplementing the Official Statement shall be borne by the Underwriter. For the purposes of this Section, the Authority will furnish such information with respect to itself as the Underwriter may from time to time request.

13. (a) The Underwriter shall be under no obligation to pay, and the District or Authority shall pay or cause to be paid out of the proceeds of the Bonds, all expenses incident to the performance of the Authority's and the District's obligations hereunder, including but not limited to: the cost of photocopying and delivering the Bonds to the Underwriter; the cost of preparing, printing (and/or word processing and reproducing), distributing and delivering the District Documents and the Authority Documents, and the cost of printing, distributing and delivering the Preliminary Official Statement and the Official Statement in such reasonable quantities as requested by the Underwriter; and the fees and disbursements of Bond Counsel, Disclosure Counsel, the Municipal Advisor, any accountants, financial advisors or other engineers or experts or consultants the Authority or the District have retained in connection with the Bonds and expenses (included in the expense component of the Underwriter's spread) incurred on behalf of the Authority or District officers or employees which are incidental to implementing this Purchase Agreement, including, but not limited to, meals, transportation, and lodging of those officers or employees.

(b) Whether or not the Bonds are delivered to the Underwriter as set forth herein, neither the Authority nor the District shall be under any obligation to pay, and the Authority and the District shall not pay, any expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds (except those specifically enumerated in subsection (a) of this section), including any advertising expenses and the fees of the California Debt and Investment Advisory Commission, the cost of preparation of any "blue sky" or legal investment memoranda, and the fees and disbursements of Underwriter's Counsel. The Authority and the District acknowledge that some

or all of the expenses to be paid by the Underwriter may be included as part of the expense component of the underwriting discount or may be reimbursed to the Underwriter as out-of-pocket expenses.

14. Any notice or other communication to be given to the Underwriter may be given by delivering the same to Oppenheimer & Co. Inc., 580 California Street, Suite 2300, San Francisco, CA 94104, Attention: Municipal Capital Markets Group. Any notice or other communication to be given to the Authority or the District may be given by delivering the same to addresses initially provided herein, Attention: Executive Director with respect to the Authority and Attention: General Manager with respect to the District. The approval of the Underwriter when required hereunder or the determination of satisfaction as to any document referred to herein shall be in writing signed by the Underwriter and delivered to you.

15. This Purchase Agreement is made solely for the benefit of the Authority, the District and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof.

16. This Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which such counterparts shall together constitute but one and the same instrument.

17. The representations and warranties of the Authority and the District set forth in or made pursuant to this Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Agreement and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and warranties of the Authority and the District and regardless of delivery of and payment for the Bonds.

18. The primary role of the Underwriter, as underwriter, is to purchase the Bonds for resale to investors in an arms-length commercial transaction among the District, the Authority and the Underwriter. The Underwriter, as underwriter, has financial and other interests that differ from those of the Authority and the District.

19. This Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the Authority, the District and the Underwriter, and shall be valid and enforceable as of the time of such acceptance.

20. This Purchase Agreement shall be governed by the laws of the State of California. This Purchase Agreement shall not be assigned by either party hereto.

21. This Purchase Agreement supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the sale of Bonds by the Authority and the District and represents the entire agreement of the parties as to the subject matter herein.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

22. Any provision of this Purchase Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Purchase Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

OPPENHEIMER & CO. INC.

By: _____
Authorized Officer

The foregoing is hereby agreed to and accepted as of the date first above written:

**DISCOVERY BAY PUBLIC FINANCING
AUTHORITY**

By: _____
Authorized Officer

Time of Execution: _____ p.m. California time

TOWN OF DISCOVERY BAY COMMUNITY SERVICES DISTRICT

By: _____
Authorized Officer

Time of Execution: _____ p.m. California time

**[EXECUTION PAGE OF BOND PURCHASE AGREEMENT – DISCOVERY BAY
PUBLIC FINANCING AUTHORITY ENTERPRISE REVENUE BONDS,
SERIES 2022]**

EXHIBIT A

\$ _____
**DISCOVERY BAY PUBLIC FINANCING AUTHORITY
(CONTRA COSTA COUNTY, CALIFORNIA)
ENTERPRISE REVENUE BONDS, SERIES 2022
(WATER AND WASTEWATER PROJECTS)**

Maturity (December 1)	Principal Amount	Interest Rate	Yield	Price	10% Test Satisfied*	10% Test Not Satisfied	Subject to Hold-The- Offering- Price Rule (<i>marked if used</i>)
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2035							
2036							
2037							
2038							
2039							
2040							
2041							
2042							
20__ ^(T)							
20__ ^(T)							
20__ ^(T)							

^(T) Term Bond.

^(C) Priced to optional call at [par] on December 1, 20__.

* At the time of execution of this Purchase Agreement and assuming orders are confirmed by the close of the business day immediately following the date of this Purchase Agreement.

EXHIBIT B

§ _____
**DISCOVERY BAY PUBLIC FINANCING AUTHORITY
(CONTRA COSTA COUNTY, CALIFORNIA)
ENTERPRISE REVENUE BONDS, SERIES 2022
(WATER AND WASTEWATER PROJECTS)**

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Oppenheimer & Co. Inc. (“Oppenheimer”), hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”) based upon the information available to it.

1. ***Sale of the 10% Maturities.*** As of the date of this certificate, for each Maturity of the 10% Maturities, the first price at which at least 10% of such Maturity of the Bonds was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Undersold Maturities.***

Oppenheimer offered the Undersold Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Bonds is attached to this Certificate as Schedule B.

As set forth in the Bond Purchase Agreement, Oppenheimer has agreed in writing that, for each Maturity of the Undersold Maturities, it would neither offer nor sell any of the Bonds of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Offering Period for such Maturity, nor would it permit a related party to do so. Pursuant to such agreement, Oppenheimer has neither offered nor sold any Maturity of the Undersold Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Bonds during the Offering Period.

3. ***Defined Terms.***

(a) *10% Maturities* means those Maturities of the Bonds shown in Schedule A hereto as the “10% Maturities.”

(b) *Issuer* means Discovery Bay Public Financing Authority.

(c) *Maturity* means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate Maturities.

(d) *Offering Period* means, with respect to an Undersold Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date, or (ii) the date on which Oppenheimer has sold a Substantial Amount of such Undersold Maturity to the Public at a price that is no higher than the Initial Offering Price for such Undersold Maturity.

(e) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(f) *Sale Date* means the first day on which there is a binding contract in writing for the sale of a Maturity of the Bonds. The Sale Date of the Bonds is _____, 2022.

(g) *Substantial Amount* means ten percent.

(h) *Underwriter* means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

(i) *Undersold Maturities* means those Maturities of the Bonds shown in Schedule A hereto as the “Undersold Maturities.”

The Issuer may rely on the statements made herein in connection with making the representations set forth in the Certificate as to Arbitrage to which this Issue Price Certificate is attached and in its efforts to comply with the conditions imposed by the Internal Revenue Code of 1986, as amended (the “Code”). Jones Hall, A Professional Law Corporation may also rely on this Issue Price Certificate for purposes of its opinion regarding the treatment of interest on the Bonds as excludable from gross income for federal income tax purposes. Except as expressly set forth above, the certifications set forth herein may not be relied upon or used by any third party or for any other purpose. Notwithstanding anything set forth herein, Oppenheimer is not engaged in the practice of law. Accordingly, Oppenheimer makes no representation as to the legal sufficiency of the factual matters set forth herein.

OPPENHEIMER & CO. INC.

By: _____

Name: _____

Dated: _____, 2022

SCHEDULE A

**SALE PRICES OF THE ACTUALLY SOLD MATURITIES AND
INITIAL OFFERING PRICES OF THE OFFERED MATURITIES**

(To Be Attached)

SCHEDULE B
PRICING WIRE OR EQUIVALENT COMMUNICATION
(To Be Attached)