
INSTALLMENT PURCHASE CONTRACT

between the

YOSEMITE ALPINE COMMUNITY SERVICES DISTRICT

and

UMPQUA BANK

Dated as of September 1, 2018

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS	2
Section 1.01. Definitions.	2
ARTICLE II ACQUISITION OF THE ENTERPRISE AND THE PROJECT	8
Section 2.01. Acquisition of the Enterprise and the Project.	8
Section 2.02. Indemnification and Expenses of the Lender.	9
Section 2.03. [Reserved].	9
Section 2.04. Disclaimer of the Lender.	9
Section 2.05. Project Fund.	9
ARTICLE III INSTALLMENT PAYMENTS, REVENUES AND ACCOUNTS	9
Section 3.01. Payment of the Installment Payments.	9
Section 3.02. Interest Component of the Installment Payments.	10
Section 3.03. Establishment of Accounts.	10
Section 3.04. Pledge of Net Revenues and Other Funds; Debt Service Fund.	11
Section 3.05. Receipt and Deposit of Gross Revenues.	11
Section 3.06. Establishment and Maintenance of Accounts for Gross Revenues; Use and Withdrawal of Gross Revenues.	12
Section 3.07. [Reserved].	13
Section 3.08. Investment of Funds.	13
ARTICLE IV PARITY OBLIGATIONS	13
Section 4.01. Parity Obligations.	13
ARTICLE V REPRESENTATIONS, COVENANTS AND WARRANTIES	15
Section 5.01. Compliance with Installment Purchase Contract.	15
Section 5.02. Observance of Laws and Regulations.	15
Section 5.03. Prosecution and Defense of Suits.	15
Section 5.04. Accounting Records and Statements.	15
Section 5.05. Further Assurances.	15
Section 5.06. Against Encumbrances.	16
Section 5.07. Against Sale or Other Disposition of Property.	16
Section 5.08. Against Competitive Facilities.	16
Section 5.09. [Reserved].	16
Section 5.10. Maintenance and Operation of the Enterprise; Material Adverse Effect.	16
Section 5.11. Payment of Claims.	17
Section 5.12. Compliance with Contracts.	17
Section 5.13. Insurance.	17
Section 5.14. Books and Accounts; Financial Statements.	18

Section 5.15. Payment of Taxes and Compliance with Governmental Regulations.	19
Section 5.16. Amount of Rates and Charges.	19
Section 5.17. Collection of Rates and Charges.	19
Section 5.18. Eminent Domain Proceeds.	19
Section 5.19. Release and Indemnification Covenants.	20
Section 5.20. Further Representations, Covenants and Warranties of the District.	21
Section 5.21. Representations, Covenants and Warranties of the Lender.	22
ARTICLE VI PREPAYMENT OF INSTALLMENT PAYMENTS	22
Section 6.01. Prepayment.	22
Section 6.02. Method of Prepayment.	23
Section 6.03. Security Deposit.	23
ARTICLE VII EVENTS OF DEFAULT AND REMEDIES	24
Section 7.01. Events of Default and Events of Mandatory Acceleration; Acceleration of Maturities.	24
Section 7.02. Application of Funds Upon Default.	25
Section 7.03. Other Remedies of the Lender.	26
Section 7.04. Non-Waiver.	26
Section 7.05. Remedies Not Exclusive.	27
ARTICLE VIII MISCELLANEOUS	27
Section 8.01. Liability of District Limited.	27
Section 8.02. Benefits of Installment Purchase Contract Limited to Parties.	27
Section 8.03. Successor Is Deemed Included In All References to Predecessor.	27
Section 8.04. Waiver of Personal Liability.	28
Section 8.05. Article and Section Headings, Gender and References.	28
Section 8.06. Partial Invalidity.	28
Section 8.07. Assignment.	28
Section 8.08. Waiver of Jury Trial; Agreement for Judicial Reference; No Sovereign Immunity.	28
Section 8.09. California Law.	29
Section 8.10. Notices.	29
Section 8.11. Effective Date.	29
Section 8.12. Execution in Counterparts.	29
Section 8.13. Amendments.	30

EXHIBIT A – INSTALLMENT PAYMENT SCHEDULE

INSTALLMENT PURCHASE CONTRACT

This INSTALLMENT PURCHASE CONTRACT, dated as of September 1, 2018 (this “Installment Purchase Contract”), is entered into by and between the YOSEMITE ALPINE COMMUNITY SERVICES DISTRICT, a California community services district (the “District”) duly organized and validly existing under the laws of the State of California, and UMPQUA BANK, an Oregon state-chartered bank, including its successors and assigns (the “Lender”).

WITNESSETH:

WHEREAS, the District is authorized by the laws of the State of California, including, but not limited to Section 61060 of the California Government Code, to acquire any real or personal property within or outside the District, to hold, manage, occupy, dispose of, convey, and encumber the property, and to create a leasehold interest in the property for the benefit of the District through the execution of installment purchase contracts; and

WHEREAS, the District has entered into a Conveyance Agreement, dated as of September 1, 2018, pursuant to which the District has sold the Enterprise (as defined herein) to the Lender, but only to the extent the components of the Enterprise could be legally transferred by the District; and

WHEREAS, in order to provide moneys to finance certain legal costs and expenses of the District for the benefit of the District (the “Project”), the District proposes to purchase the Enterprise pursuant to this Installment Purchase Contract; and

WHEREAS, the District has determined that it is in the best interests of the District, and it is necessary and proper for District purposes, that the District acquire the Enterprise from the Lender in the manner described herein for the purposes of financing the Project as described herein, and that the District pay the Lender for the costs of acquiring the Enterprise in the manner described herein; and

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

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

ARTICLE I
DEFINITIONS

Section 1.01. Definitions.

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

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

“Closing Date” means September 7, 2018.

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

“Conveyance Agreement” means that Conveyance Agreement, dated as of September 1, 2018, between the District and the Lender.

“Debt Service” means, for any Fiscal Year, the sum of (1) the Installment Payments (except to the extent that interest has been fully capitalized and is invested in Federal Securities which mature at times and in such amounts as are necessary to pay the interest to which such amounts are pledged) required to be paid hereunder during such Fiscal Year, (2) the interest falling due during such Fiscal Year on all Parity Obligations (which are outstanding under the documents or agreements pursuant to which they were issued), assuming that all outstanding serial Parity Obligations are retired as scheduled and that all outstanding term Parity Obligations are redeemed from sinking fund payments as scheduled (except to the extent that such interest has been fully capitalized and is invested in Federal Securities which mature at times and in such amounts as are necessary to pay the interest to which such amounts are pledged), (3) the principal amount of all serial Parity Obligations (which are outstanding under the documents or agreements pursuant to which they were issued) falling due by their terms during such Fiscal Year, and (4) the minimum amount of term Parity Obligations (which are outstanding under the documents or agreements pursuant to which they were issued) required to be paid or called and redeemed during such Fiscal Year, together with the redemption premiums, if any, thereon; provided that, whenever interest as described herein accrues at other than a fixed rate, such interest shall be assumed to be a rate equal to the greater of (i) the actual rate on the date of calculation, or if the Parity Obligations are not yet outstanding, the initial rate (if established and binding), (ii) if the Parity Obligations have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (x) if interest on the Parity Obligations is excludable from gross income under the applicable provisions of the Code, the most recently published The Bond Buyer Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (y) if interest is

not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities, plus fifty (50) basis points.

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

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

“Default Rate” means 8.27% per annum.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the District or the Lender relating to the financing of the Project, including but not limited to filing costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Lender and its counsel, financing discounts, if any, legal fees and charges, financial and other professional consultant fees, fees of the California Debt and Investment Advisory Commission, and charges and fees in connection with the foregoing.

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

“Enterprise” means the District’s water system, including all facilities, works, properties and structures of the District for the treatment, transmission and distribution of potable and non-potable water, including all contractual rights to water supplies, transmission capacity supply, easements, rights-of-way and other works, property or structures necessary or convenient for such facilities, together with all additions, betterments, extension and improvements to such facilities or any part thereof hereafter acquired or constructed (but for purposes of this Agreement only to the extent the components of the Enterprise may be legally transferred by the District).

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

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

“Finance Officer” means the Chairman of the Board of Directors of the District.

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

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

“Governmental Authority” means any federal, state, provincial, county, city, town, village, municipal or other government or governmental department, commission, council, court, board, bureau, agency, authority or instrumentality (whether executive, legislative, judicial, administrative or regulatory), of or within the United States of America or its territories or possessions, including, without limitation, the State and its counties and municipalities, and their respective courts, agencies, instrumentalities and regulatory bodies, or any entity that acts “on behalf of” any of the foregoing, whether as an agency or authority of such body.

“Governmental Loan” means a loan or similar arrangement from the State or the United States of America, acting through any of its agencies, to finance improvements to the Enterprise, and the obligation of the District to make payments to the State or the United States of America under the loan agreement memorializing said loan on a parity basis with the payment of Installment Payments.

“Gross Revenues” means all gross income and revenue received or receivable by the District from the ownership and operation of the Enterprise, calculated in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including fees for connecting to the Enterprise and any water stand-by or water availability charges or assessments) received by the District for the Enterprise and all other income and revenue howsoever derived by the District from the Enterprise or arising from the Enterprise; provided, however, that (i) any specific charges levied for the express purpose of reimbursing others for all or a portion of the cost of the acquisition or construction of specific facilities, (ii) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District, or (iii) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the District and pledged solely for the purpose of paying special assessment bonds or special tax obligations of the District, are not Gross Revenues and are not subject to the lien of the Installment Purchase Contract. Gross Revenues shall include amounts on deposit in the Revenue Fund which have been previously released from the pledge and lien of this Installment Purchase Contract.

“Installment Payments” means the installment payments of principal and interest scheduled to be paid by the District under this Installment Purchase Contract.

“Interest Payment Date” means each May 1 and November 1, commencing November 1, 2018.

“Law” means the California Community Services District Law (Section 61000 *et seq.* of the Government Code of the State of California).

“Maintenance and Operation Costs” means the reasonable and necessary costs and expenses paid by the District for maintaining and operating the Enterprise, including but not limited to the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Enterprise in good repair and working order, and including but not limited to administrative costs of the District attributable to the Enterprise and the financing thereof. “Maintenance and Operation Costs” does not include (a) interest expense

relating to unsecured, subordinate obligations of the District, (b) depreciation, replacement and obsolescence charges or reserves therefor, (c) amortization of intangibles or other bookkeeping entries of a similar nature, and (d) capital expenditures.

“Material Adverse Effect” means a material adverse change in (a) the ability of the District to perform or comply with any of its material obligations under this Installment Purchase Contract, (b) the validity or priority of the liens on the Net Revenues and the funds and accounts pledged hereunder in favor of the Lender, or (c) the Lender’s rights or benefits available under this Installment Purchase Contract.

“Maximum Annual Debt Service” means the largest annual Debt Service due hereunder and on any Parity Obligations during the period from the date of such determination through the final Interest Payment Date hereunder or maturity date of such Parity Obligations

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

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

“Outstanding” when used as of any particular time with reference to this Installment Purchase Contract, means all Installment Payments except Installment Payments paid or deemed to have been paid within the meaning of Article VI.

“Parity Obligations” means all bonds, notes, loan agreements, installment sale agreements, leases or other obligations of the District, payable from and secured by a pledge of and lien upon any of the Net Revenues incurred on a parity with the payment of the Installment Payments pursuant to Section 4.01.

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

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

2. 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):

Farmers Home Administration (FmHA)
Certificates of beneficial ownership

Federal Housing Administration Debentures (FHA)

General Services Administration

Participation certificates

Government National Mortgage Association (GNMA or “Ginnie Mae”)

GNMA – guaranteed mortgage-backed bonds

GNMA – guaranteed pass-through obligations (participation certificates)
(not acceptable for certain cash-flow sensitive issues.)

U.S. Maritime Administration

Guaranteed Title XI financing

U.S. Department of Housing and Urban Development (HUD)

Project Notes

Local District 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

3. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

Federal Home Loan Bank Enterprise

Senior debt obligations

Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”)

Participation certificates

Senior debt obligations

Federal National Mortgage Association (FNMA or “Fannie Mae”)

Mortgage-backed securities and senior debt obligations

Resolution Funding Corp. (REFCORP) obligations

Farm Credit Enterprise

Consolidated system-wide bonds and notes

Federal Agriculture Mortgage Association

Tennessee Valley Authority

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

“Aa1” or “Aa2,” including funds for which the Bank, its parent holding company, if any, or any affiliates or subsidiaries of the Bank provide investment advisory or other management services.

5. Certificates of deposit secured at all times by collateral described in 1 and/or 2 above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks including the Bank and its affiliates. The collateral must be held by a third party and the Bank must have a perfected first security interest in the collateral.

6. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF. In addition to the authority to invest funds in certificates of deposit set forth in this subsection (6), an investment in nonnegotiable certificates of deposit made in accordance with the following conditions is an authorized investment: (i) the financial institution selected by the District arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the District; (ii) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States of America or an instrumentality of the United States of America; (iii) the financial institution selected by the District acts as custodian for the District with respect to the certificates of deposit issued for the account of the District.

7. Investment agreements, including GIC’s, forward purchase agreements and reserve fund put agreements approved in writing by the Bank.

8. Commercial paper rated, at the time of purchase, “Prime -1” by Moody’s and “A-1” or better by S&P.

9. Bonds or notes issued by any state or municipality which are rated by Moody’s and S&P in one of the two highest rating categories assigned by such agencies.

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

11. Medium-term Notes: Corporate notes issued by corporations organized and operating within the United States with a rating of “AAA” or higher at the time of purchase by a nationally recognized rating service and with a maximum remaining maturity of no more than three (3) years after the date of purchase.

12. The Local Agency Investment Fund created pursuant to Section 16429.1 of the California Government Code.

13. Investment Trust of California, doing business as CalTRUST

14. Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California which invests

exclusively in investments permitted by Section 53601 of Title 5, Division 2, Chapter 4 of the Government Code of California, as it may be amended.

“Project Fund” means the fund established and held by the Lender.

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

ARTICLE II ACQUISITION OF THE ENTERPRISE AND THE PROJECT

Section 2.01. Acquisition of the Enterprise and the Project.

The Lender agrees to use or permit the use of the proceeds received by the District pursuant to the Conveyance Agreement for the payment, as herein provided, of the costs and expenses of the Project and the expenses incidental thereto (including reimbursement to the District for any such costs or expenses paid by it for the account of the Lender, including costs and expenses paid by the District prior to the date hereof). To provide moneys for the Project, the Lender agrees to sell and hereby sells its rights to the Enterprise obtained pursuant to the Conveyance Agreement to the District, and the District agrees to purchase and hereby purchases the Enterprise from the Lender.

The District hereby covenants to use the proceeds received from the Lender pursuant to the Conveyance Agreement for the costs and expenses of the Project.

The Lender agrees, upon the effective date hereof, to cause to be deposited in the Project Fund the amount of \$310,280. In addition the Lender agrees to pay \$45,000 in fees to the appropriate parties and add that amount in the principal owed by the District. In the event the money so deposited as first above provided is insufficient to pay all the costs of the Project, the Lender shall have no obligation whatsoever to use or provide any funds for the foregoing purposes.

Upon the Closing Date, all of the Lender’s remaining interest in the Enterprise, if any, shall be transferred to and vest in the District, without the necessity of any additional document or transfer. Nothing herein shall require the Lender to perform any obligations of any purchaser with respect to any contract or purchase order with respect to the Enterprise.

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

hereunder, and in such event the Lender agrees to cooperate fully with the District and to take all action necessary to effect the substitution of the District for the Lender in any action or proceeding if the District shall so request.

Section 2.02. Indemnification and Expenses of the Lender.

In addition to the provisions of Section 5.19 hereof, to the extent permitted by law, the District does hereby assume liability for, and agrees to defend, indemnify, protect, save and keep harmless the Lender and its directors, officers and employees and its successors and assigns from and against any and all liabilities, obligations, losses, damages (including consequential damages incurred by others), taxes and impositions, penalties, fines, claims, actions, suits, costs and expenses and disbursements (including legal fees and expenses) of whatsoever kind and nature imposed on, asserted against or incurred or suffered by the Lender or its directors, officers or employees or its successors and assigns in any way relating to or arising out of the purchase or acquisition of the Enterprise or the Project or the District's use thereof, the execution and delivery or performance hereof or the assignment hereof (except with respect to any representations and warranties made by the Lender therewith) or any other agreements related thereto, or the enforcement of any of the terms thereof.

Section 2.03. [Reserved].

Section 2.04. Disclaimer of the Lender.

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

Section 2.05. Project Fund.

The District hereby agrees to establish the Project Fund with the Lender. The Lender covenants that the Project Fund shall be maintained and invested in Permitted Investments. The District hereby grants to the Lender a first priority security interest in the Project Fund.

ARTICLE III
INSTALLMENT PAYMENTS, REVENUES AND ACCOUNTS

Section 3.01. Payment of the Installment Payments.

The total principal amount of the Installment Payments owed and to be paid by the District to the Lender hereunder for the acquisition of the Enterprise is \$355,280 (which includes \$45,000 paid by the Lender allocable to Delivery Costs and added to the principal owed by the District), plus interest thereon, calculated at the rate of 5.27% per annum provided that no Event

of Default has occurred. The Installment Payments shall, subject to any rights of prepayment of the District provided in Article VI, be due in installments in the amounts and on the dates described in Exhibit A attached hereto.

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

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

Section 3.02. Interest Component of the Installment Payments.

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

Section 3.03. Establishment of Accounts.

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

Section 3.04. Pledge of Net Revenues and Other Funds; Debt Service Fund.

The District hereby irrevocably pledges all of the Net Revenues to the punctual payment of the Installment Payments and such Net Revenues, except as otherwise permitted herein, shall not be used for any other purpose while any of the Installment Payments are due hereunder. This pledge shall constitute a first lien on the Net Revenues for the payment of the Installment Payments and payments of all Parity Obligations in accordance with the terms hereof and thereof.

All Installment Payments shall be transferred by the District from the Revenue Fund to the Debt Service Fund, which fund the District hereby agrees to establish and maintain so long as any Installment Payments are due hereunder, on the applicable Due Date. Such payments shall be held in trust by the District under the terms hereof.

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

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

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

Section 3.05. Receipt and Deposit of Gross Revenues.

The District covenants and agrees that all Gross Revenues, when and as received, will be received and held by the District in trust hereunder and will be deposited by the District in the Revenue Fund and will be accounted for through and held in trust in the Revenue Fund; provided, that the District may withdraw such amounts in the Revenue Fund as may be necessary to make refunds for amounts paid in advance for services provided by the Enterprise, which such

service was not thereafter made available or provided. All Net Revenues shall nevertheless be disbursed, allocated and applied solely to the uses and purposes hereinafter in this Article III set forth, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

Section 3.06. Establishment and Maintenance of Accounts for Gross Revenues; Use and Withdrawal of Gross Revenues.

The District covenants and agrees that all Gross Revenues, when and as received, will be received and held by the District in trust for the benefit of the Lender and payments with respect to Parity Obligations, and will be deposited by the District in the Revenue Fund (which the District hereby covenants and agrees to maintain so long as any Installment Payments are due hereunder) and will be accounted for and held in trust for the benefit of the Lender and for payments with respect to Parity Obligations. All Gross Revenues shall be disbursed, allocated and applied solely to the uses and purposes set forth in this Article III.

All Gross Revenues in the Revenue Fund shall be set aside by the District or deposited by the District with the purchasers, trustee or fiscal agent with respect to Parity Obligations, as the case may be, as follows and in the following order of priority:

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

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

(3) Reserve Funds. Payments required with respect to Parity Obligations, payments to replenish debt service reserve funds, if any, established for such Parity Obligations shall be made in accordance with the terms hereof and such Parity Obligations, without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference.

(4) General Expenditures. All Gross Revenues not required to be withdrawn pursuant to the provisions of (1) through (3) above shall be used for expenditure for any lawful purpose of the District, including payment of any rebate requirement or of any obligation subordinate to the payment of all amounts due hereunder or under Parity Obligations.

Although all Parity Obligations are secured equally and ratably by applicable Net Revenues, moneys with respect to obligations other than the Installment Payments may be held by trustees under documents and agreements other than this Installment Purchase Contract. The District shall make such transfers from the Revenue Fund necessary to effectuate such obligations' parity claim on such Net Revenues contemplated hereby.

Section 3.07. [Reserved.]

Section 3.08. Investment of Funds.

Amounts on deposit in any fund or account created pursuant to this Installment Purchase Contract shall be invested in Permitted Investments which will, as nearly as practicable, mature on or before the dates when such money is anticipated to be needed for disbursement hereunder. The Lender and any affiliates may act as sponsor, advisor, principal or agent in the acquisition or disposition of any such investment. Interest or profit received on such investments shall be deposited to the Debt Service Fund. In computing the amount in any fund or account, Permitted Investments shall be valued at market value, exclusive of accrued interest.

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

ARTICLE IV PARITY OBLIGATIONS

Section 4.01. Parity Obligations.

(a) So long as any Installment Payments are due hereunder, the District shall not issue or incur any obligations payable from Net Revenues or the Revenue Fund senior or superior to the Installment Payments. The District may at any time issue Parity Obligations payable from Net Revenues on a parity with the Installment Payments to provide financing for the Enterprise in such principal amount as shall be determined by the District.

Except for obligations incurred to prepay or post a security deposit for the Installment Payments hereunder or with respect to Parity Obligations, the District may not issue or incur any Parity Obligations unless:

- (a) The District is not then in default under the terms of this Installment Purchase Contract; and
- (b) Either (i) the Net Revenues, calculated in accordance with Generally Accepted Accounting Principles, as shown by the books of the District for the latest Fiscal Year for which audited financial information is available or as shown by the books of the District for any more recent 12-month period selected by the District in its sole discretion, in either case verified by a certificate or opinion of an independent

certified public accountant acceptable to the Lender in its sole discretion, plus, at the option of the District, any or all of the items described in the following subsection (c), at least equal 120% of the amount of Maximum Annual Debt Service; or

(ii) the average annual Net Revenues for the prior 36-month period, calculated in accordance with Generally Accepted Accounting Principles, as shown by the books of the District for the three prior Fiscal Years for which audited financial information is available or as shown by the books of the District for any more recent 36-month period selected by the District in its sole discretion, verified by a certificate or opinion of an independent certified public accountant acceptable to the Lender in its sole discretion, plus, at the option of the District, any or all of the items described in the following subsection (c), at least equal 120% of the amount of Maximum Annual Debt Service;

(c) At the option of the District, there may be added to the Net Revenues for purposes of meeting the requirements of the foregoing subsection (b) an allowance for Net Revenues arising from either of the following:

(i) An allowance for Net Revenues from any improvements to the Enterprise to be made with the proceeds of such Parity Obligations and also for Net Revenues from any such improvements which have been made from moneys from any source but in any case which, during all or any part of the period described in the foregoing subsection (b), were not in service, all in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such improvements for the first 36 month period in which each improvement is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer acceptable to the Lender in its sole discretion.

(ii) An allowance for Net Revenues arising from any increase in the charges made for service from the Enterprise which has been adopted prior to the incurring of such Parity Obligations but which, during all or any part of the period described in the foregoing subsection (b), was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such period, all as shown by the certificate or opinion of an independent certified public accountant acceptable to the Lender in its sole discretion.

Notwithstanding the above, the District may incur debt payable from Net Revenues to cause a defeasance of this Installment Purchase Contract pursuant to Article VI hereof or a defeasance of any outstanding Parity Obligations. With the prior written consent of the Lender, the District may also incur debt payable from Net Revenues which is payable on a basis subordinate to the payment of the Installment Payments.

ARTICLE V
REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 5.01. Compliance with Installment Purchase Contract.

The District will not suffer or permit any material default by it to occur hereunder, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms hereof required to be complied with, kept, observed and performed by it.

Section 5.02. Observance of Laws and Regulations.

The District will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by it, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Section 5.03. Prosecution and Defense of Suits.

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

Section 5.04. Accounting Records and Statements.

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

Section 5.05. Further Assurances.

Whenever and so often as requested to do so by the Lender, the District will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest

in the Lender all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by this Installment Purchase Contract.

Section 5.06. Against Encumbrances.

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

Section 5.07. Against Sale or Other Disposition of Property.

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

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

Section 5.08. Against Competitive Facilities.

Except for any water system existing as of the date hereof, the District will not, to the extent permitted by law, acquire, 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, authority, city or political subdivision or any person whomsoever to acquire, maintain or operate within the District any water system competitive with the Enterprise; provided, however, that the District may, with the prior written consent of the Lender, assign all or a portion of the Enterprise to another entity provided such entity assumes the obligations of the District hereunder.

Section 5.09. [Reserved].

Section 5.10. Maintenance and Operation of the Enterprise; Material Adverse Effect.

The District will maintain and preserve the Enterprise in good repair and working order at all times and will operate the Enterprise in an efficient and economical manner. The District will pay all Maintenance and Operation Costs of the Enterprise as they become due and payable. The District shall, within ten (10) Business Days after the District learns of a Material

Adverse Effect or any event that materially effects the District's ability to operate the Enterprise in an efficient and economic manner give the Bank written notice of such Material Adverse Effect or event.

Section 5.11. Payment of Claims.

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

Section 5.12. Compliance with Contracts.

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

Section 5.13. Insurance.

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

In the event of any damage to or destruction of the Enterprise caused by the perils covered by such insurance, the proceeds of such insurance shall be applied to the repair, reconstruction or replacement of the damaged or destroyed portion of the Enterprise. The District shall cause such repair, reconstruction or replacement to begin promptly after such damage or destruction shall occur and to continue and to be properly completed as expeditiously as possible, and shall pay out of the proceeds of such insurance all costs and expenses in connection with such repair, reconstruction or replacement so that the same shall be completed and the Enterprise shall be free and clear of all liens and claims. If the proceeds received by reason of any such loss shall exceed the costs of such repair, reconstruction or replacement, the excess shall be applied to the prepayment of Installment Payments as provided in Section 6.01.

Alternatively, if the proceeds of such insurance are sufficient to enable the District to retire all outstanding Parity Obligations and the Installment Payments and all other amounts due hereunder, the District may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Enterprise, and thereupon such proceeds shall be applied to the prepayment of Installment Payments as provided in Section 6.01 and to the payment of all other

amounts due hereunder, and as otherwise required by the documents pursuant to which such Parity Obligations were issued.

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

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

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

(e) All such policies shall provide that the Lender shall be a named insured and loss payee thereunder, and the Lender shall be given thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Lender shall not be responsible for the sufficiency of any insurance herein required and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to in good faith by the Lender.

Section 5.14. Books and Accounts; Financial Statements.

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

The District shall cause the books and accounts of the Enterprise, which shall include a statement of revenues and expenditures and changes in fund balances, a balance sheet and a statement of cash flow, to be audited annually by an independent certified public accountant or firm of certified public accountants, not more than two hundred and seventy (270) days after the close of each Fiscal Year. The District shall send a copy of such report and all related financial statements and notes to the Lender. Such audit may be part of an audit of the

Enterprise. Upon request by the Lender, the District shall send to the Lender a copy of the annual budget of the Enterprise within thirty (30) days of adoption and any amendment or supplement thereto and any other financial information reasonably requested by the Lender. The District shall provide the Lender with such other information as may be reasonably requested by the Lender from time to time.

Section 5.15. Payment of Taxes and Compliance with Governmental Regulations.

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

Section 5.16. Amount of Rates and Charges.

(a) To the fullest extent permitted by law, the District will fix and prescribe rates and charges for the Enterprise which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to 120% of Debt Service Payments and Parity Obligations for such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this Section.

(b) So long as the District has complied with its obligations set forth in subsection (a) above, the failure of Net Revenues to meet the threshold set forth in Section 5.16(a) above at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with Section 5.16(a) at the commencement of the succeeding Fiscal Year.

Section 5.17. Collection of Rates and Charges.

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

Section 5.18. Eminent Domain Proceeds.

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

(a) If (1) the District certifies (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings, (ii)

a general description of the additions, betterments, extensions or improvements to the Enterprise proposed to be acquired by the District from any Net Proceeds, and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements, and (2) on the basis of such certificate, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive); then the District shall promptly proceed with the acquisition of such additions, betterments, extensions or improvements substantially in accordance with such certification and such Net Proceeds shall be applied for the payment of the costs of such acquisition, and any balance of such Net Proceeds not required by the District for such purpose shall be applied to prepay the Installment Payments, and any Parity Obligations, on a pro rata basis in the manner provided herein and in the instruments authorizing such Parity Obligations.

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

Section 5.19. Release and Indemnification Covenants.

To the extent permitted by law, the District shall and hereby agrees to indemnify and save the Lender, its officers, directors, agents, employees, successors or assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (i) the use, maintenance, condition or management of, or from any work or thing done on, the Enterprise or the Project by the District, (ii) any breach or default on the part of the District in the performance of any of the District's obligations under the Installment Purchase Contract or the Conveyance Agreement, (iii) any act of negligence of the District or of any of its contractors, servants, employees or licensees with respect to the Enterprise or the Project, (iv) any act of negligence of any assignee or sublessee of the District, or of any agents, contractors, servants, employees or licensees of the assignee or sublessee of the District with respect to the Enterprise or the Project, (v) any environmental claims or issues, or (vi) the acquisition of the Enterprise or the Project or authorization of payment of the costs of the acquisition of the Enterprise or the Project, to the extent permitted by law. Indemnification for any tort mentioned in this Section shall exclude those arising from the willful misconduct or gross negligence hereunder or under the Conveyance Agreement by the Lender, its officers and employees.

To the extent permitted by law, the District further covenants and agrees to indemnify and save the Lender harmless against any claim, loss, expense, advance, and liabilities which it may incur arising out of or in the exercise and performance of their powers and duties hereunder and under the Conveyance Agreement, including the costs and expenses (including attorneys fees and disbursements) of defending against any claim of liability or enforcing any remedies, and which are not due to their negligence or willful misconduct. The District further covenants and agrees to advance to the Lender the amounts requested as the costs and expenses of such defense. Any and all special obligations of the District under this Section shall be and

remain valid and binding special obligations of the District notwithstanding the payment in full of the Installment Payments and the termination of this Installment Purchase Contract.

Section 5.20. Further Representations, Covenants and Warranties of the District.

The District represents, covenants and warrants to the Lender as follows:

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

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

(c) Neither the execution and delivery of the Installment Purchase Contract or the Conveyance Agreement nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the District is now a party or by which the District is bound, or constitutes a default under either of the foregoing, or results in the creation or imposition of any lien, charge or encumbrance whatsoever upon any of the property or assets of the District.

(d) The District has duly authorized and executed this Installment Purchase Contract and the Conveyance Agreement in accordance with the laws of the State of California.

(e) Subject to the applicable provisions of the California Constitution, the District is empowered to set rates and charges for services provided by the Enterprise provided to the users of the Enterprise without review or approval by any state or local governmental agency.

(f) There is no action, suit, proceeding, inquiry or investigation before or by any court or other Governmental Authority, pending, or to the knowledge of the District after reasonable inquiry and investigation, threatened against or affecting the District or the assets, properties or operations of the District that is likely to have a Material Adverse Effect. The District is not in default (and no event has occurred and is continuing that with the giving of notice or the passage of time or both could constitute a default) with respect to any order or decree of any court or any order, regulation or demand of any other Governmental Authority, which default would be reasonably likely to have a Material Adverse Effect. If the District becomes aware of any action, suit, proceeding, inquiry or investigation before or by any court or other Governmental Authority, affecting the District or the assets, properties or operations of the District that is likely to have a Material Adverse Effect, the District shall notify the Lender in writing within ten (10) Business Days after the District becomes aware of such action, suit, proceeding, inquiry or investigation.

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

Section 5.21. Representations, Covenants and Warranties of the Lender.

The Lender represents, covenants and warrants to the District as follows:

(a) The Lender is an Oregon state-chartered bank duly organized, existing and in good standing under and by virtue of the laws of the United States of America; has power to enter into the Installment Purchase Contract and the Conveyance Agreement; and to sell the same; and has duly authorized the execution and delivery of all of the aforesaid agreements.

(b) The Lender will not assign the Installment Purchase Contract or its right to receive Installment Payments from the District, or its duties and obligations under the Installment Purchase Contract to any other person, firm or corporation, except to affiliates of the Lender or to banks, insurance companies or other financial institutions or their affiliates, including participation arrangements with such entities; provided, no such assignment shall be made that would cause there to be more than 15 such assignees or any interest in the Installment Payments of less than \$100,000.

ARTICLE VI
PREPAYMENT OF INSTALLMENT PAYMENTS

Section 6.01. Prepayment.

(a) The District may or shall, as the case may be, prepay on any date from the Net Proceeds of insurance or condemnation awards, as provided herein, all or any part, in integral multiples of \$1,000, of the principal amount of the unpaid Installment Payments, pro-rata among the remaining Installments Payments, at a prepayment price equal to the sum of the principal amount prepaid plus accrued and unpaid interest thereon to the date of prepayment, without premium.

(b) The Installment Payments shall be subject to optional prepayment in whole or in part, on any date, from any available source of funds, in a minimum amount of [\$5,000] at a price equal to the principal amount of the Installment Payments to be prepaid, together with accrued interest thereon to the prepayment date, without premium.

(c) Except in connection with a security deposit as set forth in Section 6.03 hereof, the District shall be required to give the Lender written notice of its intention to prepay any Installment Payment under subsection (a) and (b) above at least thirty (30) days prior to the proposed prepayment date.

In the event that the Installment Payments shall have been prepaid by the District pursuant to subsection (b) above, the total amount of all future payments set forth in the schedules attached hereto as Exhibit A shall be reduced by the aggregate amount of such

Installment Payment so prepaid, as agreed to by the Lender. The District shall file a revised schedule of Installment Payments with the Lender.

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

Section 6.02. Method of Prepayment.

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

Section 6.03. Security Deposit.

Notwithstanding any other provision of this Installment Purchase Contract, the District may secure the payment of all or a portion of Installment Payments by a deposit with the Lender or, at the Lender's sole option, a bank or trust company acceptable to the Lender, as escrow holder under an escrow deposit and trust agreement, of either (i) cash in an amount which is sufficient to pay such unpaid Installment Payments, including the principal and interest components thereof, in accordance with the Installment Payment schedule set forth in Exhibit A attached hereto, or (ii) non-callable Federal Securities or pre-refunded non-callable municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, together with cash if required, in such amount as will, without re-investment, in the opinion of an independent certified public accountant (which opinion shall be addressed to the Lender), together with interest to accrue thereon, be fully sufficient to pay such unpaid Installment Payments on their payment dates so that such Installment Payments shall be defeased. In the event of any shortfall, the District shall deposit from legally available funds such amounts as is necessary to make up such shortfall.

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

ARTICLE VII
EVENTS OF DEFAULT AND REMEDIES

Section 7.01. Events of Default and Events of Mandatory Acceleration;
Acceleration of Maturities.

If one or more of the following Events of Default shall happen:

(a) default shall be made in the due and punctual payment by the District of any Installment Payment when and as the same shall become due and payable;

(b) default shall be made by the District in the performance of any of the agreements or covenants contained herein required to be performed by it, and such default shall have continued for a period of thirty (30) days after the District shall have been given notice in writing of such default by the Lender;

(c) any financial statement or certificate furnished to the Lender in connection with the execution of this Installment Purchase Contract, or any representation or warranty made by the District shall prove to be incorrect, false or misleading in any material respect when furnished or made;

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

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

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

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

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

Section 7.02. Application of Funds Upon Default.

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

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

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

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

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

Section 7.03. Other Remedies of the Lender.

The Lender may--

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

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

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

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

Section 7.04. Non-Waiver.

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

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

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

Section 7.05. Remedies Not Exclusive.

No remedy herein conferred upon or reserved to the Lender is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any other law.

ARTICLE VIII
MISCELLANEOUS

Section 8.01. Liability of District Limited.

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

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

Section 8.02. Benefits of Installment Purchase Contract Limited to Parties.

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

Section 8.03. Successor Is Deemed Included In All References to Predecessor.

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

Section 8.04. Waiver of Personal Liability.

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

Section 8.05. Article and Section Headings, Gender and References.

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

Section 8.06. Partial Invalidity.

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

Section 8.07. Assignment.

This Installment Purchase Contract and any rights hereunder, and any participation of the Installment Payments by the Lender, may be assigned by the Lender with notice to the District’s, subject to the provisions of Section 5.21(b) hereof. The District may not assign any of its rights hereunder, except as otherwise provided in Section 5.08 hereof.

Section 8.08. Waiver of Jury Trial; Agreement for Judicial Reference; No Sovereign Immunity.

To the fullest extent permitted by law, the District hereby waives its right to trial by jury in any action, proceeding and/or hearing on any matter whatsoever arising out of, or in any way connected with, the Installment Payments, this Installment Purchase Contract or any documents relating to the Installment Payments or this Installment Purchase Contract, or the

enforcement of any remedy under any law, statute, or regulation. To the extent such waiver is not enforceable, the District hereby consents to the adjudication of any and all such matters pursuant to Judicial Reference as provided in Section 638 of the California Code of Civil Procedure, and the judicial referee shall be empowered to hear and determine any and all issues in such Reference whether fact or law.

Section 8.09. California Law.

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

Section 8.10. Notices.

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

If to the District: Yosemite Alpine Community Services District
P.O. Box 31
Fish Camp, CA 93623
Attention: Chairman

If to the Lender: Umpqua Bank
2998 Douglas Boulevard, Suite 100
Roseville, CA 95661
Attn: Trevor Mael

Section 8.11. Effective Date.

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

Section 8.12. Execution in Counterparts.

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

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Section 8.13. Amendments.

The District may at any time amend or modify the definition of Project as set forth in this Installment Purchase Contract to provide for the designation of an Alternate Project as provided for in Section 2.01 hereof with the consent of the Lender, which shall not be unreasonably withheld. This Installment Purchase Contract may be amended in writing as may be mutually agreed by the District and the Lender. Any amendment made in violation of this Section 8.12 shall be a nullity and void.

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

YOSEMITE ALPINE COMMUNITY SERVICES DISTRICT

By: _____
Chairman

ATTEST:

By _____
Secretary

UMPQUA BANK

By: _____
Title: Vice President

EXHIBIT A
INSTALLMENT PAYMENT SCHEDULE

Due Date	Interest⁽¹⁾	Principal	Total	Outstanding Principal After Payment
11/1/18	\$ 2,808.49	\$ 5,390.00	\$ 8,198.49	\$349,890.00
5/1/19	9,219.60	5,390.00	14,609.60	344,500.00
11/1/19	9,077.58	8,590.00	17,667.58	335,910.00
5/1/20	8,851.23	8,580.00	17,431.23	327,330.00
11/1/20	8,625.15	9,040.00	17,665.15	318,290.00
5/1/21	8,386.94	9,040.00	17,426.94	309,250.00
11/1/21	8,148.74	9,520.00	17,668.74	299,730.00
5/1/22	7,897.89	9,530.00	17,427.89	290,200.00
11/1/22	7,646.77	10,040.00	17,686.77	280,160.00
5/1/23	7,382.22	10,030.00	17,412.22	270,130.00
11/1/23	7,117.93	10,560.00	17,677.93	259,570.00
5/1/24	6,839.67	10,580.00	17,419.67	248,990.00
11/1/24	6,560.89	11,140.00	17,700.89	237,850.00
5/1/25	6,267.35	11,130.00	17,397.35	226,720.00
11/1/25	5,974.07	11,720.00	17,694.07	215,000.00
5/1/26	5,665.25	11,730.00	17,395.25	203,270.00
11/1/26	5,356.16	12,350.00	17,706.16	190,920.00
5/1/27	5,030.74	12,360.00	17,390.74	178,560.00
11/1/27	4,705.06	13,020.00	17,725.06	165,540.00
5/1/28	4,361.98	13,010.00	17,371.98	152,530.00
11/1/28	4,019.17	13,710.00	17,729.17	138,820.00
5/1/29	3,657.91	13,710.00	17,367.91	125,110.00
11/1/29	3,296.65	14,440.00	17,736.65	110,670.00
5/1/30	2,916.15	14,440.00	17,356.15	96,230.00
11/1/30	2,535.66	15,210.00	17,745.66	81,020.00
5/1/31	2,134.88	15,210.00	17,344.88	65,810.00
11/1/31	1,734.09	16,030.00	17,764.09	49,780.00
5/1/32	1,311.70	16,020.00	17,331.70	33,760.00
11/1/32	889.58	16,880.00	17,769.58	16,880.00
5/1/33	444.79	16,880.00	17,324.79	0.00
Total	\$158,864.29	\$355,280.00	\$514,144.29	

⁽¹⁾ Applicable interest rate is 5.27% per annum. Default Rate of 8.27% per annum if an Event of Default occurs.