
INSTALLMENT PURCHASE CONTRACT

between the

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

and the

CSDA FINANCE CORPORATION

Dated as of July 1, 2026

**REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2026B
(WASTEWATER PROJECT)**

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INSTALLMENT PURCHASE CONTRACT

THIS INSTALLMENT PURCHASE CONTRACT, dated as of July 1, 2026 (the “Installment Purchase Contract”), by and between the **MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**, duly organized and existing as community services district under and by virtue of the laws of the State of California (the “District”), and the **CSDA FINANCE CORPORATION**, a nonprofit public benefit corporation duly organized and validly existing under the laws of the State of California (the “Corporation”);

WITNESSETH:

WHEREAS, the District is authorized by the laws of the State of California to construct capital improvements for the benefit of the District and its Enterprise (defined below) (as further described in Exhibit A, the “Project”) and to finance the construction of the Project through the execution of installment purchase contracts; and

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

[WHEREAS, the District has obtained a commitment from [_____] (the “Certificate Insurer”) to provide the Municipal Insurance Policy referenced herein and in the Trust Agreement; and]

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. All capitalized terms used in this Installment Purchase Contract and not defined herein shall have the meanings ascribed thereto in the Trust Agreement.

“*Accountant’s Report*” means a report signed by an Independent Certified Public Accountant.

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

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

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

“*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.

“*Certificate Year*” means the 12-calendar month period commencing on September 16 and terminating on September 15 of the following year; provided, that the first Certificate Year shall commence on the Closing Date and terminate on September 15, 2026.

“*Certificates*” means the District’s Revenue Certificates of Participation, Series 2026B (Wastewater Project).

“*Closing Date*” means July [], 2026.

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

“*Due Date*” means each September 8, 2026 and each March 8 and September 8 thereafter.

“*Enterprise*” means the entire wastewater collection, treatment and disposal system owned or operated by the District, including but not limited to all facilities, properties and improvements at any time owned or operated by the District for the collection, treatment and disposal of wastewater within the service area of the District, together with any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the District, including, without limitation, the Project.

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

“*Fiscal Year*” means the 12-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 its successor for public agencies 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 Governmental Accounting Standards Board or its successor, or by any other generally accepted authority on such principles.

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

“*Independent Certified Public Accountant*” means any certified public accountant or firm of certified public accountants duly licensed and entitled to practice, and practicing as such, and appointed and paid by the District, and each of whom:

- (a) is in fact independent and not under the domination of the District;
- (b) does not have a substantial financial interest, direct or indirect, in the operations of the District; and
- (c) is not connected with the District as a board member, officer or employee of the District, but may be regularly retained to audit the accounting records of and make reports thereon to the District.

“*Independent Financial Consultant*” means any financial consultant or firm of such consultants of national reputation generally recognized to be well qualified in financial matters relating to systems similar to the Enterprise, appointed and paid by the District, and who, or each of whom:

- (a) is in fact independent and not under the control of the District;
- (b) does not have a substantial financial interest, direct or indirect, in the District; and
- (c) is not connected with the District as a board member, officer or employee of the District, but may be regularly retained to make reports to the District.

“*Installment Payments*” means the installment payments of principal and interest scheduled to be paid by the District under this Installment Purchase Contract plus amounts required to be paid by the District hereunder and pursuant to the Trust Agreement.

“*Insurance Consultant*” means any nationally recognized independent actuary, insurance company or broker who has actuarial personnel knowledgeable with respect to insurance carried by, required for and available to special districts operating facilities similar to the Enterprise, including a pooled self-insurance program in which premiums are established on the basis of the recommendation of an actuary of national reputation.

“*Interest Payment Date*” means September 15, 2026 and each March 15 and September 15 thereafter.

“*Maintenance and Operation Costs*” of the Enterprise means the reasonable and necessary costs and expenses paid by the District to maintain and operate the Enterprise, including but not limited to: (a) costs of treating or disposing of sewage; (b) 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 (c) the reasonable administrative costs of the District attributable to the operation and maintenance of the Enterprise. Maintenance and Operation Costs do not include: (i) debt service payable on obligations incurred by the District with respect to the Enterprise, including but not limited to Debt Service Payments and any Parity Obligations; (ii) depreciation, replacement and obsolescence charges or reserves therefor; and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

“*Maximum Annual Debt Service*” means, as of the date of any calculation, the maximum sum obtained for the current or any future Fiscal Year so long as any of the Certificates remain Outstanding by totaling the following amounts for such Fiscal Year:

(a) the principal amount of the Certificates and Parity Obligations coming due and payable by their terms in such Fiscal Year, including the principal amount of any term Certificates and term Parity Obligations which are subject to mandatory sinking fund redemption in such Fiscal Year; and

(b) the amount of interest (net of any interest subsidy with respect to the Installment Payments or any Parity Obligations, paid or payable to or for the account of the District by any governmental body or agency) which would be due during such Fiscal Year on the aggregate principal amount of the Certificates and Parity Obligations which would be Outstanding in such Fiscal Year if such Certificates and Parity Obligations are retired as scheduled.

“*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 Revenues during such period less all of the Maintenance and Operation Costs during such period.

“*Outstanding*” has the same meaning as set forth in the Trust Agreement.

“*Outstanding Parity Obligations*” means SRF Agreement No. 3, the 2020 Installment Sale Agreement, the 2021 Wastewater Installment Purchase Contract and the SRF Microgrid Loan.

“*Parity Obligations*” means all bonds, notes, loan agreements, installment sale agreements, leases or other obligations of the District, including the Outstanding Parity Obligations, 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 4.03.

“*Project*” means the acquisition, installation and construction of certain improvements to the Enterprise, including but not limited to those improvements described in Exhibit A hereto, and any Alternate Project.

“*Rate Stabilization Fund*” means the Rate Stabilization Fund established pursuant to Section 3.06.

“*Reserve Requirement*” has the meaning provided in the Trust Agreement.

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

“*Revenues*” means all gross income and revenue received or receivable by the District from the ownership or operation of the Enterprise, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees, and charges (including connection fees and charges) as received by the District for the services of the Enterprise, and all other income and revenue howsoever derived by the District from the ownership or operation of the Enterprise or arising from the Enterprise, including all income from the deposit or investment of any money in the Revenue Fund, and any refundable deposits made to establish credit, and advances or contributions in aid of construction; provided, however, that Revenues shall be increased by the amounts, if any, transferred in accordance with Section 3.07 during such Fiscal Year or other period from the Rate Stabilization Fund to the Revenue Fund and shall be decreased by the amount of Revenues, if any, transferred in accordance with Section 3.06 during such Fiscal Year or other period from the Revenue Fund to the Rate Stabilization Fund. 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. Revenues shall also include interest with respect to any Parity Obligations reimbursed to or on behalf of the District by the United States of America pursuant to Section 54AA of the Internal Revenue Code of 1986, as amended (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009), or any future similar program.

“*SRF Agreement No. 3*” means the Installment Sale Agreement (Publicly Owned Treatment Works (POTW) Construction Financing Wastewater Management Facility Improvement Project Clean Water State Revolving Fund Project No. C-06-8034-110; Agreement No. D-15-01012), dated as of August 27, 2015, as amended by Amendment No. 1 thereto dated January 12, 2016, by and between the District and the California State Water Resources Control Board, as further amended from time to time.

“*SRF Microgrid Loan*” means the Construction Installment Sale Agreement MCSD Wastewater System Energy Efficiency and Renewable Energy Project (Project No. C-06-8221-110; Agreement No. D17-01033), dated June 20, 2018, by and between the District and the California State Water Resources Control Board, as amended from time to time.

“*Treasurer*” means the General Manager or the Finance Director of the District.

“*Trust Agreement*” means that Trust Agreement, dated as of July 1, 2026, among the District, the Corporation and the Trustee relating to the Certificates.

“*Trustee*” means U.S. Bank Trust Company, National Association, acting in its capacity as trustee under the Trust Agreement, or such successor as may be acting in such capacity pursuant to the Trust Agreement.

“*2020 Installment Sale Agreement*” means the Installment Purchase Contract, dated as of March 1, 2020, between the District and CSDA Finance Corporation.

“*2021 Wastewater Installment Purchase Contract*” means the Installment Purchase Contract, dated as of December 1, 2021, by and between the District and the Corporation, related to the District’s Revenue Certificates of Participation, Series 2021B (Wastewater Project).

ARTICLE II

ACQUISITION OF THE PROJECT

Section 2.01. Acquisition of the Project. The Corporation agrees to use or permit the use of the proceeds of the Certificates for the payment, as herein provided, of the costs and expenses of the Acquisition 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 Corporation, including costs and expenses paid by the District prior to the date hereof). To provide moneys for the Acquisition of the Project, the Corporation agrees to sell and hereby sells the Project to the District, and the District agrees to purchase and hereby purchases the Project from the Corporation.

The District may change the specifications of the Project, so long as such change does not substantially alter the nature of the Project; provided, however, that the District and the Corporation, may designate an Alternate Project but must first obtain an opinion of nationally recognized bond counsel to the effect that such Alternative Project will not affect the tax-exemption of the interest component of the Certificates. In the event that an Alternate Project is designated, the District shall certify in writing to the Trustee and the Corporation that Acquisition Costs shall not materially increase as a result from such change. In the event that Acquisition Costs shall materially increase as a result of the designation of an Alternate Project, prior to designating such Alternate Project the District shall either deposit in the Acquisition Fund an amount sufficient to pay such increase, or shall certify in writing to the Trustee and the Corporation that funds sufficient to pay such increase in Acquisition Costs are otherwise available to the District.

The Corporation agrees, upon the effective date hereof, to cause to be deposited with the Trustee the amounts set forth in the Trust Agreement. In the event that the money so deposited as first above provided is insufficient to pay all the costs of the Acquisition of the Project, the Corporation shall have no obligation whatsoever to use or provide any funds for the foregoing purposes other than the proceeds of the Certificates.

Upon the Closing Date, all of the Corporation's remaining interest in the Project, 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 Corporation to perform any obligations of any purchaser with respect to any contract or purchase order with respect to the Project.

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

Section 2.02. Indemnification and Expenses of Corporation. To the extent permitted by law, the District does hereby assume liability for, and agrees to defend, indemnify, protect, save and keep harmless the Corporation and its directors, officers, employees, 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 Corporation 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 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 Corporation therewith) or the Trust Agreement or any other agreements related thereto, or the enforcement of any of the terms thereof.

Section 2.03. District to Act As Agent; Corporation Not Liable. The Corporation hereby irrevocably appoints the District as its agent in connection with the Acquisition of the Project. The District, as the agent of the Corporation, shall cause such Acquisition of the Project to be completed as soon as is reasonably practicable and in accordance with this Installment Purchase Contract and the Trust Agreement and any applicable requirements of governmental authorities and law. The Corporation and its directors, officers and employees shall not be liable to the District or to any other party whomsoever for any death, injury or damage that may result to any person or property by or from any cause whatsoever in, on, or about or relating to the Project, and in no event shall the Corporation be liable for any incidental, indirect, special or consequential damage in connection herewith or arising hereunder.

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

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 Corporation hereunder for the Acquisition of the Project is \$[_____], plus: (a) interest thereon, calculated at the interest rates set forth in Section 2.02 of the Trust Agreement; and (b) all amounts, if any, required to be paid by the Corporation or the District under the Trust Agreement. The Installment Payments shall, subject to any rights of prepayment of the District provided in Article VI, be due in installments in the amounts and on the dates described in Exhibit B attached hereto and in Section 4.01 hereof.

Each Installment Payment shall be payable to the Corporation in accordance with the terms hereof and at the times required by Section 4.01 hereof in lawful money of the United States of America. In the event that the District fails to make any of the payments required to be made by it under this Section 3.01, such payment shall continue as an obligation of the District until such amount shall have been fully paid and the District agrees to pay the same with the stated interest thereon at the interest rates set forth in Section 2.02 of the Trust Agreement. In the event that an Installment Payment

is insufficient to make the payments of principal and interest represented by the Certificates on the next succeeding Interest Payment Date, due to investment losses incurred while on deposit in the Installment Payment Fund or for any other reason, the District shall immediately pay to the Trustee upon notice therefrom additional amounts to cure such insufficiency.

The obligation of the District to make the Installment Payments is absolute and unconditional, whether or not the Project shall be acquired, and until such time as all Installment Payments shall have been fully paid and the Certificates are no longer Outstanding (or provision for the payment thereof shall have been made pursuant to Article IX of the Trust Agreement), 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, any part thereof or the Project is operating or operable or has been completed, or whether or not the Enterprise or the Project 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 at the interest rates set forth in Section 2.02 of the Trust Agreement from the date of the execution and delivery of the Certificates 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 IX of the Trust Agreement, whether at maturity, upon prepayment or otherwise. Interest accrued on the Installment Payments from the date of the Certificates 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.

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 or the Trust Agreement.

Section 3.04. Pledge of Net Revenues and Other Funds; Revenue 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 Certificates remain outstanding. This pledge shall, subject to Section 7.02 of the Trust Agreement, 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 of the Revenues, together with any interest earned thereon, shall, so long as any Certificates shall be Outstanding under the Trust Agreement, be deposited with the Treasurer as received by the District in the Revenue Fund, which fund the District hereby covenants and agrees to maintain with the Treasurer so long as any Certificates shall be Outstanding under the Trust Agreement. The Revenue Fund may contain such accounts and subaccounts as are necessary under applicable District rules and procedures.

Section 3.05. Receipt and Deposit of Revenues. The District covenants and agrees that all Revenues, when and as received, will be received and held by the District in trust hereunder and will be deposited by the District with the Treasurer 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, whether held by the District as trustee or deposited with the Treasurer or the Trustee, 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 Revenues; Use and Withdrawal of Revenues. All Revenues in the Revenue Fund shall be set aside by the Treasurer or deposited by the Treasurer with the Trustee, or the trustee or fiscal agent with respect to Parity Obligations, as the case may be, as follows and in the following order of priority. Additionally, amounts may, from time to time as the District deems necessary or appropriate, be transferred from the Rate Stabilization Fund and deposited in the Revenue Fund, as provided in Section 3.07 hereof.

(a) ***Maintenance and Operation Costs.*** 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 or working capital 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. Pursuant to Section 5.07 hereof, the District shall annually prepare a budget for Maintenance and Operation Costs.

(b) ***Debt Service Accounts.*** The Installment Payments, and all other Parity Obligations, shall be paid in accordance with the terms hereof and the Trust Agreement, and of such Parity Obligations, without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference.

(c) ***Reserve Funds.*** Payments required with respect to Parity Obligations to replenish reserve accounts established therefor shall be made 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.

(d) ***General Expenditures/Rate Stabilization Fund.*** All Revenues remaining in the Revenue Fund on March 15 and September 15 of each year, after withdrawing all of the sums required to be withdrawn therefrom by the Treasurer by the provisions of Sections 3.06 (a), (b) and (c) hereof, or in connection with any Parity Obligation, may be withdrawn by the Treasurer for expenditure for any lawful purpose of the District. From time to time the District may deposit in the Rate Stabilization Fund, from remaining Net Revenues described in this paragraph (d) or other available funds of the District, such amounts as the District shall determine. The District may withdraw amounts from the Rate Stabilization Fund: (i) for transfer to the Revenue Fund for inclusion in Revenues for any Fiscal Year; or (ii) for any other lawful use of the District. All interest or other earnings upon deposits in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Revenues.

Section 3.07. Rate Stabilization Fund. There is hereby established a special fund designated as the “Rate Stabilization Fund” to be held by the District in trust, which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as any Installment Payments remain unpaid. Money transferred by the District from the Revenue Fund to the Rate

Stabilization Fund in accordance with Section 3.06 shall be held in the Rate Stabilization Fund and applied in accordance with this Installment Purchase Contract.

The District may withdraw all or any portion of the amounts on deposit in the Rate Stabilization Fund and transfer such amounts to the Revenue Fund for application in accordance with Section 3.06 hereof or, in the event that all or a portion of the Installment Payments are discharged in accordance with Article VI hereof, transfer all or any portion of such amounts for application in accordance with said Article VI. Amounts transferred from the Rate Stabilization Fund to the Revenue Fund pursuant to this Section 3.07 during or within 270 days after a Fiscal Year may be taken into account as Revenues for purposes of the calculations in Section 5.14 in such Fiscal Year.

Section 3.08. Certain Necessary Transfers. The parties hereto acknowledge that although all Parity Obligations are secured equally and ratably by Net Revenues, debt service and other funds with respect to Parity Obligations other than the Certificates may be held by the Trustee or by trustees other than the Trustee under documents and agreements other than the Trust Agreement and this Installment Purchase Contract, and this Installment Purchase Contract and the Trust Agreement impose no obligations upon the Trustee with respect to such other obligations. The Treasurer is hereby authorized to make such transfers from the Revenue Fund necessary to effectuate such Parity Obligations' parity claim on the Net Revenues contemplated hereby.

ARTICLE IV

DEPOSITS; ADDITIONAL CONTRACTS AND PARITY OBLIGATIONS

Section 4.01. Deposits to Installment Payment Fund. On the Due Date next preceding each Interest Payment Date, the District shall deposit with the Trustee, for deposit in the Installment Payment Fund, from amounts legally available therefor on deposit in the Revenue Fund, a sum equal to the amount of interest becoming due hereunder on the next Interest Payment Date plus the amount of principal becoming due hereunder on such Interest Payment Date.

The District shall be entitled to receive as of each Due Date credit against Installment Payments in an amount equal to the amount of any balance contained in the Installment Payment Fund prior to the Due Date for such Installment Payments (excluding money designated for the prepayment of Certificates).

All money in the Installment Payment Fund shall be used and withdrawn by the Trustee in accordance with the Trust Agreement.

Section 4.02. Reserved.

Section 4.03. Parity Obligations.

(a) So long as any Certificates are Outstanding, 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. The District may issue or incur any such Parity Obligations subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Parity Obligations:

(i) no Event of Default shall have occurred and be continuing; and

(ii) the Net Revenues, calculated in accordance with Generally Accepted Accounting Principles, either: (A) as shown by the books of the District for the latest Fiscal Year, as verified by a certificate of the District; or (B) as shown by the books of the District for any more recent 12-month period selected by the District, as verified by a certificate or opinion of an Independent Certified Public Accountant employed by the District, plus in either case (at the option of the District) the Additional Revenues, shall be at least equal to 120% of the amount of Maximum Annual Debt Service.

The provisions of Section 4.03(a)(ii) above shall not apply to any Parity Obligations if: (1) all of the proceeds of which (other than proceeds applied to pay costs of issuing such Parity Obligations and to make a deposit to any reserve fund established with respect to such Parity Obligations) shall be deposited in an irrevocable escrow held in cash or invested in Federal Securities for the purpose of paying the principal of and interest and premium, if any, on any Outstanding Certificates or on any outstanding Parity Obligations; (2) at the time of the incurring of such Parity Obligations, the District certifies in writing that maximum annual debt service on the refunding Parity Obligations will not exceed Maximum Annual Debt Service on the Outstanding Certificates or Parity Obligations being refunded; and (3) the final maturity of the refunding Parity Obligations is not later than the final maturity of the refunded Certificates or Parity Obligations.

The District may at any time execute contracts or issue bonds or other indebtedness payable from Net Revenues or the Revenue Fund payable on a subordinated basis to the payment of the Installment Payments.

(b) In order to maintain the parity relationship of the Installment Payments to all Parity Obligations permitted hereunder, the District covenants that all payments in the nature of principal and interest with respect to any Parity Obligations, except with respect to Governmental Loans, will be structured to occur semi-annually on the Due Dates and in each year as such payments are due with respect to the Installment Payments, and reserve account replenishment with respect to any Parity Obligations, except with respect to Governmental Loans, will be structured to occur monthly, and to otherwise structure the terms of such Parity Obligations to ensure that they are in all respects payable on a parity with the Installment Payments and not prior thereto; provided that the District shall not make a payment on such Governmental Loan to the extent that it would have the effect of causing the District to fail to pay Installment Payments on a timely basis. In such event, the District shall make Installment Payments and payments on such Governmental Loan on a pro rata basis.

ARTICLE V

REPRESENTATIONS, COVENANTS AND WARRANTIES

Section 5.01. Compliance with Installment Purchase Contract. The District will punctually pay the Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all of the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this Installment Purchase Contract for any cause whatsoever, including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, condemnation of the Project by any governmental entity, commercial frustration of purpose, any change in the tax or

other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Corporation to observe or perform any agreement, condition, covenant or term required to be observed and performed by it contained herein, whether express or implied, or any duty, liability or obligation arising out of or connected with this Installment Purchase Contract.

The District will faithfully observe and perform all of the agreements, conditions, covenants and terms contained in the Trust Agreement required to be observed and performed by it, and it is expressly understood and agreed by and among the parties to this Installment Purchase Contract and the Trust Agreement that each of the agreements, conditions, covenants and terms contained in the Trust Agreement and this Installment Purchase Contract is an essential and material term of the purchase of and any payment for the Project by the District.

The District will faithfully observe and perform all of the agreements, conditions, covenants and terms required to be observed and performed by it pursuant to all outstanding Parity Obligations as such may from time to time be amended.

Section 5.02. Against Encumbrances. The District hereby covenants 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 further 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 or other obligations permitted by Section 4.03 hereof, or subordinate to the pledge of Net Revenues herein.

Section 5.03. 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 1/2 of 1% of the book value of the Enterprise in any Fiscal Year, unless a Treasurer certifies that such sale, lease, encumbrance or disposition will not materially adversely affect the operation of the Enterprise or the Net Revenues; provided, however, that any real or personal property which has become nonoperative 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 5.14 hereof or which would otherwise impair the rights of the Certificate Owners or the operation of the Enterprise.

Section 5.04. Against Competitive Facilities. The District will not, to the extent permitted by law, acquire, maintain or operate and will not, to the extent permitted by law and its current contractual rights and obligations and within the reasonable scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, maintain or operate within the District any water system or sewer system competitive with the Enterprise.

Section 5.05. Tax Covenants. The District shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, the interest with respect to the Certificates to become includable in gross income for federal income tax purposes. To that end, the District hereby makes the following specific covenants:

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

(b) The District covenants that the proceeds of the Certificates will not be used so as to cause the proceeds of the Certificates 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.

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

Section 5.06. Prompt Acquisition. The District will acquire the Project with all practicable dispatch and such Acquisition will be made in an expeditious manner and in conformity with law so as to complete the same as soon as possible.

Section 5.07. Maintenance and Operation of the Enterprise; Budgets. The District will maintain and preserve the Enterprise in good repair and working order at all times and will operate the Enterprise in an efficient and economical manner and will pay all Maintenance and Operation Costs of the Enterprise as they become due and payable. On or before the first day of each Fiscal Year, the District will file with the Trustee a budget setting forth the estimated Maintenance and Operation Costs of the Enterprise for such Fiscal Year. The Trustee shall not be required to review, and shall not be deemed to have knowledge of, the contents of such budget, it being understood that the Trustee shall receive and hold such budget as repository for examination and copying by any Owner at such Owner’s expense.

Section 5.08. 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 or the Trustee prior or superior to the lien of the Installment Payments or which might impair the security of the Installment Payments.

Section 5.09. 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 5.10. Insurance

(a) The District will procure and maintain insurance on the Enterprise and the Project 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 connection with similar enterprises.

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 either: (i) to the repair, reconstruction or replacement of the damaged or destroyed portion of the Enterprise; or (ii) if the repair, reconstruction or replacement of the damaged or destroyed portion of the Enterprise is not essential to the efficient operation of the Enterprise and the maintenance of Net Revenues, to prepay, on a pro rata basis across

maturities, the Certificates and any outstanding Parity Obligations. The District shall cause such repair, reconstruction or replacement to begin promptly after such damage or destruction shall occur and to continue and 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 Article VI.

Alternatively, if the proceeds of such insurance are sufficient to enable the District to retire all outstanding Parity Obligations and the Certificates and all other amounts due hereunder and under the Trust Agreement, 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 the Installment Payments as provided in Article VI and to the payment of all other amounts due hereunder and under the Trust Agreement, and as otherwise required by the documents pursuant to which such Parity Obligations were issued.

(b) The District will procure and maintain public 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) All policies of insurance required to be maintained herein shall provide that the Trustee shall be given 30 days' written notice of any intended cancellation thereof or reduction of coverage provided thereby; provided, however, that the Trustee shall not be responsible for the sufficiency of any insurance herein required.

(e) 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 to the Trustee and the Corporation 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 May 1 of each year in which self-insurance is maintained, in writing to the Trustee and the Corporation that the District's general insurance reserves are actuarially sound and are adequate to provide the necessary coverage and the Trustee may conclusively rely thereon; and (iii) such reserves are held in a separate trust fund by an independent trustee. Any statements of self-insurance shall be delivered to the Trustee. The District shall pay or cause to be paid when due the premiums for all insurance policies required hereby.

Section 5.11. Books and Accounts; Financial Statements

(a) The District will keep proper books of record and accounts of the Enterprise, separate from all other records and accounts of the District, in which complete and correct entries shall be made of all transactions relating to the Enterprise. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Trustee or of the Owners of not less

than 10% of the principal amount of the Certificates then Outstanding or their representatives authorized in writing.

(b) The District will prepare and file with the Trustee annually, not later than March 31 after the end of each Fiscal Year so long as any of the Certificates are Outstanding (commencing with the Fiscal Year ending June 30, 2026):

(i) an audited financial statement for the District (prepared in accordance with Generally Accepted Accounting Principles) for the preceding Fiscal Year, together with an accountant's report thereon and along with a certificate of the District to the effect that no Event of Default has occurred, or if an Event of Default has occurred, specifying the nature thereof and, if the District has a right to cure pursuant to Section 7.01 hereof, stating in reasonable detail the measures, if any, being undertaken by the District to cure such Event of Default; and

(ii) a certified statement that all insurance required by this Installment Purchase Contract to be carried by the District with respect to the Enterprise is in full force and effect and complies with the terms hereof.

(c) The District will prepare annually not later than March 31 after the end of each Fiscal Year so long as any of the Certificates are Outstanding (commencing with the Fiscal Year ending June 30, 2026) a summary statement showing the amount of the Revenues and the disbursements from the Revenues, and the Maintenance and Operation Costs, in reasonable detail, for the preceding Fiscal Year, and a general statement of the financial and physical condition of the Enterprise. The District will furnish a copy of such summary statement to the Corporation, the Trustee and any Owner upon request.

(d) The Trustee shall not be required to review, verify, analyze or inspect, and shall not be deemed to have notice of, the contents of the books and records of the District, any financial statement or statement of insurance coverage delivered to the Trustee under this Section 5.11, it being expressly understood that the Trustee shall only receive and hold such documents as repository for examination and copying by any Owner at such Owner's expense during business hours on Business Days. The Trustee shall not be deemed to have notice of any information contained therein or default or Event of Default which may be disclosed therein in any manner.

Section 5.12. Protection of Security and Rights of Corporation; Amendment. The District will preserve and protect the security and the rights of the Corporation to the Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons. In connection therewith, the Corporation and the District shall not amend this Installment Purchase Contract without first obtaining an opinion of nationally recognized bond counsel to the effect that such amendment will not materially adversely affect the security of the Certificate Owners.

Section 5.13. 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 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 comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 5.14. Amount of Rates and Charges.

(a) To the fullest extent permitted by law, the District will fix and prescribe rates and charges in connection with the Enterprise as a whole which are reasonably expected to be at least sufficient to yield during each Fiscal Year Net Revenues equal to 120% of debt service on the aggregate amount of the Installment 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. For purposes of this calculation, amounts held by the District in the Rate Stabilization Fund as of the beginning of any Fiscal Year may, at the election of the District, be treated as Net Revenues which are received during such Fiscal Year, in an amount not exceeding 25% of the amount of principal of and interest on all outstanding Installment Payments and principal of and interest on any Parity Obligations issued or incurred after the date hereof payable from Net Revenues coming due and payable during such Fiscal Year.

(b) So long as the District has complied with its obligations set forth in Section 5.14(a) above, the failure of Net Revenues to meet the threshold set forth in Section 5.14(a) 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 5.14(a) at the commencement of the succeeding Fiscal Year.

Section 5.15. Operation of Enterprise; Collection of Rates and Charges. The District will, so long as the Certificates are Outstanding, continue to operate the Enterprise and shall have in effect at all times, except as otherwise provided by law, rules and regulations requiring all users of the Enterprise provided by the District that is provided or made available to pay the rates, fees and charges applicable to the Enterprise provided or made available to such users, and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after such bill becomes delinquent, the District, in accordance with law, may refuse to provide or make available the services provided by the Enterprise to such premises until all delinquent rates, fees and charges and penalties have been paid in full.

Except in connection with the receipt of federal or State funding, or as required by law or as a condition to the acquisition or operation of the Project or Enterprise, the District will not permit any part of the Enterprise, or any facility thereof, to be used, or taken advantage of, free of charge by any person, firm or corporation, or by any public agency (including the United States of America, the State of California and any public corporation, political subdivision, city, county, district or agency of any thereof), excepting only that the District may without charge use the services and facilities of the Enterprise.

Section 5.16. 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: (i) the District prepares a report showing: (A) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings; (B) 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 (C) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements; and (ii) on the basis of such certificate, the District 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 report 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 pursuant to Section 6.01 hereof, 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 the prepayment of Installment Payments as provided in Article VI hereof.

Section 5.17. Further Assurances. The District will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Corporation of the rights and benefits provided to it herein.

Section 5.18. Release and Indemnification Covenants. The District shall and hereby agrees to indemnify and save the Trustee, the Corporation and their officers, directors, agents, employees, successors and assigns harmless from and against all claims, losses, expenses and damages, including but not limited to legal fees and expenses, arising out of: (a) the use, maintenance, condition or management of, or from any work or thing done on, the Project by the District; (b) any breach or default on the part of the District in the performance of any of the District's obligations under this Installment Purchase Contract or the Trust Agreement; (c) any act of negligence of the District or of any of its contractors, servants, employees or licensees with respect to the Project; (d) 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 Project; or (e) the Acquisition of the Project or authorization of payment of the costs of the Acquisition of the Project, to the extent permitted by law. Indemnification for any tort mentioned in this Section shall exclude: (i) as to the Trustee and its officers and employees, those arising from the willful misconduct or negligence under the Trust Agreement by the Trustee; and (ii) as to the Corporation, and its officers and employees, those arising from the willful misconduct or negligence of the Corporation. The District further covenants and agrees to indemnify and save the Trustee and the Corporation harmless against any claim, loss, expense, advance and liabilities which they may incur arising out of or in the exercise and performance of their powers and duties under the Trust Agreement, the Assignment Agreement and this Installment Purchase Contract, and any document executed in connection herewith or therewith, including the costs and expenses (including attorneys' fees and disbursements) of defending against any claim of liability or enforcing any remedies, and which, in each case, are not due to such party's negligence or willful misconduct. The District further covenants and agrees to advance to the Trustee and the Corporation 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 or the removal or resignation of the Trustee pursuant to the Trust Agreement.

Section 5.19. Further Representations, Covenants and Warranties of the District. The District represents, covenants and warrants to the Corporation as follows:

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

(b) The constitution and the laws of the State of California authorize the District to enter into this Installment Purchase Contract and the Trust 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 this Installment Purchase Contract or the Trust 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 Trust Agreement in accordance with the laws of the State of California.

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

Section 5.20. Representations, Covenants and Warranties of the Corporation. The Corporation represents, covenants and warrants to the District as follows:

(a) The Corporation is a nonprofit, public benefit corporation duly organized, existing and in good standing under and by virtue of the laws of the State of California; has power to enter into this Installment Purchase Contract, the Assignment Agreement and the Trust Agreement; is possessed of full power to own and hold real and personal property and to sell the same; and has duly authorized the execution and delivery of all of the aforesaid agreements.

(b) The Corporation will not pledge or encumber the Installment Payments or other amounts derived from its other rights under this Installment Purchase Contract, except as provided under the terms of this Installment Purchase Contract, the Assignment Agreement and the Trust Agreement.

(c) Neither the execution and delivery of this Installment Purchase Contract, the Assignment Agreement or the Trust 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 Corporation is now a party or by which the Corporation 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 Corporation.

(d) Except as provided in this Installment Purchase Contract, the Trust Agreement and the Assignment Agreement, the Corporation will not assign this Installment Purchase Contract or

its right to receive Installment Payments from the District, or its duties and obligations under this Installment Purchase Contract to any other person, firm or corporation.

Section 5.21. 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 of the District related to the Certificates, dated as of the Closing Date. Notwithstanding any other provision of this Installment Purchase Contract, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, the Corporation may (and, at the request of any participating underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Certificates, shall, after receiving indemnification to its satisfaction) or any Owner may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the District to comply with its obligations under this Section.

Section 5.22. Certain Rights of Certificate Insurer. To the extent applicable to the provisions of this Installment Purchase Contract, the rights of the Insurer provided in Article X of the Trust Agreement are hereby incorporated herein by reference.

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 \$5,000, of the principal amount of the unpaid Installment Payments in the inverse order of the times they are due at a prepayment price equal to the sum of the principal amount prepaid plus accrued and unpaid interest thereon to the date of prepayment of the corresponding Certificates to be prepaid, without premium.

(b) The Installment Payments shall not be subject to optional prepayment prior to ____ 15, 20 __. The Installment Payments shall be subject to optional prepayment in whole or in part in any integral multiple of \$5,000, on ____ 15, 20 __ or any date thereafter, from any available source of funds, at a prepayment price equal to the principal amount of the Certificates to be prepaid from the proceeds of such prepayment pursuant to Section 4.01(b) of the Trust Agreement, together with accrued interest thereon to the prepayment date, without premium.

The District shall be required to give the Trustee written notice of its intention to prepay any Installment Payment under this Section 6.01(b) at least 60 days prior to the proposed prepayment date, and shall transfer to the Trustee all amounts required for such prepayment (except in the case of a prepayment from the proceeds of refunding obligations), at least 30, but not greater than 60, days prior to the date fixed for such prepayment.

In the event that the Installment Payments shall have been prepaid by the District pursuant to Section 6.01(a) or (b) above, the total amount of all future payments set forth in the schedule attached hereto as Exhibit B shall be reduced by the aggregate amount of such Installment Payment so prepaid, so that the remaining scheduled Installment Payments shall be sufficient to pay principal of and interest with respect to the Outstanding Certificates. The District shall file a revised schedule of Installment Payments with the Trustee.

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 Trustee, shall have been fully paid and the Certificates are no longer Outstanding (or provision for payment thereof shall have been made pursuant to Article IX of the Trust Agreement).

Section 6.02. Method of Prepayment. Before making any prepayment pursuant to Section 6.01, the District shall, within five days following the event permitting the exercise of such right to prepay or creating such obligation to prepay, give written notice to the Trustee describing such event and specifying the date on which the prepayment will be made, which date shall be not less than 60 days from the date that such notice is given.

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 or in the Trust Agreement required to be performed by it, and such default shall have continued for a period of 30 days after the District shall have been given notice in writing of such default by the Corporation or the Trustee;

(c) 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

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

then and in each and every such case during the continuance of such Event of Default, the Corporation 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 Section 7.01(c) 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 Trustee 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 Corporation and the Trustee, and any and all other defaults known to the Corporation (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 Corporation or provision deemed by the Corporation to be adequate shall have been made therefor, then and in every such case the Corporation, 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 Acceleration. All moneys and investments in the funds and accounts held hereunder and under the Trust Agreement (other than the Rebate Fund) upon the date of the declaration of acceleration as provided in Section 7.01 or after the occurrence and during the continuance of an Event of Default, and all Revenues thereafter received, shall be applied as provided for in Section 6.09 of the Trust Agreement.

Section 7.03. Other Remedies of the Corporation. The Corporation 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 the District's or such person's duties under applicable law and the agreements and covenants contained herein required to be performed by the District or such person;

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

(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 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 Corporation at the respective due dates or upon prepayment from the Revenues, or, except as expressly provided herein, shall affect or impair the right of the Corporation, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Corporation 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 Corporation 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 Corporation 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 Corporation.

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

Section 7.05. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Corporation 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, except with respect to the District's indemnification obligations to the Trustee hereunder and under the Trust Agreement, 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 and in the Trust Agreement 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 (except with respect to the District's indemnification obligations to the Trustee hereunder and under the Trust Agreement, the District shall be required to use such moneys are derived from a source legally available for such purpose, to the extent that the Net Revenues available in the Revenue Fund are insufficient for such indemnification).

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 and under the Trust Agreement, including but not limited to the Net Revenues and such other funds, but excluding the proceeds of any taxes, 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 and subject to the rights of the Trustee as the assignee under the Assignment Agreement, nothing contained herein, express or implied, is intended to give to any person other than the District or the Corporation 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 Corporation shall be for the sole and exclusive benefit of the other party.

Section 8.03. Successor Is Deemed Included in All References to Predecessor. Whenever the District or the Corporation is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the District or the Corporation, and all agreements and covenants required hereby to be performed by or on behalf of the

District or the Corporation shall bind and inure to the benefit of the respective successors thereof whether so expressed or not. To the extent that this Installment Purchase Contract confers upon or gives or grants to the Trustee any right, remedy or claim under or by reason of this Installment Purchase Contract, the Trustee is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

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

Section 8.07. Assignment. This Installment Purchase Contract and any rights hereunder shall be assigned by the Corporation, in accordance with the Assignment Agreement, to the Trustee or any successor in interest to the Trustee, without the necessity of obtaining the prior consent of the District. The District may not assign any of its rights hereunder.

Section 8.08. Net Contract. This Installment Purchase Contract shall be deemed and construed to be a net-net-net contract, and the District shall pay absolutely net during the term hereof the Installment Payments and all other payments required hereunder free of any deductions and without abatement, diminution or setoff whatsoever.

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:

to the District: McKinleyville Community Services District
1656 Sutter Road
McKinleyville, CA 95519
Attention: General Manager

to the Corporation: CSDA Finance Corporation
1112 I Street, Suite 200
Sacramento, CA 95814
Attention: Administrator

to the Trustee: U.S. Bank Trust Company, National Association
1 California Street, Suite 1000
San Francisco, CA 94111
Attention: Corporate Trust Services

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 and the Certificates are no longer Outstanding (or provision for the payment thereof shall have been made to the written satisfaction of the Corporation pursuant to Article IX of the Trust Agreement); provided that the obligation of the District to compensate the Trustee, and indemnify the Corporation and the Trustee, 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. A signed and delivered facsimile copy of this Installment Purchase Contract or a signed copy transmitted electronically in a portable document format (PDF), shall be binding on the party signing the facsimile or electronically transmitted copy, and such copy shall have the same effect as the original. Any party who delivers such a signature page agrees to later deliver an original counterpart to any party which requests it.

Section 8.13. Amendments. The District may at any time amend or modify Exhibit A of this Installment Purchase Contract to provide for the designation of an Alternate Project as provided for in Section 2.01 hereof without the consent of the Trustee, the Corporation or any of the Certificate Owners.

This Installment Purchase Contract may be amended in writing as may be mutually agreed by the District and the Corporation, with the written consent of the Owners of a majority of the aggregate principal evidenced by the Certificates then Outstanding; provided, however, that no such amendment shall: (i) extend the payment date of any Installment Payment or reduce the amount of any Installment Payment, or the interest rate applicable thereto, without the prior written consent of the Owner of each Certificate so affected; (ii) reduce the percentage of Owners whose consent is required for any amendment hereof without the prior written consent of the Owners of all Certificates then Outstanding; or (iii) amend this Section without the prior written consent of the Owners of all Certificates then Outstanding.

This Installment Purchase Contract and the rights and obligations of the District and the Corporation hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution by the District and the Corporation,

without the written consents of any Owners, but only to the extent permitted by law and only for any one or more of the following purposes:

(a) to add to the agreements, certifications, covenants and terms required by the Corporation or the District to be observed or performed herein other agreements, certifications, covenants and terms thereafter to be observed or performed by the Corporation or the District, or to surrender any right or power reserved herein to or conferred herein on the Corporation or the District, and which in either case shall not materially adversely affect the interests of the Owners;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Corporation or the District may deem desirable or necessary and not inconsistent herewith, and which shall not materially adversely affect the interests of the Owners;

(c) to make such additions, deletions or modifications as may be necessary or appropriate to assure the exclusion of interest from federal or State income taxes; and

(d) to make such other changes herein or modifications hereto as the Corporation or the District may deem desirable or necessary, and which shall not materially adversely affect the interests of the Owners.

Any amendment made in violation of this Section 8.13 shall be a nullity and void.

No amendment affecting the rights or obligations of the Trustee hereunder shall be made without the Trustee's consent. If the Trustee's consent is so required, the Trustee shall be entitled to receive and rely upon an opinion of counsel to the effect that such amendment is authorized or permitted hereunder and complies with this Section 8.13.

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

**MCKINLEYVILLE COMMUNITY
SERVICES DISTRICT**

By _____
Patrick Kaspari, P.E.
General Manager

CSDA FINANCE CORPORATION

By _____
Neil McCormick
Chief Executive Officer

[Signature Page to Installment Purchase Contract]
Series 2026B (Wastewater Project)

EXHIBIT A

COMPONENTS OF THE PROJECT

The Project consists of the following:

Component	Estimated Cost
Wastewater System Collection Upgrades/Highway Undercrossing	\$4,000,000
Letz Force Main Replacement	250,000
Wastewater Management Facility Sludge Disposal and Handling Upgrades	1,000,000
Sewer Lift Station Upgrades – B Street	800,000
Sewer Lift Station Upgrades – Fischer	<u>1,250,000</u>
Total	<u>\$7,300,000</u>

EXHIBIT B

INSTALLMENT PAYMENT SCHEDULE

<i>Due Date*</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total Payment</i>
9/15/2026	\$	\$	\$
3/15/2027			
9/15/2027			
3/15/2028			
9/15/2028			
3/15/2029			
9/15/2029			
3/15/2030			
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