

**Mission statement of McKinleyville Community Services District:**  
“Provide McKinleyville with safe and reliable water, wastewater, lighting, open space, parks and recreation, library services, and other appropriate services for an urban community in an environmentally and fiscally responsible manner.”

**NOTICE IS HEREBY GIVEN THAT A SPECIAL MEETING OF THE  
MCKINLEYVILLE COMMUNITY SERVICES DISTRICT BOARD OF DIRECTORS  
WILL BE HELD**

**THURSDAY, NOVEMBER 18, 2021 AT 6:00pm**

**LOCATION: MCSD Office Conference Room  
1656 Sutter Road  
McKinleyville, CA 95519**

**Or**

**TELECONFERENCE Via ZOOM & TELEPHONE:**

**Use ZOOM MEETING ID: 859 4543 6653 (<https://us02web.zoom.us/j/85945436653>) or DIAL  
IN TOLL FREE: 1-888-788-0099 (No Password Required!)**

To participate in person, please come to the MCSD Office Conference Room. Masks will be required

To participate by teleconference, please use the toll free number listed above, or join through the internet at the Zoom App with weblink and ID number listed above, or the public may submit written comments to the Board Secretary at: [comments@mckinleyvillecsd.com](mailto:comments@mckinleyvillecsd.com) up until 4:30 p.m. on Wednesday, November 17, 2021.

All Public Comment received before the above deadline will be provided to the Board at 9 a.m. on Thursday, November 18, 2021 in a supplemental packet information that will also be posted on the website for public viewing.

Please note that, due to potential technical difficulties, the connectivity and/or quality of the Zoom meeting cannot be guaranteed. **If you have public input to provide on an agenda item, it is recommended you attend in person at the MCSD Office Conference Room or submit written comments as outlined above.**

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**AGENDA**  
**6:00 p.m.**

**A. CALL TO ORDER**

- A.1 Roll Call
- A.2 Pledge of Allegiance
- A.3 Approval of the Agenda

## **B. PUBLIC COMMENT AND WRITTEN COMMUNICATIONS**

*Any person may address the Board at this time upon any subject not identified on this Agenda but within the jurisdiction of the McKinleyville Community Services District; however, any matter that requires action will be referred to staff for a report of action at a subsequent Committee or Board meeting. As to matters on the Agenda, an opportunity will be given to address the Board when the matter is considered. **Comments are limited to 3 minutes.** Letters should be used for complex issues.*

## **C. NEW BUSINESS**

- |     |  |               |
|-----|--|---------------|
| C.1 | Consider Adoption of Resolution 2021-32 Approving Installment Purchase Contracts, Trust Agreements, a Certificate Purchase Agreement, a Continuing Disclosure Certificate and an Official Statement; Making Certain Determinations Relating thereto; and Authorizing Certain Other Actions in Connection therewith | <b>Pg.3</b>   |
|     | Attachment 1 – Resolution 2021-32  | <b>Pg.5</b>   |
|     | Attachment 2 – Installment Purchase Contracts  | <b>Pg.10</b>  |
|     | Attachment 3 – Trust Agreements  | <b>Pg.76</b>  |
|     | Attachment 4 – Certificate Purchase Agreements   | <b>Pg.176</b> |
|     | Attachment 5 – Preliminary Official Statement including the Form of Continuing Disclosure Certificate in Appendix D  | <b>Pg.224</b> |

## **D. ADJOURNMENT**

### **Posted 5:00 pm on November 12, 2021**

*Pursuant to California Government Code Section 54957.5, this agenda and complete Board packet are available for public inspection on the web at [McKinleyvillecsd.com/minutes](http://McKinleyvillecsd.com/minutes) or upon request at the MCSD office, 1656 Sutter Road, McKinleyville. A complete packet is also available for viewing at the McKinleyville Library at 1606 Pickett Road, McKinleyville. If you would like to receive the complete packet via email, free of charge, contact the Board Secretary at (707)839-3251 to be added to the mailing list.*

*McKinleyville Community Services District will, on request, make agendas available in appropriate alternative formats to persons with a disability, as required by Section 202 of the Americans with Disabilities Act of 1990 (42 U.S.C. Sec. 12132), and the federal rules and regulations adopted in implementation thereof. Individuals who need this agenda in an alternative format or who need a disability-related modification or accommodation in order to participate in the meeting should contact the Board Secretary at (707) 839-3251. Notification 48 hours prior to the meeting will enable the District to make reasonable arrangements for accommodations.*

# McKinleyville Community Services District

## BOARD OF DIRECTORS

November 18, 2021

TYPE OF ITEM: **ACTION**

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**ITEM: C.1**                      **Consider Adoption of Resolution 2021-32 Approving Installment Purchase Contracts, Trust Agreements, a Certificate Purchase Agreements, a Continuing Disclosure Certificate and an Official Statement; Making Certain Determinations Relating thereto; and Authorizing Certain Other Actions in Connection therewith**

**PRESENTED BY:**              **Pat Kaspari, General Manager**

**TYPE OF ACTION:**          **Roll Call Vote**

### **Recommendation:**

Staff recommends that the Board of Directors review the material provided, ask questions, invite public participation and comments, and approve Resolution 2021-32 approving installment purchase contracts, trust agreements, certificate purchase agreements, a continuing disclosure certificate and an official statement; making certain determinations relating thereto; and authorizing certain other actions in connection therewith.

### **Discussion:**

As discussed at the September 8 and October 6, 2021 Board Meetings, the District is required to match \$17.2M in secured grant funding with \$2.6M for the construction of the 4.5-MG water storage tank, and \$1.7M for replacement of the District's three Highway 101 sewer crossings, for a total of \$4.3M of financing required. These are critical infrastructure projects for the District that will provide needed resilience for the water and wastewater systems for McKinleyville. In addition, the District is beginning a \$4M water and sewer main replacement project to replace the mains along Central Avenue from Sutter to Hiller.

Previous discussions of the financing had also recommended that the District take this opportunity to refinance the existing \$1.1M Davis Grundsky loan; however, while finalizing the financing, it was determined that this may muddy the tax-exempt status of the Bond issuance, and so this option is no longer being considered. The District's total financing need for the next 3 to 5 years is approximately \$8.8M.

As presented in September and October, the District has been researching funding options with Brandis Tallman/Oppenheimer to take advantage of historic low interest rates. The most cost-effective option was determined to be a \$8,814,116 public offering bond sale (\$4,851,959 water & \$3,962,157 sewer) under a 30-year financing scenario.

The All-In True Interest cost for this option is estimated to be 3.06%. **Exhibit A to Attachment 1**, Resolution 2021-32, outlines the Good Faith Estimate of the sale of the Series A (Water) and Series B (Wastewater) bond. **Attachments 2 through 5** are the associated documents that the Board is approving in their approval of Resolution 2021-32.

**Alternatives:**

Staff analysis consists of the following potential alternative

- Take No Action

**Fiscal Analysis:**

Bond sales will fund the District grant match required for the design, permitting and construction of the 4.5MG Water Storage Tank (District match - \$2,58,820) and three Highway 101 sewer main crossing (District match = \$1,690,033) project as well as \$2M each for the Central Avenue water and sewer main replacement project.

**Environmental Requirements:**

Not applicable

**Exhibits/Attachments:**

- Attachment 1 – Resolution 2021-32
- Attachment 2 – Installment Purchase Contracts
- Attachment 3 – Trust Agreements
- Attachment 4 – Certificate Purchase Agreements
- Attachment 5 – Preliminary Official Statement including the Form of Continuing Disclosure Certificate in Appendix D

**RESOLUTION NO. 2021-32**

RESOLUTION OF THE MCKINLEYVILLE COMMUNITY SERVICES DISTRICT APPROVING INSTALLMENT PURCHASE CONTRACTS, TRUST AGREEMENTS, CERTIFICATE PURCHASE AGREEMENTS, A CONTINUING DISCLOSURE CERTIFICATE AND AN OFFICIAL STATEMENT; MAKING CERTAIN DETERMINATIONS RELATING THERETO; AND AUTHORIZING CERTAIN OTHER ACTIONS IN CONNECTION THEREWITH.

**WHEREAS**, the McKinleyville Community Services District (the “District”) is a community services district duly organized and validly existing under the laws of the State of California; and

**WHEREAS**, the District is authorized to sell and purchase its property to finance and refinance public capital improvements, including improvements to the District’s water system and wastewater system, primarily consisting of a 4.5 million gallon water tank, highway sewer undercrossings and a water/sewer mainline replacement (collectively, the “Project”); and

**WHEREAS**, in order to finance the Project, the District has determined to enter into two separate Installment Purchase Contracts with the CSDA Finance Corporation (the “Corporation”) pursuant to which the Corporation will acquire the Project on behalf of the District and the District will purchase the Project from the Corporation; and

**WHEREAS**, under and pursuant to such Installment Purchase Contracts, the District will be obligated to make certain Installment Payments (as defined in each Installment Purchase Contract) and interest thereon to the Corporation; and

**WHEREAS**, the District has determined that it would be in the best interests of the District and the customers served by the District to authorize the preparation, execution and delivery of Revenue Certificates of Participation, Series 2021A (Water Project) (the “Series A Certificates”) and Revenue Certificates of Participation, Series 2021B (Wastewater Project) (the “Series B Certificates,” and together with the Series A Certificates, the “Certificates”), in a principal amount sufficient to finance the Project, which Certificates shall be payable from the Installment Payments made by the District under and pursuant to the Installment Purchase Contracts and the other sources provided for in two separate Trust Agreements, all under and in accordance with the laws of the State of California; and

**WHEREAS**, the United States Treasury Department has issued Treasury Regulation Section 1.150-2 (the “Reimbursement Regulations”) constituting final regulations with respect to the use of proceeds of a tax-exempt financing for reimbursement purposes and, to comply with the Reimbursement Regulations in the event such reimbursements are deemed necessary, the District intends to declare its official intent to be reimbursed for costs of the Project with proceeds of future taxable or

tax exempt borrowings, including but not limited to the Installment Purchase Contracts; and

**WHEREAS**, Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) (“SB 450”) requires that the Board of Directors of the District (the “Board”) obtain from an underwriter, municipal advisor or private lender and disclose, prior to authorization of the issuance of bonds, including debt instruments such as the Certificates, with a term of greater than 13 months, good faith estimates of the following information in a meeting open to the public: (a) the true interest cost of the Certificates; (b) the sum of all fees and charges paid to third parties with respect to the Certificates; (c) the amount of proceeds of the Certificates expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest paid or funded with proceeds of the Certificates; and (d) the sum total of all debt service payments on the Certificates calculated to the final maturity of the Certificates plus the fees and charges paid to third parties not paid with the proceeds of the Certificates; and

**WHEREAS**, in compliance with SB 450, the Board obtained from the District’s municipal advisor, the required good faith estimates and such estimates are disclosed and set forth on Exhibit A attached hereto; and

**WHEREAS**, there have been presented at this meeting forms of the Installment Purchase Contracts, Trust Agreements, Certificate Purchase Agreements, a Continuing Disclosure Certificate and a preliminary official statement.

**NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE MCKINLEYVILLE COMMUNITY SERVICES DISTRICT AS FOLLOWS:**

**Approval of Installment Purchase Contracts.** The forms of Installment Purchase Contracts, each to be dated as of the first day of the month in which the Certificates are executed and delivered (each an “Installment Purchase Contract,” and collectively, the “Installment Purchase Contracts”), between the District and the Corporation, as presented to the District at this meeting, are hereby approved. The President of the Board of Directors, the General Manager, the Finance Director and the District Secretary or any other officers duly designated by the District (the “Officers”) are hereby authorized and directed, for and on behalf of the District, to execute, acknowledge and deliver the Installment Purchase Contracts, in substantially the forms presented to the District at this meeting, with such changes therein as such Officers may require or approve, with the advice and approval of counsel to the District, such approval to be conclusively evidenced by the execution and delivery thereof.

**Approval of Trust Agreements.** The proposed forms of the Trust Agreement each to be dated as of the first day of the month in which each series of the Certificates are executed and delivered (each, a “Trust Agreement,” and collectively, the “Trust Agreements”), among the Corporation, The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”) and the District, as presented to the District at this meeting, are hereby approved. Each of the Officers is hereby authorized and directed, for and on behalf of the District, to execute, acknowledge and deliver the Trust

Agreements, in substantially the forms presented to the District at this meeting, with such changes therein as such Officers may require or approve, with the advice and approval of counsel to the District, such approval to be conclusively evidenced by the execution and delivery thereof. In connection therewith, the District approves the execution and delivery of the Series A Certificates so long as the maturity does not exceed August 1, 2051, the aggregate true interest cost does not exceed 3.75%, and the aggregate principal amount does not exceed \$5,500,000. In connection therewith, the District approves the execution and delivery of the Series B Certificates so long as the maturity does not exceed September 15, 2051, the aggregate true interest cost does not exceed 3.75%, and the aggregate principal amount does not exceed \$4,500,000.

**Approval of Certificate Purchase Agreements.** The forms of Certificate Purchase Agreements (the “Certificate Purchase Agreements”), each between the District and Oppenheimer & Co. Inc. (the “Underwriter”), as presented to the District at this meeting, are hereby approved. Each of the Officers is hereby authorized and directed, for and on behalf of the District, to execute, acknowledge and deliver the Certificate Purchase Agreements, in substantially the forms presented to the District at this meeting, with such changes therein as such Officers may require or approve, with the advice and approval of counsel to the District, such approval to be conclusively evidenced by the execution and delivery thereof.

**Approval of Preliminary and Final Official Statement.** The form of Preliminary Official Statement as presented to the District at this meeting, is hereby approved. Each of the Officers is hereby authorized and directed, for and on behalf of the District, to execute all certificates necessary to deem final the Preliminary Official Statement as of its date within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, with the exception of certain final pricing and related information. Each of the Officers is hereby authorized and directed, for and on behalf of the District, to execute and deliver the final Official Statement when completed. The use and distribution of said Preliminary Official Statement and use and distribution of the final Official Statement in connection with the sale of the Certificates is hereby ratified and approved.

**Approval of Continuing Disclosure Certificate.** The proposed form of the Continuing Disclosure Certificate (the “Continuing Disclosure Certificate), to be executed by the District, as presented to the District at this meeting, is hereby approved. Each of the Officers is hereby authorized and directed, for and on behalf of the District, to execute, acknowledge and deliver the Continuing Disclosure Certificate, in substantially the form presented to the District at this meeting, with such changes therein as such Officers may require or approve, with the advice and approval of counsel to the District, such approval to be conclusively evidenced by the execution and delivery thereof.

**Municipal Bond Insurance.** The Board of Directors of the District hereby authorizes the General Manager to select a municipal bond insurer to insure payments of principal of and interest on all or a portion of the Certificates so long as the General

Manager determines that obtaining the municipal bond insurance policy provided thereby will result in a lower interest rate or yield to maturity with respect to such Certificates. Further, the Board of Directors of the District hereby authorizes the General Manager to select a municipal bond insurer to provide a reserve fund surety bond to be deposited into the reserve fund for the Certificates, so long as the General Manager determines that obtaining the reserve fund surety will be cost effective to the District. Each of the Officers is hereby authorized to execute and deliver any customary agreement with the municipal bond insurer providing the reserve fund surety bond. Kutak Rock LLP, special counsel, is hereby directed to make all changes to the Trust Agreements, the Installment Purchase Contracts, the Preliminary Official Statement, the Certificate Purchase Agreements and the Continuing Disclosure Certificate, as are necessary to reflect the selection of a municipal bond insurer and/or reserve fund surety bond and the reasonable comments thereof.

**Financial Covenants.** Notwithstanding anything to the contrary in this Resolution, the District, with the advice of the municipal advisor, District Counsel and Kutak Rock LLP, special counsel, may modify the financial covenants and requirements set forth in the Installment Purchase Contracts and Trust Agreements, including, but not limited to, the parity obligations test, rate covenant and the necessity of a reserve fund for the Certificates, to the extent such revisions are deemed necessary or desirable by the District for the execution and delivery of the Certificates based on advice from the District's municipal advisor, District Counsel and Kutak Rock LLP, special counsel; provided, however, that any such modifications or revisions shall not materially increase the financial or operational risks to the District and shall otherwise be subject to the terms hereof.

**Declaration of Official Intent.** The District hereby declares its official intent, pursuant to the Reimbursement Regulations, to permit the District to reimburse itself from proceeds of the Certificates in the amount of up to the aggregate principal amount referred to in Section 2 above for certain expenditures for the Project that may have been paid by the District from other available moneys of the District prior to issuance of the Certificates.

**Other Acts.** The Officers and staff of the District are hereby authorized and directed, jointly and severally, to do any and all things, to execute and deliver any and all documents, which in consultation with District Counsel and Kutak Rock LLP, special counsel, they may deem necessary or advisable in order to effectuate the purposes of this Resolution, including without limitation, obtaining insurance with respect to the payment of the interest and principal represented by the Certificates or ratings on the Certificates, and any and all such actions previously taken by such Officers or staff members are hereby ratified and confirmed.

**Effective Date.** This Resolution shall take effect upon adoption.

**ADOPTED, SIGNED AND APPROVED** at a duly called meeting of the Board of Directors of the McKinleyville Community Services District on November 18, 2021 by the following polled vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Dennis Mayo, Board President

Attest:

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April Sousa, MMC, Board Secretary

**INSTALLMENT PURCHASE CONTRACT**

between the

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**

and the

**CSDA FINANCE CORPORATION**

Dated as of December 1, 2021

**REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021A  
(WATER PROJECT)**

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## INSTALLMENT PURCHASE CONTRACT

**THIS INSTALLMENT PURCHASE CONTRACT**, dated as of December 1, 2021 (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 a 4.5 million gallon water tank and a water/sewer mainline replacements for the benefit of the District and its Enterprise (defined below) (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 and refinancing 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;

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 August 2 and terminating on August 1 of the following year; provided, that the first Certificate Year shall commence on the Closing Date and terminate on August 1, 2022.

“*Certificates*” means the District’s Revenue Certificates of Participation, Series 2021A (Water Project).

“*Closing Date*” means December \_\_\_\_, 2021.

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

“*Due Date*” means each January 15 and July 15, commencing July 15, 2022.

“*Enterprise*” means all water enterprise system facilities owned by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be a part of the water enterprise system, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed excluding all sewer and wastewater system facilities owned by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be part of the sewer and wastewater system.

“*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, including, without limitation (except when calculating the Reserve Requirement), amounts necessary to replenish the Reserve Fund.

“*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 each February 1 and August 1, commencing on February 1, 2022.

“*Maintenance and Operation Costs*” of the Enterprise means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Enterprise, determined in accordance with generally accepted accounting principles, including all reasonable expenses of

management and repair and all other expenses necessary to maintain and preserve the Enterprise in good repair and working order, and including all administrative costs of the District that are charged directly or apportioned to the operation of the Enterprise, such as salaries and wages of employees, overhead, taxes (if any), the cost of permits and licenses to operate the Enterprise and insurance premiums, and including all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms hereof; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles.

“*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 the 2011 Enterprise Fund Installment Sale Agreement.

“*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, the construction of a 4.5 million gallon water tank and a water/sewer mainline replacements to the Enterprise as 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 and operation of the Enterprise, calculated in accordance with Generally Accepted Accounting Principles, including all rates, fees, and charges received by the District for water service, the proceeds of any standby water availability charges or connection fees collected by the District and all other income and revenue howsoever derived by the District from the Enterprise or arising from the Enterprise; provided, however, that the following are not Revenues and are not subject to the lien of the Installment Purchase Contract: (a) 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; (b) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District; (c) grants which are designated by the grantor for a specific purpose and are therefore not available; or (d) Net Proceeds of eminent domain proceedings and casualty insurance maintained by the District with respect to the Enterprise to the extent such proceeds are not promptly applied by the District to the repair or replacement of the Enterprise; 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.

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

“*Trust Agreement*” means that Trust Agreement, dated as of December 1, 2021, among the District, the Corporation and the Trustee relating to the Certificates.

“*Trustee*” means The Bank of New York Mellon Trust Company, N.A., 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.

“*2011 Enterprise Fund Installment Sale Agreement*” means the Enterprise Fund Installment Sale Agreement (Agreement No. CIEDB-B08-098), dated September 16, 2011, between the District and the California Infrastructure and Economic Development Bank.

## 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 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 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 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 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 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 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; (b) the amounts, if any, required to be paid hereunder to replenish the Reserve Fund; and (c) 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 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 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 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 hereunder, or with respect to Parity Obligations, to replenish reserve accounts established therefor or hereunder 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 February 1 and August 1 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 Net Revenues described in this paragraph (d) such amounts as the District shall determine. 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 the 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 the Installment Purchase Contract, and the 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 Due Date credit against Installment Payments 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. Reserve Fund.** If amounts on deposit in the Reserve Fund shall, at any time, be less than the Reserve Requirement, such deficiency shall be made up by the District from the first available Net Revenues after required payment of Installment Payments over a 12-month period, in 12 substantially equal payments.

No deposit need be made in the Reserve Fund if the amount available and contained therein (valued from time to time in accordance with the Trust Agreement) is at least equal to the Reserve Requirement.

#### **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 ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which such Parity Obligation is authorized, 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 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 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 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 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, 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 as to cause the proceeds on 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 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 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, 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, 2021):

(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 Agreement 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, 2021) 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) 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 5.14(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 and the Corporation, their officers, directors, agents, employees, successors or 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 the 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 the 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 the 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 the 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 the 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 the Installment Purchase Contract, except as provided under the terms of the Installment Purchase Contract, the Assignment Agreement and the Trust Agreement.

(c) Neither the execution and delivery of the 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 the Installment Purchase Contract, the Trust Agreement and the Assignment Agreement, the Corporation 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.

**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 Agreement of the District, dated as of the date hereof. Notwithstanding any other provision of this Installment Purchase Contract, failure of the District to comply with the Continuing Disclosure Agreement 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 August 1, 20\_\_\_. The Installment Payments shall be subject to optional prepayment in whole or in part in any integral multiple of \$5,000, on any date on or after August 1, 20\_\_\_, from any available source of funds, at the 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 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 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 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 or the Reserve 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 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:           The Bank of New York Mellon Trust Company, N.A.  
400 Hope Street, Ste 500  
Los Angeles, CA 90071  
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 the Installment Purchase Contract by their officers thereunto duly authorized as of the day and year first written above.

**MCKINLEYVILLE COMMUNITY  
SERVICES DISTRICT**

By \_\_\_\_\_  
General Manager

**CSDA FINANCE CORPORATION**

By \_\_\_\_\_  
Authorized Representative

**EXHIBIT A**

**COMPONENTS OF THE PROJECT**

The Project consists of the following:

<b>Component</b>	<b>Estimated Cost</b>
4.5 Million Gallon Water Tank	
Water/sewer mainline replacement	
Total	\$

**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>
	\$_____	\$_____	\$_____

**INSTALLMENT PAYMENT SCHEDULE (CONT.)**

<i>Due Date</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total Payment</i>
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*TOTAL*

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**INSTALLMENT PURCHASE CONTRACT**

between the

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**

and the

**CSDA FINANCE CORPORATION**

Dated as of December 1, 2021

**REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021B  
(WASTEWATER PROJECT)**

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## INSTALLMENT PURCHASE CONTRACT

**THIS INSTALLMENT PURCHASE CONTRACT**, dated as of December 1, 2021 (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 highway sewer undercrossings and a water/sewer mainline replacements for the benefit of the District and its Enterprise (defined below) (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;

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, 2022.

“*Certificates*” means the District’s Revenue Certificates of Participation, Series 2021B (Wastewater Project).

“*Closing Date*” means December \_\_\_\_, 2021.

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

“*Due Date*” means each March 8 and September 8, commencing March 8, 2022.

“*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, including, without limitation (except when calculating the Reserve Requirement), amounts necessary to replenish the Reserve Fund.

“*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 each March 15 and September 15, commencing on March 15, 2022.

“*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 the 1982 Sewer Bonds, the SWRCB Installment Sale Agreement and the 2020 Installment Purchase Contract.

“*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 Project described in Exhibit A attached hereto, including 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 for each Fiscal Year, 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.

“*SWRCB Installment Sale Agreement*” means the Installment Sale Agreement, dated as of August 27, 2015, 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 December 1, 2021, among the District, the Corporation and the Trustee relating to the Certificates.

“*Trustee*” means The Bank of New York Mellon Trust Company, N.A., acting in its capacity as trustee under the Trust Agreement, or such other successor as may be acting in such capacity pursuant to the Trust Agreement.

“*1982 Sewer Bonds*” means the McKinleyville Community Services District 1982 Sewer Revenue Bonds issued in the original principal amount of \$1,600,000 on August 1, 1982.

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

## 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 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 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 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 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 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 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; (b) the amounts, if any, required to be paid hereunder to replenish the Reserve Fund; and (c) 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 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 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 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 hereunder, or with respect to Parity Obligations, to replenish reserve accounts established therefor or hereunder 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 Net Revenues described in this paragraph (d) such amounts as the District shall determine. 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 the 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 the Installment Purchase Contract, and the 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 Due Date credit against Installment Payments 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. Reserve Fund.** If amounts on deposit in the Reserve Fund shall, at any time, be less than the Reserve Requirement, such deficiency shall be made up by the District from the first available Net Revenues after required payment of Installment Payments over a 12-month period, in 12 substantially equal payments.

No deposit need be made in the Reserve Fund if the amount available and contained therein (valued from time to time in accordance with the Trust Agreement) is at least equal to the Reserve Requirement.

#### **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 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 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 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 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, 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 as to cause the proceeds on 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 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 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, 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, 2021):

(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 Agreement 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, 2021) 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 subsection 5.14(a) above at the commencement of the succeeding Fiscal Year, the failure of Net Revenues to meet the thresholds set forth in subsection 5.14(a) above at the end of a Fiscal Year shall not constitute a default or an Event of Default.

**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 and the Corporation, their officers, directors, agents, employees, successors or 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 the 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, 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 the 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 the 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 the 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 the 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 the Installment Purchase Contract, except as provided under the terms of the Installment Purchase Contract, the Assignment Agreement and the Trust Agreement.

(c) Neither the execution and delivery of the 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 the Installment Purchase Contract, the Trust Agreement and the Assignment Agreement, the Corporation 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.

**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 Agreement of the District, dated as of the date hereof. Notwithstanding any other provision of this Installment Purchase Contract, failure of the District to comply with the Continuing Disclosure Agreement 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 September 15, 20\_\_\_. The Installment Payments shall be subject to optional prepayment in whole or in part in any integral multiple of \$5,000, on any date on or after September 15, 20\_\_\_, from any available source of funds, at the 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 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 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 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 or the Reserve 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 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: The Bank of New York Mellon Trust Company, N.A.  
400 Hope Street, Ste 500  
Los Angeles, CA 90071  
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 the Installment Purchase Contract by their officers thereunto duly authorized as of the day and year first written above.

**MCKINLEYVILLE COMMUNITY  
SERVICES DISTRICT**

By \_\_\_\_\_  
General Manager

**CSDA FINANCE CORPORATION**

By \_\_\_\_\_  
Authorized Representative

**EXHIBIT A**

**COMPONENTS OF THE PROJECT**

The Project consists of the following:

<b>Component</b>	<b>Estimated Cost</b>
Highway sewer undercrossings	
Water/sewer mainline replacement	
Total	\$

**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>
	\$_____	\$____	\$_____

**INSTALLMENT PAYMENT SCHEDULE (CONT.)**

<i>Due Date</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>	<i>Total Payment</i>
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TOTAL

**TRUST AGREEMENT**

by and among

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,**  
as Trustee,

**CSDA FINANCE CORPORATION,**  
as the Corporation

and

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT,**  
as the District

\$ \_\_\_\_\_  
McKinleyville Community Services District  
Revenue Certificates of Participation  
Series 2021A  
(Water Project)

Evidencing Interests of the Owners  
Thereof in Installment Payments to Be  
Made by the McKinleyville Community Services District

Dated as of December 1, 2021

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## TRUST AGREEMENT

**THIS TRUST AGREEMENT**, dated as of December 1, 2021, by and among **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, a national banking association duly organized and validly existing under and by virtue of the laws of the United States, as trustee (in such capacity, the “Trustee”), the **CSDA FINANCE CORPORATION**, a nonprofit public benefit corporation duly organized and validly existing under and by virtue of the laws of the State of California (the “Corporation”), and the **MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**, a community services district duly organized and existing under and by virtue of the laws of the State of California (the “District”);

### WITNESSETH:

WHEREAS, the Corporation and the District have executed and entered into an Installment Purchase Contract, dated as of December 1, 2021 (the “Installment Purchase Contract”), whereby the District has agreed to acquire from the Corporation the Project for the purposes of financing and refinancing the costs of the Acquisition of the Project; and

WHEREAS, under and pursuant to the Installment Purchase Contract, the District is obligated to pay to the Corporation Installment Payments (as defined herein) and interest thereon for the costs of such acquisition; and

WHEREAS, the Corporation has assigned without recourse all its rights to receive such Installment Payments and interest to the Trustee pursuant to an Assignment Agreement dated as of the date hereof; and

WHEREAS, in consideration of such assignment and the execution and entering into of this Trust Agreement, the Trustee has agreed to execute and deliver certificates of participation in an aggregate principal amount equal to the aggregate principal amount of such Installment Payments, each evidencing and representing a proportionate interest in the right to receive such Installment Payments and interest thereon; and

WHEREAS, the District and the Corporation hereby certify that 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 Trust Agreement by each such party 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 Trust Agreement;

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; EQUAL SECURITY

**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 or supplement hereto and of the Certificates and of any certificate, opinion, request 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 herein and not defined herein shall have the meaning ascribed thereto in the Installment Purchase Contract:

*“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 of an ownership or capacity interest in the Project, or the financing, construction or ownership of the Project.

*“Acquisition Costs”* means, with respect to the Project, the contract price paid or to be paid to the contractors therefor upon acquisition, construction, refinancing, improvement, repair, modification or delivery of any portion of the Project and related equipment, in accordance with the purchase order or contract therefor. Acquisition Costs include the costs of site preparation necessary for the installation of any improvements to the Project. Acquisition Costs also include costs incurred by the District, the Corporation and the contractors in connection with the acquisition, delivery and installation of the Project.

*“Acquisition Fund”* means the fund established in Section 3.10 hereof.

*“Assignment Agreement”* means that certain Assignment Agreement by and between the Corporation and the Trustee, dated as of December 1, 2021.

*“Authorized Officer of the District”* means the President, Vice President, General Manager, Finance Director, and Secretary of the District, or their designated representatives, or such other representatives of the District as may be designated by resolution of the District.

*“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 of the District”* means an instrument in writing signed by the General Manager of the District, or by any other officer of the District duly authorized by the Board of Directors of the District for that purpose.

*“Certificates”* means the \$\_\_\_\_\_ principal amount of McKinleyville Community Services District Revenue Certificates of Participation, Series 2021A (Water Project) authorized hereby and at any time Outstanding hereunder that are executed and delivered by the Trustee under and pursuant to Article II of this Trust Agreement.

*“Certificate Year”* means the 12-calendar month period commencing on August 2 and terminating on August 1 of the following year; provided, that the first Certificate Year shall commence on the Closing Date and terminate on August 1, 2022.

*“Closing Date”* means December \_\_, 2021.

*“Corporation”* means the CSDA Finance Corporation, a nonprofit public benefit corporation duly organized and validly existing under the laws of the State of California and its successors and assigns.

“*Delivery Costs*” means all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation 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 Trustee and its counsel, financing discounts, legal fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, title insurance premiums, transportation and safekeeping of Certificates and charges and fees in connection with the foregoing.

“*Delivery Costs Fund*” means the fund established by Section 3.02 hereof.

“*Depository*” means (a) initially, DTC; and (b) any other qualified securities depository acting as Depository pursuant to Section 2.11 hereof.

“*Depository System Participant*” means any participant in the Depository’s book-entry system.

“*District*” means the McKinleyville Community Services District, a public body duly organized and existing under and by virtue of the laws of the State of California.

“*DTC*” means the Depository Trust Company, New York, New York, and its successors and assigns.

“*Enterprise*” has the meaning provided in the Installment Purchase Contract.

“*Event of Default*” means an event of default described in Section 7.01 of the Installment Purchase Contract.

“*Federal Securities*” means non-callable, 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.

“*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.

“*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, 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.

“*Information Services*” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>) or, in accordance with the current guidelines of the Securities and Exchange Commission, such other addresses and/or such other national information services providing information or disseminating notices of redemption of obligations similar to the Certificates.

“*Installment Payment Fund*” means the fund by that name established in Section 3.06 hereof, including the Interest Account, Principal Account and Prepayment Account therein.

“*Installment Payments*” means the installment payments of principal and interest scheduled to be paid by the District under the Installment Purchase Contract plus amounts required to be paid by the District hereunder and pursuant to the Installment Purchase Contract, including, without limitation (except when calculating the Reserve Requirement), amounts necessary to replenish the Reserve Fund.

“*Installment Purchase Contract*” means that certain Installment Purchase Contract by and between the District and the Corporation, dated as of December 1, 2021 as originally executed and as it may from time to time be amended or supplemented in accordance herewith and therewith.

“*Interest Payment Date*” means each February 1 and August 1, commencing on February 1, 2022.

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

“*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.

“*Nominee*” means (a) initially, Cede & Co., as nominee of DTC; and (b) any other nominee of a Depository designated pursuant to Section 2.11 hereof.

“*Outstanding*” means, when used as of any particular time with reference to Certificates (subject to the provisions of Section 8.02), all Certificates except:

- (a) Certificates canceled by the Trustee;
- (b) Certificates paid or deemed to have been paid within the meaning of Section 9.01; and
- (c) Certificates in lieu of or in substitution for which replacement Certificates shall have been executed and delivered hereunder.

“*Owner*” means the registered owner of any Outstanding Certificate.

“*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

(the Trustee is entitled to conclusively rely upon any direction of the District as a certification that such investment constitutes a Permitted Investment):

(a) 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;

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

- 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;

(c) 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;

(d) 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 Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise;

(e) Certificates of deposit (including those placed by a third party pursuant to a separate agreement between the District and the Trustee) secured at all times by collateral described in (a) and/or (b) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks including the Trustee and its affiliates. The collateral must be held by a third party and the Owners must have a perfected first security interest in the collateral;

(f) Certificates of deposit (including those placed by a third party pursuant to a separate agreement between the District and the Trustee), savings accounts, deposit accounts, time deposits, demand deposits, other deposit products, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, interest bearing money market accounts, bankers’ acceptances or money market deposits, including those of the Trustee or any of its affiliates, 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 clause (f), 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;

(g) investment agreements, including GICs, forward purchase agreements and reserve fund put agreements;

(h) commercial paper rated, at the time of purchase, “Prime -1” by Moody’s and “A-1” or better by S&P;

(i) 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;

(j) Certificates of deposit (including those placed by a third party pursuant to a separate agreement between the District and the Trustee), federal funds, deposit accounts, time deposits, demand deposits, other deposit products, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, interest bearing money market accounts, or bankers acceptances (including those of the Trustee or any of its affiliates) 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;

(k) repurchase agreements (including those of the Trustee or any of its affiliates) for 30 days or less must follow the following criteria: Repurchase agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date;

(l) 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 years after the date of purchase;

(m) the Local Agency Investment Fund created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name;

(n) Investment Trust of California, doing business as CalTRUST; and

(o) 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.

Ratings of Permitted Investments referred to herein shall be determined at the time of purchase of such Permitted Investments and without regard to ratings subcategories. The Trustee shall have no responsibility to monitor the ratings of Permitted Investments after the initial purchase of such Permitted Investment or the responsibility to validate the ratings of Permitted Investments prior to the initial purchase.

“*Principal Office*” means the corporate trust office of the Trustee currently located in Los Angeles, California, or such other office designated by the Trustee from time to time, except that with respect to presentation of Certificates for payment or for registration of transfer or exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“*Project*” has the meaning set forth in the Installment Purchase Contract.

“*Purchaser*” means Oppenheimer & Co. Inc., as the underwriter and purchaser of the Certificates.

“*Record Date*” means the fifteenth day of the calendar month prior to an Interest Payment Date, whether or not such date is a Business Day.

“*Related Documents*” means this Trust Agreement, the Assignment Agreement and the Installment Purchase Contract.

“*Reserve Fund*” means the fund by that name established in Section 3.04 hereof.

“*Reserve Requirement*” means, as of any date of calculation by the Trustee, the lesser of (a) 10% of the original principal amount of the principal payments due under the Installment Purchase Contract (less original issue discount, if any); (b) an amount equal to the scheduled maximum annual Installment Payment payable in a Certificate Year by the District between such date of calculation and the expiration of the Installment Purchase Contract; or (c) 125% of the scheduled average annual Installment Payment payable in a Certificate Year by the District.

“*S&P*” means S&P Global Ratings, a division of S&P Global, Inc., and its successors.

“*Securities Depositories*” means The Depository Trust Company, 50th Floor, 55 Water Street, New York, New York 10041-0099, Facsimile: (212) 855-7232, Attention: Call Notification Department; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Corporation or the District may designate in writing to the Trustee.

“*Trust Agreement*” means this Trust Agreement by and among the Trustee, the Corporation and the District, dated as of December 1, 2021 as originally executed and entered into and as it may from time to time be amended or supplemented in accordance herewith.

“*Trustee*” means The Bank of New York Mellon Trust Company, N.A., a national banking corporation duly organized and existing under and by virtue of the laws of the United States, or its successor as trustee hereunder or any other bank or trust company which may at any time be substituted in its place as trustee hereunder as provided in Section 7.01.

**Section 1.02. Equal Security.** In consideration of the acceptance of the Certificates by the Owners, this Trust Agreement shall be deemed to be and shall constitute a contract by and among the Trustee, the District, the Corporation and the Owners to secure the full and final payment of the interest and principal and prepayment premiums, if any, to be made by the District evidenced and represented by the Certificates, subject to the agreements, conditions, covenants and terms contained herein; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to benefit, protection or security of any Certificates over any other Certificates by reason of the number or date thereof or the time of execution or delivery thereof or otherwise for any cause whatsoever, except as expressly provided herein or therein.

**ARTICLE II**

**TERMS AND CONDITIONS OF CERTIFICATES**

**Section 2.01. Preparation of Certificates.** The Trustee is hereby authorized and directed to execute and deliver on the Closing Date the Certificates in the aggregate principal amount of \$\_\_\_\_\_, registered in the name of Cede & Co., as nominee of DTC, evidencing and representing the aggregate principal amount of the Installment Payments and evidencing and representing an interest in the Installment Payments. The Certificates shall be designated “McKinleyville Community Services District Revenue Certificates of Participation, Series 2021A (Water Project).” In no event shall the Certificates be deemed a debt, obligation or liability of the Trustee.

**Section 2.02. Denominations, Medium, Method and Place of Payment and Dating of Certificates.** The Certificates shall be prepared in the form of fully registered Certificates in denominations of \$5,000 or any integral multiple thereof. The interest, principal and prepayment premiums, if any, evidenced and represented by the Certificates shall be payable in lawful money of the United States of America. Subject to the provisions of Section 2.11 hereof, the interest evidenced and represented by the Certificates shall be payable on their Interest Payment Dates by check mailed via first-class mail on the Interest Payment Date by the Trustee to the respective Owners thereof as of the Record Date at their addresses as they appear in the books required to be kept by the Trustee pursuant to the provisions of Section 2.07 hereof or, upon the written request from any Owner of any Certificate in a denomination of, or Certificates aggregating, at least \$1,000,000 in principal amount, received on or prior to the fifteenth day of the month preceding an applicable Interest Payment Date, by wire in Federal Reserve funds on the Payment Date, with regard to which such payment is made. The principal evidenced and represented by the Certificates shall be payable on August 1 in each of the years and in the principal amounts as follows, or on prepayment prior thereto, upon surrender thereof at the designated corporate trust office of the Trustee:

**Certificates**

<b>Year (August 1)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
	\$	\$

The Certificates shall be dated the Closing Date and shall evidence and represent interest from the Closing Date.

**Section 2.03. Interest with Respect to the Certificates.** Interest on the principal components of the Installment Payments relating to the Certificates shall be calculated at the rates per annum (based on a 360-day year of twelve 30-day months) set forth in Section 2.02 hereof.

**Section 2.04. Form of Certificates.** The Certificates and the assignment to appear thereon shall be in substantially the forms set forth in Appendix A hereto with appropriate or necessary insertions, omissions and variations as permitted or required hereby.

**Section 2.05. Execution of Certificates.** The Certificates shall be executed by the Trustee by the manual or electronic signature of an authorized officer of the Trustee.

**Section 2.06. Transfer and Exchange of Certificates.** Subject to the provisions of Section 2.11 hereof:

(a) Each Certificate shall be transferable only upon a register of the names of each certificate owner (the "Certificate Register"), which shall be kept for that purpose at the Principal Office of the Trustee, by the Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner or his duly authorized attorney. Upon the transfer of any such Certificate, the Trustee shall provide in the name of the transferee, a new Certificate or Certificates, of the same aggregate principal amount, interest rate and maturity as the surrendered Certificates (unless there has occurred a partial prepayment of such Certificate pursuant to Section 4.01 hereof, in which case the principal amount of the new Certificate shall be equal to the unrepaid principal portion of the Certificate submitted for transfer).

(b) The Trustee shall deem and treat the person in whose name any Outstanding Certificate shall be registered upon the Certificate Register as the absolute owner of such Certificate, whether such Certificate shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Certificate and for all other purposes, and all such payments so made to any such Owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and neither the District nor the Trustee shall be affected by any notice to the contrary. The District agrees to indemnify and save the Trustee harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence or willful misconduct under the Trust Agreement, in so treating such Owner.

In all cases in which the privilege of exchanging or transferring Certificates is exercised, the Trustee shall execute and deliver Certificates in accordance with the provisions of this Article. All Certificates surrendered in any such exchanges or transfers shall forthwith be canceled by the Trustee. For every such exchange or transfer of Certificates, whether temporary or definitive, the District and the Trustee may make a charge sufficient to reimburse any of them for any tax, fee or other governmental charge, other than one imposed by the District, required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. Notwithstanding any other provision hereof, the cost of preparing each new Certificate and any other expenses of the District or the Trustee incurred in connection therewith (except any applicable tax, fee or other governmental charge other than one imposed by the District) shall be paid by the District. The Trustee shall not be obliged to effect any exchange or transfer of any Certificate during the period after the mailing of notice calling such Certificate or a portion thereof for prepayment, nor during the 15 days preceding the giving of such notice of prepayment.

**Section 2.07. Certificate Registration Books.** The Trustee shall keep or cause to be kept at its Principal Office sufficient books for the registration and transfer of the Certificates, which shall, during normal business hours upon reasonable prior written notice be open to inspection by the District and the Corporation (or its designated agent); and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations consistent herewith as it may prescribe, register or transfer or cause to be registered or transferred, on the Certificate Register, Certificates as herein before provided.

**Section 2.08. Temporary Certificates.** Pending preparation of the definitive Certificates, any Certificates delivered under the Trust Agreement may be initially delivered in temporary form exchangeable for definitive Certificates when ready for delivery. The temporary Certificates may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the District, shall be without coupons and may contain such reference to any of the provisions hereof as may be appropriate. Every temporary Certificate shall be executed by the Trustee and be delivered by the Trustee upon the same conditions and in substantially the same manner as definitive Certificates. If the Trustee delivers temporary Certificates, it shall execute and furnish definitive Certificates without delay and, thereupon, the temporary Certificates shall be surrendered for cancellation at the Principal Office of the Trustee and the Trustee shall deliver in exchange for such temporary Certificates an equal aggregate principal amount of definitive Certificates of authorized denominations of the same interest rate or rates and maturity or maturities. Until so exchanged, the temporary Certificates shall be entitled to the same benefits under the Trust Agreement as definitive Certificates delivered pursuant hereto.

**Section 2.09. Certificates Mutilated, Destroyed, Lost or Stolen.** If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, shall execute and deliver a new Certificate of like tenor in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and destroyed. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft shall be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and if an indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like tenor and numbered as the District or the Purchaser shall determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of a reasonable fee for each new Certificate delivered under this Section and of the reasonable expenses which may be incurred by the Trustee in carrying out the duties under this Section 2.09. Any Certificate executed and delivered under the provisions of this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits hereof with all other Certificates secured by the Trust Agreement. The Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered under the Trust Agreement or for the purpose of determining any percentage of Certificates Outstanding under the Trust Agreement, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this Section 2.09, in lieu of delivering a new Certificate for a Certificate which has been mutilated, lost, destroyed or stolen and which has matured, the Trustee may make payment of such Certificate, upon receipt of indemnity satisfactory to Trustee.

**Section 2.10. Evidence of Signatures of Certificate Owners and Ownership of Certificates.** Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by the Trust Agreement to be signed or executed by Certificate Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such

Certificate Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the holding and ownership of Certificates shall be sufficient for any purpose hereof (except as otherwise herein provided), if made in the form of the Assignment attached to the Certificate in Exhibit A hereto.

Nothing contained in this Article shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which to the Trustee may seem sufficient. Any request or consent of the Owner of any Certificate shall bind every future Owner of the same Certificate in respect of anything done or suffered to be done by the District or the Trustee in pursuance of such request or consent.

### **Section 2.11. Book-Entry System.**

(a) **Original Delivery.** The Certificates shall be initially delivered in the form of a separate single fully registered Certificate (which may be typewritten) for each maturity. Upon initial delivery, the ownership of each such Certificate shall be registered on the Certificate Register kept by the Trustee in the name of the Nominee. Except as provided in Section 2.11(c), the ownership of all of the Outstanding Certificates shall be registered in the name of the Nominee.

With respect to Certificates the ownership of which shall be registered in the name of the Nominee, the District and the Trustee shall have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Depository holds an interest in the Certificates. Without limiting the generality of the immediately preceding sentence, the District and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Certificates; (ii) the delivery to any Depository System Participant or any other person, other than a Certificate Owner as shown in the Certificate Register, or any notice with respect to the Certificates, including any notice of prepayment; (iii) the selection by the Depository of the beneficial interests in the Certificates to be prepaid in the event the District elects to prepay the Certificate in part; (iv) the payment to any Depository System Participant or any other person, other than a Certificate Owner as shown in the Certificate Register, of any amount with respect to principal, premium, if any, or interest with respect to the Certificates; or (v) any consent given or other action taken by the Depository as Owner of the Certificates. The District and the Trustee may treat and consider the person in whose name each Certificate is registered as the absolute owner of such Certificates for the purpose of payment of principal of, premium, if any, and interest on such Certificates for the purpose of giving notices of prepayment and other matters with respect to such Certificates, for the purpose of registering transfers of ownership of such Certificates, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest and premium, if any, on the Certificates only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Certificates to the extent of the sum or sums so paid. No person other than an Owner shall receive a Certificate evidencing the obligation of the District to make payments of principal, interest and premium, if any, pursuant to this Trust Agreement. Upon delivery by the Depository to the Nominee of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to

Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice of the District shall promptly, but in no event later than two Business Days after receipt thereof, deliver a copy of the same to the Trustee.

(b) **Representation Letter.** In order to qualify the Certificates for the Depository's book-entry system, the District shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Certificates. The execution and delivery of such letter shall not in any way limit the provisions of Section 2.11(a) above or in any other way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in the Certificates other than the Certificate Owners. In addition to the execution and delivery of such letter, the District may take any other actions, not inconsistent with this Trust Agreement, to qualify the Certificates for the Depository's book-entry program.

(c) **Transfers Outside Book-Entry System.** In the event that either (i) the Depository determines not to continue to act as Depository for the Certificates, or (ii) the District determines to terminate the Depository as such, then the District shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the District and the Trustee in the execution and delivery of replacement Certificates by providing the Trustee with a list showing the interests of the Depository System Participants in the Certificates, and by surrendering the Certificates, registered in the name of the Nominee, to the Trustee on or before the date such replacement Certificates are to be executed and delivered. The Depository, by accepting delivery of the Certificates, agrees in the Letter of Representations to be bound by the provisions of this Section 2.11(c). If, prior to the termination of the Depository acting as such, the District fails to identify another qualified securities depository to replace the Depository, then the Certificates shall no longer be required to be registered in the Certificate Register in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Certificates shall designate, in accordance with the provisions of this Section 2.11 hereof.

In the event the District determines that it is in the best interests of the beneficial owners of the Certificates that they be able to obtain certificated Certificates, the District may notify the Depository System Participants of the availability of such certificate Certificates through the Depository. In such event, the Trustee will, at the expense of the District, execute, transfer and exchange Certificates as required by the Depository and others in appropriate amounts; and whenever the Depository so requests, the District shall cooperate with the Depository in taking appropriate action (i) to make available one or more separate certificates evidencing the Certificates to any Depository System Participant having Certificates credited to its account with the Depository, or (ii) to arrange for another qualified securities depository to maintain custody of a single certificate evidencing such Certificates, all at the District's expense.

Prior to any transfer of the Certificates outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

(d) **Payments to the Nominee.** Notwithstanding any other provision of the Trust Agreement to the contrary, so long as any Certificate is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Certificates and all notices with respect to such Certificates shall be made and given, respectively, as provided in the letter described in Section 2.11(b) or as otherwise instructed in writing by the Depository.

### ARTICLE III

#### PROCEEDS OF CERTIFICATES; INSTALLMENT PAYMENT

**Section 3.01. Delivery of Certificates.** The Trustee is hereby authorized to execute the Certificates and upon receipt of the proceeds of sale thereof deliver the Certificates to the Purchaser upon receipt of a Certificate of the District.

**Section 3.02. Depositing of Proceeds of Certificates and Other Amounts.** The proceeds received by the Trustee from the sale of the Certificates (\$\_\_\_\_\_) shall be utilized by the Trustee as follows:

- (i) \$\_\_\_\_\_ shall be deposited in the Acquisition Fund;
- (ii) \$\_\_\_\_\_ shall be deposited in the Reserve Fund;
- (iii) \$\_\_\_\_\_ shall be deposited in the Interest Account of the Installment Payment Fund; and
- (iv) \$\_\_\_\_\_ shall be deposited in the Delivery Costs Fund.

Such funds are hereby established and shall be held hereunder. The Trustee may establish one or more temporary funds or accounts in its records to facilitate and record such deposits and transfers.

#### **Section 3.03. Use of Money in the Delivery Costs Fund.**

(a) The Trustee shall disburse funds from the Delivery Costs Fund only upon receipt of a signed requisition (stating the amount to be disbursed and the party or parties being paid) approved by the Authorized Officer of the District and accompanied by an invoice or statement for each such amount. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

(b) Upon payment of all Delivery Costs, which shall be determined by a certificate to that effect by an Authorized Officer of the District delivered to the Trustee, or upon the date occurring three months after the Closing Date, whichever occurs first, the Trustee shall transfer all funds remaining in the Delivery Costs Fund to the Installment Payment Fund, and the Delivery Costs Fund shall thereupon be closed.

**Section 3.04. The Reserve Fund.** The Trustee hereby agrees to establish and maintain so long as any Certificates are Outstanding the Reserve Fund. Amounts on deposit in the Reserve Fund shall be available only to pay the principal and interest with respect to the Certificates, and for so long as any Certificates remain outstanding, shall not be available for the payment of debt service on or with

respect to any Parity Obligations. The Trustee shall hold the Reserve Fund in trust and shall apply moneys in the Reserve Fund in accordance with the following provisions. If, five days prior to any Interest Payment Date, the money in the Installment Payment Fund is insufficient to make the payments required hereunder with respect to the Certificates on such Interest Payment Date the Trustee shall transfer from the Reserve Fund to the Installment Payment Fund the amount of such insufficiency.

The Trustee shall calculate the Reserve Fund semiannually, on the first day of the month preceding an Interest Payment Date. If as of the first day of the month preceding any Interest Payment Date there shall be any deficiency in the Reserve Fund (whether due to a payment therefrom or due to the fluctuation in market value of securities credited thereto, or otherwise), the Trustee shall promptly notify the District in writing of the amount of such deficiency and the District shall pay to the Trustee the amount of such deficiency as provided in Section 4.02 of the Installment Purchase Contract. Delinquent Installment Payments, when received, shall be used to replenish any draw on the Reserve Fund caused by such delinquency.

If, following valuation thereof, the amount available and contained in the Reserve Fund (valued as provided herein) exceeds the Reserve Requirement and if the District is not then in default hereunder, the Trustee shall withdraw the amount of such excess from the Reserve Fund. The Trustee shall deposit such amount in the Installment Payment Fund; subject to the requirement that certain investment earnings must be transferred to the Rebate Fund (as defined in Section 3.12 hereof) in accordance with instructions of the District as required hereunder. Except for such withdrawals all money in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of making the Installment Payments in the event that amounts on deposit in the Installment Payment Fund are insufficient for such purposes, or to pay the final Installment Payments.

**Section 3.05. Deposit of Installment Payments.** All Installment Payments and interest thereon shall be paid directly by the District to the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof. All Installment Payments and interest thereon received by the Trustee shall be held in trust by the Trustee under the terms hereof and shall be deposited by it as and when received in the Installment Payment Fund, which fund the Trustee hereby agrees to establish and maintain so long as any Certificates are Outstanding.

**Section 3.06. Installment Payment Fund.** The Trustee shall deposit the following amounts in the Installment Payment Fund 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 Trustee hereby agrees to establish and maintain so long as any Certificates are Outstanding, and the money in each of such accounts shall be disbursed only for the purposes and uses hereinafter authorized:

(a) **Interest Account.** The Trustee, on or before each Interest Payment Date, shall deposit in the Interest Account that amount of money received by it constituting the interest components of Installment Payments representing the interest due and unpaid or becoming due and payable to but not including such Interest Payment Date. No deposit shall be made into the Interest Account if the amount contained therein is at least equal to the interest component of Installment Payments representing the interest becoming due and payable upon all Outstanding Certificates on each succeeding Interest Payment Date within the then current Certificate Year. All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest evidenced and represented by such Certificates to

but not including their respective Interest Payment Dates or any other date on which the Certificates may be prepaid in accordance with Article IV hereof. Amounts deposited in the Interest Account pursuant to Section 3.02(iii) shall be used to pay the interest component of Installment Payments becoming due and payable on [February 1, 2022, August 1, 2022, February 1, 2023, August 1, 2023 and February 1, 2024].

(b) **Principal Account.** The Trustee on or before each August 1, shall deposit in the Principal Account that amount of money received by it constituting the principal components of Installment Payments representing the principal to become due and unpaid or becoming due and payable on August 1. No deposit shall be made into the Principal Account if the amount contained therein is at least equal to the principal components of Installment Payments representing the principal to become due and unpaid or becoming due and payable on such Interest Payment Date. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by such Certificates on the principal payment date.

(c) **Prepayment Account.** The Trustee, on the prepayment date specified in the Certificate of the District filed with the Trustee at the time that any prepayment is paid to the Trustee pursuant to the Installment Purchase Contract, shall deposit in the Prepayment Account the amount of such prepayment. All money in the Prepayment Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal and any applicable premium evidenced and represented by such Certificates to be prepaid on their respective prepayment dates.

**Section 3.07. Held in Trust.** The moneys and investments held by the Trustee under Sections 3.04, 3.05 and 3.06 are irrevocably held in trust for the benefit of the Owners, and, in the case of the Rebate Fund established pursuant to Section 3.12 below, for payment as required to the United States Treasury, and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Trust Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the District, the Trustee or the Corporation, or any of them.

**Section 3.08. Commingling of Moneys in Funds.** The Trustee at its sole discretion may, and upon the written request of the District shall, commingle any of the funds held by it pursuant to this Trust Agreement into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee hereunder shall be accounted for separately notwithstanding such commingling by the Trustee.

**Section 3.09. Arbitrage Covenant.** The District and the Corporation hereby covenant with the Owners of the Certificates that, notwithstanding any other provision of this Trust Agreement, they will make no use of the proceeds of the Certificates which would cause the Certificates to be “arbitrage bonds” subject to federal income taxation by reason of Section 148 of the Internal Revenue Code of 1986, as amended. The Trustee hereby covenants with the Owners of the Certificates that it will comply with the express provisions of this Trust Agreement and will follow the written directions of the District and, so long as the Trustee shall have complied with the written instructions of the District as provided in Section 3.12 hereof with respect to making any rebate indicated therein to the United States, the Trustee shall conclusively be deemed to have complied with its obligations hereunder and shall not be liable if the Certificates become arbitrage bonds.

**Section 3.10. Use of Money in the Acquisition Fund.** The Trustee hereby agrees to establish and maintain the Acquisition Fund until the completion of the Acquisition of the Project. All money in the Acquisition Fund shall be held by the Trustee in trust and shall be applied by the Trustee for the payment of the Acquisition Costs of the Project and the expenses incidental thereto (including reimbursement to the District for any such costs or expenses theretofore paid by it for the account of the Corporation whether or not paid prior to the date hereof) as provided in this Section 3.10. Before any payment is made from the Acquisition Fund by the Trustee, the District shall file with the Trustee a Certificate of the District in the form attached hereto as Appendix B.

Upon receipt of each such Certificate of District, the Trustee shall, so long as the Trustee does not have actual knowledge of or has not received written notice that the District or the Corporation is then in default under the Installment Purchase Contract or hereunder, pay the amount set forth therein as directed by the terms thereof from moneys on deposit in the Acquisition Fund, except that the Trustee shall not make any such payment of Acquisition Costs if it has received a written stop notice or any other written notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money to be so paid which has not been released or will not be released simultaneously with such payment, other than materialmen's or mechanics' liens accruing by mere operation of law or a written notice from the Corporation stating that the District is not authorized to act as agent for the Corporation with respect to the matter described in such Certificate of the District. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

When the Acquisition of the Project has been completed to the satisfaction of the District or when the District determines that a portion of the Project will not be Acquired, the District shall deliver a Certificate of the District to the Trustee stating the fact and date of the completion of such improvements, and stating that all the Acquisition Costs and the expenses incidental thereto have been determined and paid (or that such claims and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Acquisition Fund is to be maintained in the full amount of such claims until such dispute is resolved). Upon receipt of such certificate, the Trustee shall transfer (but less the amount of such retention) first to the Reserve Fund until the amount therein equals the Reserve Requirement, and thereafter to the Installment Payment Fund all remaining moneys in the Acquisition Fund, to be credited to the payment of the Installment Payments as provided herein. In the event the Acquisition Fund has not been depleted by the date which is three years after the Closing Date, the District shall provide the Trustee with an opinion of nationally recognized bond counsel to the effect that the investment of such remaining funds shall not adversely affect the tax-exempt status of the Certificates.

**Section 3.11. Rebate of Excess Investment Earnings to United States.** The District covenants to calculate the amount of, and to rebate to the United States, excess investment earnings, all in accordance with the Regulations. The Trustee shall not be responsible for enforcing compliance with such rebate requirements.

(a) ***Obligation to Calculate Excess Investment Earnings.*** The District shall calculate or cause to be calculated, and shall provide, or cause to be provided, written notice to the Trustee of the excess investment earnings (as defined in the Code, "Excess Investment Earnings") at such times and in such manner as may be required pursuant to the Code. The District shall inform the Trustee how frequently calculations are to be made and shall ensure that a copy of all such calculations which indicate a payment is required is given promptly to the Trustee.

(b) ***Rebate to United States.*** The District agrees to deposit with the Trustee, promptly upon the receipt of any calculations made pursuant to the preceding subsection (a), the amount of Excess Investment Earnings so calculated. The Trustee shall deposit all amounts paid to it for such purpose by the District in the Rebate Fund, which the Trustee shall establish when so directed in writing by the District. The Trustee shall pay to the United States of America from the amounts on deposit in the Rebate Fund such amounts as shall be identified pursuant to written notice filed with the Trustee by the District for such purpose from time to time. Payments to the United States of America shall be made to the address prescribed by the Regulations as the same may be from time to time in effect, accompanied by a Form 8038-T (or such other reports and statements as may be prescribed by such Regulations) prepared by the District. Following payment in full to the United States of America of all amounts due and owing under this Section 3.12(b) at the direction of the District, the Trustee shall withdraw from the Rebate Fund and transfer to the District all amounts remaining on deposit in the Rebate Fund.

(c) ***Investment Transactions.*** The District shall assure that Excess Investment Earnings are not paid or disbursed except as required in this Section 3.12. To that end the District shall assure that investment transactions are on an arm's-length basis. In the event that Qualified Investments consist of certificates of deposit or investment contracts, investment in such Qualified Investments shall be made in accordance with the procedures described in the Regulations.

(d) ***Maintenance of Records.*** The District shall keep and retain for a period of six years following the retirement of the Certificates, records of the determinations made pursuant to this Section 3.12.

(e) ***Engagement of Professional Services.*** In order to provide for the administration of this Section 3.12, the District may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the District may deem appropriate.

(f) ***Modification of this Section.*** Any of the provisions of this Section 3.12 may be amended, modified or deleted in any manner whatsoever in the event that the District shall cause to be filed with the Trustee written directions making such amendment, modification or deletion, which written directions are accompanied by an opinion of Bond Counsel stating that such amendment, modification or deletion will not cause interest with respect to the Certificates to be includable in gross income of the Owners for federal income tax purposes. The Trustee shall be deemed conclusively to have complied with such provisions of this Section if it follows the directions of the District and shall have no liability or responsibility to enforce compliance by the District with the terms of the guidance for compliance with the rebate requirements.

## ARTICLE IV

### PREPAYMENT OF CERTIFICATES

#### Section 4.01. Terms of Prepayment.

(a) The Certificates are subject to extraordinary prepayment on any Interest Payment Date upon notice as hereinafter provided, as a whole or in part (on a pro-rata basis) in integral

multiples of \$5,000, from prepaid Installment Payments made by the District pursuant to Section 6.01(a) of the Installment Purchase Contract from the Net Proceeds received by the District due to a casualty loss or governmental taking of the Enterprise or portions thereof by eminent domain proceedings, under the circumstances and upon the conditions and terms prescribed herein and in the Installment Purchase Contract, at a prepayment price equal to the sum of the principal amount evidenced thereby plus accrued interest accrued to the date fixed for prepayment of the Certificates, without premium; provided that such prepaid Installment Payment shall be received by the Trustee not later than the fifth (5<sup>th</sup>) day preceding the latest date on which the Trustee is required to give notice pursuant to Section 4.03 below.

(b) The Certificates shall not be subject to optional prepayment prior to August 1, 20\_\_\_\_. The Certificates are subject to prepayment, in whole or in part in any integral multiple of \$5,000, at the option of the District on any date on or after August 1, 20\_\_\_\_, from any available source of funds, at the prepayment price equal to the principal amount of the Certificates to be prepaid from the proceeds of such prepayment, in each case together with accrued interest thereon to the prepayment date, without premium; provided that timely notice of such optional prepayment shall be provided to the Trustee by the District pursuant to Section 6.01(b) of the Installment Purchase Contract.

(c) The Certificates maturing on August 1, 20\_\_\_\_ are also subject to mandatory sinking fund prepayment in part by lot, on August 1 in each year commencing August 1, 20\_\_\_\_, from Installment Payments made by the District pursuant to the Installment Purchase Contract, at a prepayment price equal to the principal amount evidenced thereby to be prepaid, without premium, in the aggregate respective principal amounts and on August 1 in the respective years as set forth in the following table:

<b>Sinking Fund Prepayment Date (August 1)</b>	<b>Principal Amount of Term Certificates to Be Prepaid</b>
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\$

The Certificates maturing on August 1, 20\_\_\_\_ are also subject to mandatory sinking fund prepayment in whole, or in part by lot, on August 1 in each year commencing August 1, 20\_\_\_\_, from Installment Payments made by the District pursuant to the Installment Purchase Contract, at a prepayment price equal to the principal amount evidenced thereby to be prepaid, without premium, in the aggregate respective principal amounts and on August 1 in the respective years as set forth in the following table:

**Sinking Fund Prepayment Date  
(August 1)**

**Principal Amount of Term  
Certificates to Be Prepaid**

\$

(d) If some but not all of the term Certificates described in Section 4.01(c) above have been prepaid pursuant to Section 4.01(a) or (b) above, the total amount of all related future sinking fund payments shall be reduced by the aggregate principal amount of such Certificates so prepaid, to be allocated among such sinking fund payments on a pro rata basis as determined by the District (notice of which determination shall be given by the District to the Trustee) as set forth in a revised sinking fund schedule.

**Section 4.02. Selection of Certificates for Prepayment; Purchase in Lieu of Prepayment.**

In the event that part, but not all, of the Certificates are to be prepaid (other than extraordinary prepayment pursuant to Section 4.01(a) pursuant to mandatory sinking fund payments under Section 4.01(c), the Certificates to be prepaid shall be selected by the Trustee from maturities designated by the District in writing, and by lot within a maturity (subject to the procedures of the Depository in the case of Certificates registered in the name of the Nominee pursuant to Section 2.11).

The District may at any time buy Certificates at public or private sale at a price which, inclusive of brokerage fees, will not exceed the par amount of the Certificates so purchased, plus any applicable premium and any Certificates so purchased shall be tendered to the Trustee for cancellation. Term Certificates so purchased may be credited against sinking fund prepayments as set forth in Section 4.01 hereof.

**Section 4.03. Notice of Prepayment; Rescission.** When prepayment is authorized or required pursuant to this Article, and subject to the Trustee's timely receipt of funds and written notice from the District in the case of extraordinary or optional prepayment pursuant to Section 4.01(a) or (c) the Trustee shall give notice (the "Prepayment Notice"), at the expense of the District, of the prepayment of the Certificates. Such Prepayment Notice shall specify: (A) the Certificates or designated portions thereof (in the case of prepayment of the Certificates in part but not in whole) which are to be prepaid; (B) the date of prepayment; (C) the place or places where the prepayment will be made, including the name and address of any paying agent; (D) the prepayment price; (E) the CUSIP numbers, if any, assigned to the Certificates to be prepaid; (F) the Certificate numbers of the Certificates to be prepaid in whole or in part and, in the case of any Certificate to be prepaid in part only, the amount of such Certificate to be prepaid; and (G) the original issue date, interest rate and stated maturity date of each Certificate to be prepaid in whole or in part. Such Prepayment Notice shall further state that on the specified date there shall become due and payable upon each Certificate or portion thereof being prepaid the prepayment price, together with interest accrued to the prepayment date, and that from and after such date interest with respect thereto shall cease to accrue and be payable. A Prepayment Notice may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Certificates.

Subject to the provisions stated above, the Trustee shall take the following actions with respect to such Prepayment Notice. Such notice shall be given by the Trustee at least 30 but not more than 45 days prior to the prepayment date, by telecopy or other electronic transmission, registered, certified or overnight mail, to DTC or other applicable Depository which shall state the information set forth above, but no defect in said notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption.

An optional Prepayment Notice may be conditional and state that the District shall have the right to rescind any optional prepayment by written notice to the Trustee on or prior to the date fixed for prepayment, in which case such optional prepayment shall be cancelled and annulled and such cancellation shall not constitute an Event of Default under this Trust Agreement. In addition, any such notice of optional prepayment shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Certificates then called for prepayment, and such cancellation shall not constitute an Event of Default under this Trust Agreement. The District, the Corporation and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission or cancellation of prepayment. The Trustee shall mail notice of such rescission or cancellation of prepayment in the same manner as the original notice of prepayment was sent.

Neither failure to receive any Prepayment Notice nor any defect in such Prepayment Notice so given shall affect the sufficiency of the proceedings for the prepayment of any such other Certificates as to which proper notice was given as provided herein. Each check or other payment method used by the Trustee for the purpose of prepaying Certificates shall bear the CUSIP number identifying, by issue and maturity, the Certificates being prepaid with the proceeds of such check or other transfer.

**Section 4.04. Partial Prepayment of Certificates.** Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof a new Certificate or Certificates equal to the remaining principal amount of the Certificate surrendered.

**Section 4.05. Effect of Prepayment.** Notice having been given as aforesaid, and the moneys for the prepayment, including interest to the applicable prepayment date of the Certificates to be prepaid, having been set aside in the Prepayment Account, the portion of Certificates to be prepaid shall become due and payable on said prepayment date, and, upon presentation and surrender thereof at the office or offices specified in said notice, said Certificates shall be paid at the unpaid principal amount and premium, if any, with respect thereto, plus any unpaid and accrued interest to said prepayment date.

If, on said prepayment date, moneys sufficient for the prepayment of all the Certificates to be prepaid, together with interest to said prepayment date, shall be held by the Trustee so as to be available therefor on such prepayment date, and, if notice of prepayment thereof shall have been given as aforesaid, then, from and after said prepayment date, interest with respect to the portion of Certificates to be prepaid shall cease to accrue and become payable. If said moneys shall not be so available on said prepayment date, interest with respect to such portion of Certificates shall continue to be payable until paid at the same rates as they would have been payable had they not been called for prepayment.

## ARTICLE V

### COVENANTS OF THE DISTRICT AND THE CORPORATION

**Section 5.01. Compliance with Trust Agreement.** The Corporation and the District will not suffer or permit any default by them 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 them.

**Section 5.02. Compliance with Installment Purchase Contract.** The District and the Corporation will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Installment Purchase Contract required to be complied with, kept, observed and performed by them and will enforce the Installment Purchase Contract against the other party thereto in accordance with its terms.

**Section 5.03. Observance of Laws and Regulations.** The Corporation and the District will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them 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 them, 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 5.04. Other Liens.** The District will keep the Enterprise and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, and free from any claim or liability which may hamper the District in conducting its business or utilizing the Enterprise, and the District shall defend against any and all actions or proceedings in which the validity hereof is or might be questioned, or may pay or compromise any claim or demand asserted in any such actions or proceedings. So long as any Certificates are Outstanding, neither the Corporation nor the District will create or suffer to be created any pledge of or lien on the Installment Payments and the Net Revenues other than as permitted hereunder or under the Installment Purchase Contract with respect to the Net Revenues.

**Section 5.05. Prosecution and Defense of Suits.** The District will promptly, upon request of the Trustee or any Owner, 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 Trustee and every Owner harmless from all cost, damage, expense or loss, including attorneys' fees, which they or any of them may incur by reason of any such cloud, defect, action, suit or other proceeding.

**Section 5.06. Accounting Records and Statements.** The Trustee will keep proper accounting records in which complete and correct entries shall be made of all transactions made by the Trustee relating to the receipt, deposit and disbursement of the Installment Payments, and such accounting records shall be available for inspection by the Corporation, the District or any Owner or his agent duly authorized in writing on any Business Day upon reasonable prior notice at reasonable hours and under reasonable conditions prescribed by the Trustee.

**Section 5.07. Further Assurances.** Whenever and so often as requested to do so by the Trustee (who has no duty to make such request) or any Owner, the Corporation and 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 Trustee and the Owners all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by this Trust Agreement, the Installment Purchase Contract or the Assignment Agreement.

## ARTICLE VI

### DEFAULT AND LIMITATIONS OF LIABILITY

**Section 6.01. Action on Default or Acceleration.** If an Event of Default under Section 7.01 of the Installment Purchase Contract shall happen, then such Event of Default shall constitute an Event of Default hereunder. In each and every such case during the continuance of such Event of Default the Trustee or, subject to the provisions of Section 6.08 hereof, the Owners of not less than a majority in aggregate principal amount represented by the Certificates at the time Outstanding upon notice given in writing to the District and the Trustee may, upon being indemnified to its satisfaction, exercise the remedies provided to the Corporation in Section 7.01 of the Installment Purchase Contract.

Upon the occurrence of an Event of Default hereunder, the Trustee may declare the principal and interest with respect to all such Certificates immediately due and payable and such principal and interest shall thereupon be due and payable immediately. The Trustee shall apply amounts on deposit in the funds and accounts created under the Installment Purchase Contract and the Trust Agreement in accordance with Section 6.09 hereof.

**Section 6.02. Other Remedies of the Trustee.** The Trustee may, upon being indemnified to its satisfaction, and, subject to the provisions of Section 6.08 hereof, the Owners of not less than a majority in aggregate principal amount represented by the Certificates at the time Outstanding may:

- (a) by mandamus or other action or proceeding or suit at law or in equity enforce its rights against the Corporation or the District or any board member, officer or employee thereof, and compel the Corporation or the District or any such board member, officer or employee to perform or carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained herein;
- (b) by suit in equity enjoin any acts or things which are unlawful or violate the rights of the Trustee;
- (c) intervene in judicial proceedings that affect the Certificates or the security therefor; or
- (d) seek the appointment of a receiver or other third party to operate the Enterprise and collect Revenues.

Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Certificates or the rights of any Owner thereof, or to authorize the Trustee to vote in

respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

**Section 6.03. Non-Waiver.** A waiver of any default or breach of duty or contract by the Trustee or the Owners 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 Trustee or the Owners to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right 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 Trustee or the Owners by law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

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

**Section 6.04. Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Trustee 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 law.

**Section 6.05. No Liability by the Corporation to the Owners.** The Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Installment Payments by the District, or with respect to the performance by the District of the other agreements and covenants required to be performed by it contained in the Installment Purchase Contract or herein, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained herein.

**Section 6.06. No Liability by the District to the Owners.** Except for the payment when due of the Installment Payments and the interest thereon, and the performance of the other agreements and covenants required to be performed by it contained in the Installment Purchase Contract or herein, the District will not have any obligation or liability to the Owners with respect to this Trust Agreement or the preparation, execution, delivery or transfer of the Certificates or the disbursement of the Installment Payments, and the interest thereon, by the Trustee, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained herein.

**Section 6.07. No Liability by the Trustee to the Owners.** Except for the duty of the Trustee to make payments of principal, prepayment premiums and interest with respect to the Certificates from moneys received from the District, the Trustee will not have any obligation or liability to the Owners with respect to the payment when due of the Installment Payments and the interest thereon by the District, or with respect to the performance by the District of the other agreements and covenants required to be performed by it contained in the Installment Purchase Contract or herein.

**Section 6.08. Limitation on Owners' Right to Bring Suit.** No Owner of any Certificate shall have any right to institute any proceeding, judicial or otherwise, under or with respect to this Trust Agreement, or for the appointment of a receiver or trustee or for any other remedy hereunder, at law or in equity, unless:

(a) such Owner has previously given written notice to the Trustee of a continuing event of default;

(b) the owners of not less than a majority in principal amount of the Certificates Outstanding shall have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee hereunder;

(c) such Owner or Owners have offered to the Trustee reasonable indemnity, satisfactory to the Trustee, against the costs, expenses and liabilities to be incurred in compliance with such request; and

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding.

It being understood and intended that no one or more Owners shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Trust Agreement to affect, disturb or prejudice the lien of this Trust Agreement or the rights of any other Owners or to obtain or to seek to obtain priority or preference over any other Owners or to enforce any right under this Trust Agreement, except in the manner herein provided and for the equal and ratable benefit of all Certificates. Notwithstanding the foregoing, the Owner of any Certificate shall have the right which is absolute and unconditional to receive payment of interest on such Certificate when due in accordance with the terms thereof and hereof and the principal of such Certificate at the stated maturity thereof and to institute suit for the enforcement of any such payment in accordance with the provisions of this Trust Agreement and such rights shall not be impaired without the consent of such Owner.

**Section 6.09. Application of Funds Upon Default.** All moneys received by the Trustee or by any receiver pursuant to any right given or action taken under the provisions of this Article VI or under the provisions of Article VII of the Installment Purchase Contract shall, after payment of the reasonable costs and fees of, and the reasonable expenses (including legal fees and expenses) or, and liabilities and advances incurred or made by the Trustee in and about the performance of its powers and duties hereunder, be deposited in the Installment Payment Fund and all moneys so deposited during the continuance of an Event of Default (other than moneys for the payment of Certificates which have previously matured or otherwise become payable prior to such Event of Default or for the payment of interest due prior to such Event of Default), together with all moneys in the Funds maintained by the Trustee under Article III hereof, shall be applied as follows:

(a) Unless the principal of all Certificates 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 all installments of interest then due on the Certificates, with interest on overdue installments, if lawful, at the rate per annum borne by the Certificates, 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;

SECOND, to the payment to the Persons entitled thereto of the unpaid principal of any of the Certificates which shall have become due (other than Certificates called

for prepayment for the payment of which moneys are held pursuant to the provisions of this Trust Agreement), with interest on such Certificates 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 Certificates 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; and

THIRD, to the payment of amounts, if any, payable to the United States Treasury in respect of rebate.

(b) If the principal of all the Certificates shall have become due or shall have been declared due and payable, all such moneys shall be applied:

FIRST, to the payment of the principal and interest then due and unpaid upon the Certificates, 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, or of any Certificates over any other Certificates, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or privilege; and

SECOND, to the payment of amounts, if any, payable to the United States Treasury in respect of rebate.

Whenever the Trustee shall apply such moneys it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which date such application is to commence and upon such date interest on the amounts of principal and interest to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and of the special record date in accordance with Article II hereof. The Trustee shall not be required to make payment to the holder of any unpaid Certificate until such Certificate shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

## ARTICLE VII

### THE TRUSTEE

**Section 7.01. Trustee; Duties, Removal and Resignation.** By executing and delivering the Trust Agreement, the Trustee accepts the duties and obligations of the Trustee provided in the Trust Agreement, but only upon the terms and conditions set forth in the Trust Agreement. The District (so long as an Event of Default has not occurred) or the Owners of a majority in aggregate principal amount of all Certificates Outstanding may, by 30 days prior written request, remove the Trustee initially a party hereto, and any successor thereto, and in such event, or in the event the Trustee resigns, the District shall appoint a successor Trustee, but any such successor shall be (a) a bank, national banking association or trust company that is supervised by the Office of Comptroller of the Currency and has at least \$250 million in assets or (b) a state-chartered commercial bank or trust company that is a member of the Federal Reserve System and has at least \$1 billion of assets. If such bank, national banking association, or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the

purposes of this Section the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of conditions so published.

The Trustee may at any time resign by giving written notice to the District and by giving to the Certificate Owners notice by mailing a notice of such resignation to their addresses appearing in the Certificate register. Upon receiving any such notice of resignation, the District shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event that the District does not appoint a successor Trustee within 30 days following receipt of such notice of resignation or giving notice of removal, the retiring Trustee may petition an appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of the Trustee shall not become effective until written acceptance of appointment by the successor Trustee under the Trust Agreement.

Any Trustee which shall resign or be removed upon 30 days' prior written notice pursuant to this Section shall be entitled to compensation in accordance with Section 7.02 and to reimbursement for all reasonable and proper expenses and advances incurred and not previously reimbursed for its activities in connection with the Trust Agreement and the Installment Purchase Contract and for any indemnification due pursuant to the Trust Agreement or the Installment Purchase Contract and not previously paid. Any Trustee which resigns or is removed, upon payment of its unpaid compensation and expenses hereunder, shall fully discharge all the right, title and interest of the retiring Trustee and the accounts and funds hereunder shall vest in said successor Trustee, and such retiring Trustee shall promptly pay over, assign and deliver to the successor Trustee any money or other property then held by such Trustee hereunder, and deliver any and all records, or copies thereof, in respect of the funds and accounts held hereunder which it may have.

**Section 7.02. Compensation of the Trustee.** The District shall pay from time to time, upon receipt of a statement, to the Trustee reasonable compensation for the Trustee's services and shall reimburse the Trustee for all its reasonable advances and expenditures, including but not limited to advances to and fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties under the Trust Agreement. Such compensation and reimbursement shall be paid promptly by the District. The lien of the Trustee on amounts held by it under the Trust Agreement for its services rendered under the Trust Agreement shall be superior to the rights of the Certificate Owners to receive scheduled payments of principal and interest with respect to their Certificates; provided that the Trustee shall have no lien on moneys in the Prepayment Account or the Rebate Fund.

The District shall, under the Installment Purchase Contract, hold harmless and indemnify the Trustee for all costs, claims, expenses and liabilities incurred by or asserted against the Trustee in the performance of its duties under this Trust Agreement, the Installment Purchase Contract, the Assignment Agreement or any related document executed in connection herewith or therewith, including any such reasonable costs, claims, expenses and liabilities, including legal fees and expenses, incurred in the course of defending itself against any claims or actions or enforcing any remedies under this Trust Agreement or any related document. Any such indemnity shall not extend to any costs, claims, expenses or liabilities adjudicated to have been caused by the negligence or willful misconduct of the Trustee. The indemnification of the Trustee under this Trust Agreement shall extend to its directors, officers, employees and agents. The obligations of the Corporation and the District under this Section shall survive the payment of the Certificates and the discharge of this Trust Agreement and the removal or resignation of the Trustee.

When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

**Section 7.03. Protection to Trustee.** The District shall indemnify, protect and hold the Trustee harmless and the Trustee shall incur no liability for acting upon any notice, resolution, consent, order, certificate, report or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee, in its discretion, may consult with counsel, who may be counsel to the District or the Corporation, with regard to legal questions, and the opinion or advice of such counsel, shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Trust Agreement in good faith in accordance therewith. Whenever in the administration of its duties under the Trust Agreement, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Trust Agreement, such matter (unless other evidence in respect thereof be specifically prescribed in the Trust Agreement) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by the certificate of an Authorized Officer of the District and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof (but shall not be obligated to), accept other evidence of such matter.

The Trustee may in good faith buy, sell, own, hold and deal in any of the Certificates executed pursuant to the Trust Agreement, and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party to the Trust Agreement. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Corporation or the District, and may act as depository, trustee, or agent for any committee or body of Owners of Certificates or other obligations of the District as freely as if it were not Trustee under the Trust Agreement.

The recitals, statements and representations contained in this Trust Agreement or in the Certificates, save only the Trustee's execution of the Certificates, shall be taken and construed as made by and on the part of the District, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof. The Trustee shall not be deemed to make any representations with respect to the security afforded by this Trust Agreement, the Installment Purchase Contract or the Assignment Agreement. The Trustee may execute any of the trusts or powers hereof and perform the duties required of it under the Trust Agreement by or through attorneys, agents, or receivers, shall not be responsible for the negligence or misconduct of such attorneys, agents or receivers appointed by it with due care, and shall be entitled to advice of counsel concerning all matters of trust and its duty under the Trust Agreement. The Trustee shall be fully reimbursed by the District for reasonable expenses incurred in hiring attorneys, agents or receivers in connection with the performance of its obligations under the Trust Agreement.

Before taking any action hereunder the Trustee may require that a satisfactory indemnity bond or other indemnity satisfactory to the Trustee be furnished for the reimbursement of all reasonable expenses to which it may be put and to protect it against all liability which may be incurred in connection with the taking of such action, except liability which is adjudicated to have resulted from its negligence or willful misconduct; provided, however, the Trustee shall not seek such indemnity prior to making payments on the Certificates. The Trustee, prior to the occurrence of an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, undertakes

to perform only such duties as are specifically set forth in this Trust Agreement. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use in the conduct of such person's own affairs.

The Trustee shall not be deemed to have knowledge of an Event of Default under the Installment Purchase Contract (except in connection with a failure of the District to make Installment Payments when due) until it has actual knowledge thereof, or until notified in writing of such Event of Default. In acting as Trustee hereunder, the Trustee acts solely in its capacity as Trustee hereunder and not in its individual or personal capacity, and all persons, including without limitation the Owners, the District and the Corporation, having any claim against the Trustee shall look only to the funds and accounts held by the Trustee hereunder for payment, except as otherwise provided herein. Under no circumstances shall the Trustee be liable in its individual or personal capacity for the obligations evidenced by the Certificates.

Every provision of this Trust Agreement, the Installment Purchase Contract and the Assignment Agreement relating to the conduct or liability of the Trustee shall be subject to the provisions of this Trust Agreement, including without limitation, this Article. The Trustee is authorized and directed to execute in its capacity as Trustee the Assignment Agreement. The Trustee shall not be liable with respect to any action taken or not taken by it in accordance with the direction of the Owners of a majority (or other percentage provided for herein) in aggregate principal amount of Certificates at the time Outstanding relating to the exercise of any right or remedy available to the Trustee hereunder or under the Installment Purchase Contract or any other trust or power conferred upon the Trustee.

The Trustee makes no representation or warranty, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District or the Corporation of the Project or any portion thereof, or any other representation or warranty with respect to the Project or any portion thereof. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with this Trust Agreement or the Installment Purchase Contract or the existence, furnishing or functioning of the Project or the District's use of the Project. The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Certificates.

The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Trust Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the District and/or Corporation shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the District and/or the Corporation whenever a person is to be added or deleted from the listing. If the District and/or Corporation elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The District and Corporation understand and agree that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively

presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The District and Corporation shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the District, Corporation and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District and/or Corporation. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The District and Corporation agree: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District and Corporation; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

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

The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct. The Trustee shall not be liable for errors in judgment made in good faith unless negligent in ascertaining pertinent facts.

In acting or omitting to act pursuant to the Assignment Agreement, the Installment Purchase Contract or any other documents executed in connection herewith or therewith, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under this Trust Agreement and the Installment Purchase Contract, including, but not limited to, this Article VII.

None of the provisions of this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it.

The Trustee shall not be accountable for the use or application by the District of any of the Certificates or the proceeds thereof or for the use or application of any money paid over by the Trustee in accordance with the provisions of this Indenture or for the use and application of money received

by any paying agent. The Trustee may become the owner of Certificates secured hereby with the same rights it would have if not Trustee.

The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct.

**Section 7.04. Payment from Trust Estate Only.** All payments to be made by the Trustee under and pursuant to this Trust Agreement shall be made only from the corpus, income and proceeds of the funds and accounts hereunder and only to the extent that the Trustee shall have received sufficient contribution, income and proceeds in accordance with the terms of this Trust Agreement.

**Section 7.05. Merger or Consolidation.** Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 7.01 hereof, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

**Section 7.06. No Filing Responsibility.** For the avoidance of doubt, the Trustee has no responsibility under this Trust Agreement for the preparation, filing, or continuation of any Uniform Commercial Code or other filings or recordings necessary to the perfection of, and is not otherwise responsible for the validity or perfection of, any lien or security interest granted hereunder or any rights assigned under the Assignment Agreement.

## ARTICLE VIII

### AMENDMENT OF OR SUPPLEMENT TO TRUST AGREEMENT

**Section 8.01. Amendment or Supplement by Consent of Owners.** The Trust Agreement may be amended in writing by agreement among all of the parties, but no such amendment (except as provided below) shall become effective as to the Owners of the Certificates then Outstanding, unless and until approved by the Owners of a majority in aggregate principal amount of Certificates Outstanding; provided that no such amendment shall impair the right of any Owner to receive his proportionate share of any Installment Payments in accordance with his Certificate of Participation unless consented to by the applicable Certificate Owner, furthermore no such amendment or supplement shall (a) reduce the rate of interest evidenced hereby or extend the time of payment of such interest or reduce the amount of principal evidenced hereby or extend the Maturity Date hereof without the prior written consent of the Owner hereof, or (b) reduce the percentage of Owners of Certificates whose consent is required for the execution of any amendment of or supplement to the Trust Agreement, or (c) modify any rights or obligations of the Trustee without its prior written consent thereto. Notwithstanding the foregoing, the Trust Agreement and the rights and obligations provided thereby may also be modified or amended at any time without the consent of any Owners of the Certificates, but only (a) for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Trust Agreement; or (b) in regard to questions arising under the Trust Agreement which the District may deem necessary or desirable and not inconsistent with the Trust Agreement and which shall not materially adversely affect the interests of the Owners; provided that the Corporation, the District and the Trustee may rely in entering into any such amendment of the Trust Agreement upon the opinion of nationally recognized bond counsel

stating that the requirements of this sentence shall have been met with respect to such amendment. The Trustee may in its discretion, but shall not be obligated to, enter into any amendment or modification which adversely affects the Trustee's own rights, duties or immunities under this Trust Agreement or otherwise.

In the event of any such amendment or supplement, copies of such amendment or supplement and any other documents relating thereto shall be provided by the District to Moody's (to the extent Moody's maintains a rating on the Certificates), S&P (to the extent S&P maintains a rating on the Certificates) at least 15 days prior to the effective date thereof.

**Section 8.02. Disqualified Certificates.** Certificates owned or held by or for the account of the District shall not be deemed outstanding for the purpose of any consent or other action or any calculation of Outstanding Certificates provided in this Article VIII, and shall not be entitled to consent to or take any other action provided in this Article VIII; except that in determining whether the Trustee shall be protected in relying upon any such demand, request, direction, consent or waiver of an Owner, only Certificates which the Trustee actually knows to be owned or held by or for the account of the District, shall be disregarded unless all Certificates are so owned or held, in which case such Certificates shall be considered outstanding for the purpose of such determination. The Trustee may adopt appropriate regulations to require each Owner, before his consent provided for herein shall be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in this Section 8.02. Upon request of the Trustee, the District shall specify in a certificate to the Trustee those Certificates disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

**Section 8.03. Execution of Amendments.** In executing, or accepting the additional trusts created by, any supplement or amendment permitted by this Article or the modification thereby of the trusts created by this Trust Agreement, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an opinion of counsel stating that the execution of such supplemental indenture is authorized or permitted by this Trust Agreement and complies with the terms hereof. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

## ARTICLE IX

### DEFEASANCE

**Section 9.01. Defeasance.** Any Outstanding Certificates shall be paid and discharged in any one or more of the following ways:

(a) by paying or causing to be paid the principal and interest with respect to the Certificates Outstanding to be defeased, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, before maturity, money which, together with the amounts which are then on deposit in the Installment Payment Fund and the Reserve Fund, is fully sufficient to pay such Certificates Outstanding, including all principal and interest relating thereto;

(c) by depositing with the Trustee, in trust, non-callable Federal Securities (the "Defeasance Obligations") in such amount as a nationally recognized certified public

accountant shall determine will, together with the interest to accrue thereon and moneys then on deposit in the Installment Payment Fund and Reserve Fund to be applied to such defeasance together with the interest to accrue thereon, be fully sufficient to pay and discharge such Certificates (including all principal and interest) at or before their respective maturity dates;

(d) by depositing with the Trustee, cash, or Defeasance Obligations for the payment of a portion of Installment Payments, said Defeasance Obligations to be held by the Trustee, as agent for District and to be applied by the Trustee to pay Installment Payments representing the obligation of the District under the Installment Purchase Contract.

In the event of an advance refunding as described in Sections 9.01(c) and (d) above (i) the District shall cause to be delivered, on the deposit date and upon any reinvestment of the defeasance amount, a report of an independent firm of nationally recognized certified public accountants (“Accountant”) verifying the sufficiency of the escrow established to pay such Certificates in full on the maturity or prepayment date (“Verification”); (ii) the escrow agreement or instructions shall provide that no (A) substitution of a Defeasance Obligation shall be permitted except with another Defeasance Obligation and upon delivery of a new Verification, and (B) reinvestment of a Defeasance Obligation shall not be permitted except as contemplated by the original Verification or upon delivery of a new Verification; and (iii) there shall be delivered an opinion of nationally recognized bond counsel to the effect that such Certificates are no longer “Outstanding” under the Trust Agreement. Each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the District. Certificates shall be deemed “Outstanding” under the Trust Agreement unless and until they are in fact paid and retired or the above criteria are met.

Notwithstanding that some Certificates may not have been surrendered for payment, all obligations of the Corporation, the Trustee and the District under the Trust Agreement with respect to all defeased Certificates shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid to the Owners of the Certificates all sums due thereon and the obligation of the District to indemnify and pay the Trustee in accordance with Sections 7.02 and 7.03 hereof.

Upon the defeasance of all Outstanding Certificates, any funds held by the Trustee, at the time of one of the events described above in Section 9.01(a), (b), (c) or (d), which are not required for the payment to be made to Owners, or for payments to be made to the Trustee by the District, shall be paid over to the District upon delivery of a certificate of a certified public accountant that such funds are not required to be paid to the Owners.

**Section 9.02. Unclaimed Moneys.** Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or principal evidenced and represented by any of the Certificates which remains unclaimed for two years after the date when the payments evidenced and represented by such Certificates have become payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when the interest and principal evidenced and represented by such Certificates have become payable, the Trustee shall pay such amounts to the District (without liability for interest) as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for interest and principal represented by such Certificates; provided, however, that before being required to make any such payment to the District, the Trustee shall, at the expense and written request of the District, cause to be published once a week for two successive weeks in a financial newspaper a notice that such money remains unclaimed and that after a date named in such notice, which date shall

not be less than 30 days after the date of the first publication of such notice, the balance of such money then unclaimed will be returned to the District.

## ARTICLE X

### MISCELLANEOUS

**Section 10.01. Benefits of Trust Agreement Limited to Parties.** Nothing contained herein, expressed or implied, is intended to give to any person other than the Corporation, the District, the Trustee and the Owners any claim, remedy or right under or pursuant hereto, and any agreement, condition, covenant or term contained herein required to be observed or performed by or on behalf of the Corporation or the District shall be for the sole and exclusive benefit of the Trustee and the Owners.

**Section 10.02. Successor Deemed Included in All References to Predecessor.** Whenever either the Corporation, the District, the Trustee or any officer thereof 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 Corporation, the District, the Trustee or such officer, and all agreements, conditions, covenants and terms required hereby to be observed or performed by or on behalf of the Corporation, the District, the Trustee or any officer thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

**Section 10.03. Execution of Documents by Owners.** Any declaration, consent, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his or her attorney of any declaration, consent, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act, that the person signing such declaration, consent, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee or the paying agent, as the case may be, may accept which it may deem sufficient. Any declaration, consent, request or other instrument in writing of the Owner of any Certificate shall bind all future owners of such Certificate with respect to anything done or suffered to be done by the Corporation, the District or the Trustee in good faith and in accordance therewith. Additionally, a signed and delivered facsimile copy of this Trust Agreement 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 10.04. Waiver of Personal Liability.** No board member, officer or employee of the Corporation or the District shall be individually or personally liable for the payment of the interest or principal evidenced and represented by the Certificates, but nothing contained herein shall relieve any board member, officer or employee of the District or the Corporation from the performance of any official duty provided by any applicable provisions of law or by the Installment Purchase Contract or hereby.

**Section 10.05. Acquisition of Certificates by District.** All Certificates acquired by the District, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

**Section 10.06. Content of Certificates.** Every Certificate of the District with respect to compliance with any agreement, condition, covenant or term contained herein (other than a Certificate of the District filed with the Trustee in connection with a disbursement from the Delivery Costs Fund and the Acquisition Fund, the contents of which certificate shall be as set forth in Sections 3.03 and 3.12, respectively, hereof) shall include (a) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or term and the definitions herein relating thereto; (b) a statement that, in the opinion of the signers they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (c) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with. Any Certificate of the District may be based, insofar as it relates to legal matters, upon an opinion of counsel unless the person making or giving such certificate knows that the opinion of counsel with respect to the matters upon which such certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any opinion of counsel may be based, insofar as it relates to factual matters or information with respect to which is in the possession of the District, upon a representation by an officer or officers of the District unless the counsel executing such opinion of counsel knows that the representation with respect to the matters or upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

**Section 10.07. Notice by Mail.** Any notice required to be given hereunder by mail to any Owners of Certificates shall be given by mailing a copy of such notice, first-class postage prepaid, to the Owners of such Certificates at their addresses appearing in the books required to be kept by the Trustee pursuant to the provisions of Section 2.07 not less than 30 days nor more than 60 days following the action or prior to the event concerning which notice thereof is required to be given unless this Trust Agreement expressly provides a different provision; provided, that receipt of any such notice shall not be a condition precedent to the effect of such notice and failure to receive any such notice shall not affect the validity of the proceedings taken in connection with the action or the event concerning which such notice was given.

**Section 10.08. Funds.** Any fund or account required to be established and maintained herein by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Certificates and the rights of the owners.

**Section 10.09. Investments.**

(a) Amounts on deposit in any fund or account created pursuant to the Installment Purchase Contract or this Trust Agreement (except the Reserve Fund) 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, in accordance with such written directions as the District may from time to time provide to the Trustee. Amounts on deposit in the Reserve Fund shall be invested by the Trustee, in accordance with written directions from the District, in Permitted Investments (i) having an average aggregate weighted term to maturity not greater than five years; or (ii) of any maturity, but callable at par for any purpose required by this Trust Agreement. Investment directions shall be received at least two

Business Days prior to the date of making the investment. If no such direction has been received by the Trustee in sufficient time, the Trustee shall invest such amounts in Permitted Investments of the type described in clause (d) of the definition thereof; provided that the Trustee shall have received a written instruction of the District specifying a specific money market fund and, if no such Written Request of the District is so received, the Trustee shall hold such moneys uninvested. The Trustee may act as principal or agent in the acquisition or disposition of any such investment. The Trustee shall not be liable or responsible for any loss suffered in connection with any such investment made by it under the terms of and in accordance with this Section 10.09. The Trustee may sell or present for prepayment any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such investment sold or presented for prepayment. Interest or profit received from the investment of amounts on deposit in the Delivery Costs Fund shall be retained therein and used as described in Section 3.03. Interest or profit received from the investment of amounts on deposit in the Acquisition Fund shall be retained therein and used as described in Section 3.10. Interest or profit received on investments not described in the previous two sentences shall be deposited to the Acquisition Fund until the Project is Acquired, and thereafter to the Installment Payment Fund.

The Trustee may exclusively rely that any investment directed by the District hereunder is a Permitted Investment as required by this Trust Agreement (including as to the suitability and legality of the directed investment). The Trustee may act as depository, manager, advisor or sponsor with regard to any Permitted Investment.

(b) In computing the amount in any fund or account, Permitted Investments shall be valued at fair market value, marked to market, exclusive of accrued interest. The Trustee shall perform such valuation (i) no less often than once a year or more frequently than monthly, and (ii) upon any draw on the Reserve Fund. In determining market value of Permitted Investments, the Trustee may use and rely conclusively and without liability upon any generally recognized pricing information service (including brokers and dealers in securities) available to it. If amounts on deposit in the Reserve Fund shall, at the time of valuation, be less than the applicable Reserve Requirement the Trustee shall notify the District within five Business Days and such deficiency shall be immediately made up by the District from Net Revenues and such Reserve Fund shall be valued monthly until amounts on deposit therein equal the Reserve Requirement.

(c) 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 10% of invested funds, such Permitted Investment shall be sold or liquidated at the written direction of the District. At the written direction of the District the Trustee shall terminate any repurchase agreement upon a failure of the counterparty thereto to maintain the requisite collateral percentage after the restoration period and, if not paid by the counterparty in federal funds against transfer of the repurchase securities, at the written direction of the District, the Trustee shall, liquidate the collateral. The Trustee shall, upon actual knowledge of a default under a repurchase or investment agreement or the withdrawal or suspension of either of the ratings of a repurchase or investment agreement provider or a drop in the ratings thereon below "AA" or "Aa," as appropriate, or "AAA" or "Aaa," as appropriate, in the case of a foreign bank, shall at the written direction of the District, demand further collateralization of the agreement or termination thereof and liquidation of the

collateral. In the event any funds or accounts are invested in an investment agreement described in clause (j) of the definition of Permitted Investments, at the written direction of the District, the Trustee shall give notice to the provider of such investment agreement in accordance with the terms of such investment agreement to receive funds thereunder with no penalty or premium.

(d) The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants to the District the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

**Section 10.10. 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 Trust Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

**Section 10.11. Partial Invalidity.** If any one or more of the agreements, conditions, covenants or terms contained herein required to be observed or performed by or on the part of the Corporation, the District or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions such covenant or covenants or such term or terms shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants and terms hereof and shall in no way affect the validity hereof or of the Certificates, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law.

**Section 10.12. California Law.** This Trust Agreement shall be construed and governed in accordance with the laws of the State of California.

**Section 10.13. Notices.** All written notices to be given hereunder shall be given by certified mail to the party entitled thereto at its address set forth in the Installment Purchase Contract, or at such other address as such party may provide to the other parties in writing from time to time.

**Section 10.14. Effective Date.** This Trust Agreement shall become effective upon its execution and delivery.

**Section 10.15. Execution in Counterparts.** This Trust Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank]

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

**THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Trustee**

By \_\_\_\_\_  
Authorized Representative

**CSDA FINANCE CORPORATION**

By \_\_\_\_\_  
Authorized Representative

**MCKINLEYVILLE COMMUNITY  
SERVICES DISTRICT**

By \_\_\_\_\_  
General Manager

**APPENDIX A**

**FORM OF CERTIFICATE OF PARTICIPATION**

EVIDENCING THE DIRECT, UNDIVIDED FRACTIONAL INTEREST OF THE OWNER HEREOF IN INSTALLMENT PAYMENTS TO BE MADE TO THE CSDA FINANCE CORPORATION BY THE MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT  
REVENUE CERTIFICATE OF PARTICIPATION  
SERIES 2021A  
(WATER PROJECT)**

No. R- \_\_\_\_\_ \$ \_\_\_\_\_

<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Original Issue Date</b>	<b>CUSIP</b>
_____ %	August 1, _____	December __, 2021	_____

REGISTERED OWNER: **\*\*CEDE & CO.\*\***

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

THIS IS TO CERTIFY that the Owner specified above of this Certificate of Participation (the "Certificate"), is the Owner of an undivided interest in the rights to receive certain installment payments (the "Installment Payments") and the interest thereon under and pursuant to that certain Installment Purchase Contract, dated as of December 1, 2021 (the "Installment Purchase Contract"), between the McKinleyville Community Services District, duly organized and validly existing under the laws of the State of California (the "District") and the CSDA Finance Corporation, a nonprofit corporation duly organized and validly existing under the laws of the State of California (the "Corporation"), all of which rights to receive such Installment Payments and the interest thereon, together with certain other rights, have been assigned by the Corporation to The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), a national banking association duly organized and validly existing under the laws of the United States and having a corporate trust office in Los Angeles, California, or in such other place as designated by the Trustee or any other bank or trust company which may at any time be substituted in its place as provided in the Trust Agreement hereinafter mentioned.

This Certificate is one of the duly authorized certificates of participation designated "McKinleyville Community Services District Revenue Certificates of Participation, Series 2021A (Water Project)" aggregating \$\_\_\_\_\_ in principal amount which have been executed by the Trustee under and pursuant to the terms of a Trust Agreement, dated as of December 1, 2021 (the "Trust Agreement"), by and among the Trustee, the Corporation and the District, and all capitalized terms used herein not otherwise defined shall have the definitions for such terms contained in the Trust Agreement or the Installment Purchase Contract.

The Owner of this Certificate is entitled to receive, subject to the terms of the Installment Purchase Contract and any right of prepayment prior thereto hereinafter provided for, on the date set

forth on the front hereof (the “Maturity Date”), upon surrender of this Certificate on the Maturity Date or on the date of prepayment prior thereto at the principal corporate trust office of the Trustee in Los Angeles, California, or such other place as designated by the Trustee, the Principal Amount specified above representing the Owner’s share of the Installment Payments becoming due and payable on the Maturity Date, and to receive on February 1 and August 1 of each year, commencing February 1, 2022 (each, an “Interest Payment Date”) to and including the Maturity Date or the date of prepayment prior thereto, whichever is earlier, by check mailed via first-class mail on the Interest Payment Date to the owner at the address shown on the registration books for the Certificates on the fifteenth day of the calendar month prior to an Interest Payment Date, or, upon the written request from any Owner of any Certificate in a denomination of, or Certificates aggregating, at least \$1,000,000, received on or prior to the fifteenth day of the month preceding the applicable Interest Payment Date, by wire in Federal Reserve funds, the Owner’s share of the interest on the Installment Payments at the rate set forth on the front hereof. All such amounts are payable in lawful money of the United States of America.

Interest on the principal components shall be at a rate equal to the rate set forth on the front hereof, which shall be calculated based on a 360-day year of twelve 30-day months.

Copies of the Trust Agreement are on file at the corporate trust office of the Trustee in San Francisco, California and reference is hereby made to the Trust Agreement and to any and all amendments thereof and supplements thereto for a description of the agreements, conditions, covenants and terms securing the Certificates, for the nature, extent and manner of enforcement of such agreements, conditions, covenants and terms, for the rights and remedies of the Owners of the Certificates with respect thereto and for the other agreements, conditions, covenants and terms upon which the Certificates are executed and delivered thereunder.

The Installment Payments relating to the Certificates are a special obligation of the District, payable solely from (a) Net Revenues (as defined in the Installment Purchase Contract), and (b) moneys on deposit in the funds and accounts established under the Trust Agreement and the Installment Purchase Contract. The Installment Payments do not constitute a debt 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.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended or supplemented in writing by the parties thereto (in certain instances without the consent of the Owners of Certificates), but no such amendment or supplement shall (a) reduce the rate of interest evidenced hereby or extend the time of payment of such interest or reduce the amount of principal evidenced hereby or extend the Maturity Date hereof without the prior written consent of the Owner hereof, or (b) reduce the percentage of Owners of Certificates whose consent is required for the execution of any amendment of or supplement to the Trust Agreement, or (c) modify any rights or obligations of the Trustee without its prior written consent thereto.

The Certificates are authorized to be executed and delivered in the form of fully registered Certificates in denominations of \$5,000 or any integral multiple thereof.

This Certificate is transferable or exchangeable by the Owner hereof in person or by the Owner’s attorney duly authorized in writing, at the designated corporate trust operations office of the Trustee, or such other place as designated by the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement, and upon surrender of this Certificate for cancellation accompanied by delivery of a duly executed written instrument of

transfer or exchange in a form approved by the Trustee. Upon such transfer or exchange, a new Certificate or certificates of authorized denominations of the same Maturity Date and interest rate representing the same aggregate principal amount hereof will be executed and delivered by the Trustee to the owner thereof in exchange therefor. The Trustee shall require the payment by the Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange. The Trustee may treat the Owner hereof as the absolute owner hereof for all purposes, whether or not this Certificate shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the interest and principal and prepayment premium, if any, evidenced by this Certificate shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge liability evidenced by this Certificate to the extent of the sum or sums so paid.

The Trustee shall not be obligated to make any such registration of transfer or exchange of Certificates during the 15-day period prior to the date on which notice of prepayment must be mailed pursuant to the Trust Agreement, or with respect to any Certificate which has been selected for prepayment pursuant to the Trust Agreement.

The Certificates shall be subject to prepayment as set forth in the Trust Agreement.

As provided in the Trust Agreement, notice of prepayment hereof shall be mailed, first-class postage prepaid, not less than 30 nor more than 45 days prior to the prepayment date, to the Owner of this Certificate at such Owner's address as it appears in the registration books maintained by the Trustee, but failure to give any such notice or any defect therein shall not affect the validity of the proceedings for the prepayment of this Certificate. If this Certificate is called for prepayment and payment is duly provided therefor as specified in the Trust Agreement, the interest evidenced hereby shall cease to accrue from and after the date fixed for prepayment.

The Trustee has no obligation or liability to the Owners of the Certificates for the payment of the interest or principal or prepayment premiums, if any, evidenced by the Certificates; but rather the Trustee's sole obligations are to administer, for the benefit of the District and the Corporation and the Owners of the Certificates, the various funds established under the Trust Agreement and Installment Purchase Contract. The Trustee has executed this Certificate solely in its capacity as Trustee under the Trust Agreement and not in its individual or personal capacity. The Trustee is not liable for the obligations evidenced by the Certificates except from amounts held by it in its capacity as Trustee under the Trust Agreement. The Corporation has no obligation or liability whatsoever to the Owners of the Certificates.

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

IN WITNESS WHEREOF, this Certificate has been executed by the manual or electronic signature of an authorized officer of the Trustee.

Dated: December \_\_\_\_, 2021

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., solely as Trustee (not  
individually)

By \_\_\_\_\_  
Authorized Representative

**ASSIGNMENT**

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

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**(Please print or typewrite name and address of Transferee)  
(Tax Identification or Social Security No.)**

the within bond and all rights thereunder and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed:

\_\_\_\_\_  
Signature(s) must be guaranteed by a national bank or trust company or by a brokerage firm having a membership in one of the major stock exchanges and who is a member of a Medallion Signature Program.

**APPENDIX B**

**FORM OF CERTIFICATE OF THE DISTRICT**

The Bank of New York Mellon Trust Company, N.A.  
400 S. Hope Street, Suite 500  
Los Angeles, CA 90071  
Attention: Corporate Trust Services

RE: Disbursement from the Acquisition Fund pursuant to Section 3.10 of the Trust Agreement, dated as of December 1, 2021 (the "Agreement"), among THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee (the "Trustee"), the CSDA FINANCE CORPORATION (the "Corporation") and the MCKINLEYVILLE COMMUNITY SERVICES DISTRICT (the "District")

Notice No. \_\_\_\_\_

You are hereby instructed to pay to the parties listed on Exhibit A hereto the sum listed opposite such parties' names as a payment of the cost of the Acquisition of the Project for the items listed on the Schedule attached hereto and the expenses incidental thereto (including reimbursement to the District for certain of such costs or expenses) from the Acquisition Fund as provided in Section 3.10 of the Trust Agreement. This cost has been properly incurred, is a proper charge under the Agreement against payment of the costs of the Acquisition of the Project and has not been the basis of any previous disbursements. The amount remaining in the Acquisition Fund, together with interest earnings thereon will, after payment of the amount set forth in this requisition, be sufficient to pay all remaining costs of the Acquisition of the Project as presently estimated.

I hereby certify that:

- (a) the District is authorized to act as agent for the Corporation with respect to this Certificate and the undersigned is duly authorized by the District to deliver this Certificate;
- (b) an obligation in the stated amount has been properly incurred under and pursuant to the Installment Purchase Contract and each such obligation is a proper charge against the Acquisition Fund and has not been subject of any previous Certificate of the District;
- (c) there has not been filed with or served upon the Corporation or the District a stop notice or any other notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable to the person named in this Certificate which has not been released or will not be released with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of laws;
- (d) in the case of each payment made under any contract for installation or construction, insofar as such obligation was incurred for work, materials, equipment or supplies, such work was actually performed on behalf of the District or such materials, equipment or supplies were actually installed in furtherance of the Project or delivered at the site for that purpose or delivered for storage or fabrication at a place or places approved by the District;

(e) in the case of increased costs of the Acquisition of the Project, the amount of such increase has been or is herewith being deposited with the Trustee, or otherwise made available by the District; and

(f) no event of default has occurred and is continuing.

Very truly yours,

---

District Representative

**EXHIBIT A**

<b>Name and Address of Payee</b>	<b>Purpose</b>	<b>Amount \$</b>
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**TRUST AGREEMENT**

by and among

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,**  
as Trustee,

**CSDA FINANCE CORPORATION,**  
as the Corporation

and

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT,**  
as the District

\$ \_\_\_\_\_  
McKinleyville Community Services District  
Revenue Certificates of Participation  
Series 2021B  
(Wastewater Project)

Evidencing Interests of the Owners  
Thereof in Installment Payments to Be  
Made by the McKinleyville Community Services District

Dated as of December 1, 2021

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APPENDIX A	FORM OF CERTIFICATE OF PARTICIPATION
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## TRUST AGREEMENT

**THIS TRUST AGREEMENT**, dated as of December 1, 2021, by and among **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, a national banking association duly organized and validly existing under and by virtue of the laws of the United States, as trustee (in such capacity, the “Trustee”), the **CSDA FINANCE CORPORATION**, a nonprofit public benefit corporation duly organized and validly existing under and by virtue of the laws of the State of California (the “Corporation”), and the **MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**, a community services district duly organized and existing under and by virtue of the laws of the State of California (the “District”);

### WITNESSETH:

WHEREAS, the Corporation and the District have executed and entered into an Installment Purchase Contract, dated as of December 1, 2021 (the “Installment Purchase Contract”), whereby the District has agreed to acquire from the Corporation the Project for the purposes of financing the costs of the Acquisition of the Project; and

WHEREAS, under and pursuant to the Installment Purchase Contract, the District is obligated to pay to the Corporation Installment Payments (as defined herein) and interest thereon for the costs of such acquisition; and

WHEREAS, the Corporation has assigned without recourse all its rights to receive such Installment Payments and interest to the Trustee pursuant to an Assignment Agreement dated as of the date hereof; and

WHEREAS, in consideration of such assignment and the execution and entering into of this Trust Agreement, the Trustee has agreed to execute and deliver certificates of participation in an aggregate principal amount equal to the aggregate principal amount of such Installment Payments, each evidencing and representing a proportionate interest in the right to receive such Installment Payments and interest thereon; and

WHEREAS, the District and the Corporation hereby certify that 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 Trust Agreement by each such party 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 Trust Agreement;

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; EQUAL SECURITY

**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 or supplement hereto and of the Certificates and of any certificate, opinion, request 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 herein and not defined herein shall have the meaning ascribed thereto in the Installment Purchase Contract:

*“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 of an ownership or capacity interest in the Project, or the financing, construction or ownership of the Project.

*“Acquisition Costs”* means, with respect to the Project, the contract price paid or to be paid to the contractors therefor upon acquisition, construction, refinancing, improvement, repair, modification or delivery of any portion of the Project and related equipment, in accordance with the purchase order or contract therefor. Acquisition Costs include the costs of site preparation necessary for the installation of any improvements to the Project. Acquisition Costs also include costs incurred by the District, the Corporation and the contractors in connection with the acquisition, delivery and installation of the Project.

*“Acquisition Fund”* means the fund established in Section 3.10 hereof.

*“Assignment Agreement”* means that certain Assignment Agreement by and between the Corporation and the Trustee, dated as of December 1, 2021.

*“Authorized Officer of the District”* means the President, Vice President, General Manager, Finance Director, and Secretary of the District, or their designated representatives, or such other representatives of the District as may be designated by resolution of the District.

*“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 of the District”* means an instrument in writing signed by the General Manager of the District, or by any other officer of the District duly authorized by the Board of Directors of the District for that purpose.

*“Certificates”* means the \$\_\_\_\_\_ principal amount of McKinleyville Community Services District Revenue Certificates of Participation, Series 2021B (Wastewater Project) authorized hereby and at any time Outstanding hereunder that are executed and delivered by the Trustee under and pursuant to Article II of this Trust Agreement.

*“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, 2022.

*“Closing Date”* means December \_\_, 2021.

*“Corporation”* means the CSDA Finance Corporation, a nonprofit public benefit corporation duly organized and validly existing under the laws of the State of California and its successors and assigns.

“*Delivery Costs*” means all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation 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 Trustee and its counsel, financing discounts, legal fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, title insurance premiums, transportation and safekeeping of Certificates and charges and fees in connection with the foregoing.

“*Delivery Costs Fund*” means the fund established by Section 3.02 hereof.

“*Depository*” means (a) initially, DTC; and (b) any other qualified securities depository acting as Depository pursuant to Section 2.11 hereof.

“*Depository System Participant*” means any participant in the Depository’s book-entry system.

“*District*” means the McKinleyville Community Services District, a public body duly organized and existing under and by virtue of the laws of the State of California.

“*DTC*” means the Depository Trust Company, New York, New York, and its successors and assigns.

“*Enterprise*” has the meaning provided in the Installment Purchase Contract.

“*Event of Default*” means an event of default described in Section 7.01 of the Installment Purchase Contract.

“*Federal Securities*” means non-callable, 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.

“*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.

“*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, 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.

“*Information Services*” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>) or, in accordance with the current guidelines of the Securities and Exchange Commission, such other addresses and/or such other national information services providing information or disseminating notices of redemption of obligations similar to the Certificates.

“*Installment Payment Fund*” means the fund by that name established in Section 3.06 hereof, including the Interest Account, Principal Account and Prepayment Account therein.

“*Installment Payments*” means the installment payments of principal and interest scheduled to be paid by the District under the Installment Purchase Contract plus amounts required to be paid by the District hereunder and pursuant to the Installment Purchase Contract, including, without limitation (except when calculating the Reserve Requirement), amounts necessary to replenish the Reserve Fund.

“*Installment Purchase Contract*” means that certain Installment Purchase Contract by and between the District and the Corporation, dated as of December 1, 2021 as originally executed and as it may from time to time be amended or supplemented in accordance herewith and therewith.

“*Interest Payment Date*” means each March 15 and September 15, commencing on March 15, 2022.

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

“*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.

“*Nominee*” means (a) initially, Cede & Co., as nominee of DTC; and (b) any other nominee of a Depository designated pursuant to Section 2.11 hereof.

“*Outstanding*” means, when used as of any particular time with reference to Certificates (subject to the provisions of Section 8.02), all Certificates except:

- (a) Certificates canceled by the Trustee;
- (b) Certificates paid or deemed to have been paid within the meaning of Section 9.01; and
- (c) Certificates in lieu of or in substitution for which replacement Certificates shall have been executed and delivered hereunder.

“*Owner*” means the registered owner of any Outstanding Certificate.

“*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

(the Trustee is entitled to conclusively rely upon any direction of the District as a certification that such investment constitutes a Permitted Investment):

(a) 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;

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

- 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;

(c) 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;

(d) 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 Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee receives and retains a fee for services provided to the fund, whether as a custodian, transfer agent, investment advisor or otherwise;

(e) Certificates of deposit (including those placed by a third party pursuant to a separate agreement between the District and the Trustee) secured at all times by collateral described in (a) and/or (b) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks including the Trustee and its affiliates. The collateral must be held by a third party and the Owners must have a perfected first security interest in the collateral;

(f) Certificates of deposit (including those placed by a third party pursuant to a separate agreement between the District and the Trustee), savings accounts, deposit accounts, time deposits, demand deposits, other deposit products, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, interest bearing money market accounts, bankers’ acceptances or money market deposits, including those of the Trustee or any of its affiliates, 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 clause (f), 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;

(g) investment agreements, including GICs, forward purchase agreements and reserve fund put agreements;

(h) commercial paper rated, at the time of purchase, “Prime -1” by Moody’s and “A-1” or better by S&P;

(i) 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;

(j) Certificates of deposit (including those placed by a third party pursuant to a separate agreement between the District and the Trustee), federal funds, deposit accounts, time deposits, demand deposits, other deposit products, trust funds, trust accounts, overnight bank deposits, interest bearing deposits, interest bearing money market accounts, or bankers acceptances (including those of the Trustee or any of its affiliates) 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;

(k) repurchase agreements (including those of the Trustee or any of its affiliates) for 30 days or less must follow the following criteria: Repurchase agreements that provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee (buyer/lender), and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date;

(l) 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 years after the date of purchase;

(m) the Local Agency Investment Fund created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name;

(n) Investment Trust of California, doing business as CalTRUST; and

(o) 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.

Ratings of Permitted Investments referred to herein shall be determined at the time of purchase of such Permitted Investments and without regard to ratings subcategories. The Trustee shall have no responsibility to monitor the ratings of Permitted Investments after the initial purchase of such Permitted Investment or the responsibility to validate the ratings of Permitted Investments prior to the initial purchase.

“*Principal Office*” means the corporate trust office of the Trustee currently located in Los Angeles, California, or such other office designated by the Trustee from time to time, except that with respect to presentation of Certificates for payment or for registration of transfer or exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“*Project*” has the meaning set forth in the Installment Purchase Contract.

“*Purchaser*” means Oppenheimer & Co. Inc., as the underwriter and purchaser of the Certificates.

“*Record Date*” means the fifteenth day of the calendar month prior to an Interest Payment Date, whether or not such date is a Business Day.

“*Related Documents*” means this Trust Agreement, the Assignment Agreement and the Installment Purchase Contract.

“*Reserve Fund*” means the fund by that name established in Section 3.04 hereof.

“*Reserve Requirement*” means, as of any date of calculation by the Trustee, the lesser of (a) 10% of the original principal amount of the principal payments due under the Installment Purchase Contract (less original issue discount, if any); (b) an amount equal to the scheduled maximum annual Installment Payment payable in a Certificate Year by the District between such date of calculation and the expiration of the Installment Purchase Contract; or (c) 125% of the scheduled average annual Installment Payment payable in a Certificate Year by the District.

“*S&P*” means S&P Global Ratings, a division of S&P Global, Inc., and its successors.

“*Securities Depositories*” means The Depository Trust Company, 50th Floor, 55 Water Street, New York, New York 10041-0099, Facsimile: (212) 855-7232, Attention: Call Notification Department; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Corporation or the District may designate in writing to the Trustee.

“*Trust Agreement*” means this Trust Agreement by and among the Trustee, the Corporation and the District, dated as of December 1, 2021 as originally executed and entered into and as it may from time to time be amended or supplemented in accordance herewith.

“*Trustee*” means The Bank of New York Mellon Trust Company, N.A., a national banking corporation duly organized and existing under and by virtue of the laws of the United States, or its successor as trustee hereunder or any other bank or trust company which may at any time be substituted in its place as trustee hereunder as provided in Section 7.01.

**Section 1.02. Equal Security.** In consideration of the acceptance of the Certificates by the Owners, this Trust Agreement shall be deemed to be and shall constitute a contract by and among the Trustee, the District, the Corporation and the Owners to secure the full and final payment of the interest and principal and prepayment premiums, if any, to be made by the District evidenced and represented by the Certificates, subject to the agreements, conditions, covenants and terms contained herein; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to benefit, protection or security of any Certificates over any other Certificates by reason of the number or date thereof or the time of execution or delivery thereof or otherwise for any cause whatsoever, except as expressly provided herein or therein.

**ARTICLE II**

**TERMS AND CONDITIONS OF CERTIFICATES**

**Section 2.01. Preparation of Certificates.** The Trustee is hereby authorized and directed to execute and deliver on the Closing Date the Certificates in the aggregate principal amount of \$\_\_\_\_\_, registered in the name of Cede & Co., as nominee of DTC, evidencing and representing the aggregate principal amount of the Installment Payments and evidencing and representing an interest in the Installment Payments. The Certificates shall be designated “McKinleyville Community Services District Revenue Certificates of Participation, Series 2021B (Wastewater Project).” In no event shall the Certificates be deemed a debt, obligation or liability of the Trustee.

**Section 2.02. Denominations, Medium, Method and Place of Payment and Dating of Certificates.** The Certificates shall be prepared in the form of fully registered Certificates in denominations of \$5,000 or any integral multiple thereof. The interest, principal and prepayment premiums, if any, evidenced and represented by the Certificates shall be payable in lawful money of the United States of America. Subject to the provisions of Section 2.11 hereof, the interest evidenced and represented by the Certificates shall be payable on their Interest Payment Dates by check mailed via first-class mail on the Interest Payment Date by the Trustee to the respective Owners thereof as of the Record Date at their addresses as they appear in the books required to be kept by the Trustee pursuant to the provisions of Section 2.07 hereof or, upon the written request from any Owner of any Certificate in a denomination of, or Certificates aggregating, at least \$1,000,000 in principal amount, received on or prior to the fifteenth day of the month preceding an applicable Interest Payment Date, by wire in Federal Reserve funds on the Payment Date, with regard to which such payment is made. The principal evidenced and represented by the Certificates shall be payable on September 15 in each of the years and in the principal amounts as follows, or on prepayment prior thereto, upon surrender thereof at the designated corporate trust office of the Trustee:

**Certificates**

<b>Year (September 15)</b>	<b>Principal Amount</b>	<b>Interest Rate</b>
	\$	\$

The Certificates shall be dated the Closing Date and shall evidence and represent interest from the Closing Date.

**Section 2.03. Interest with Respect to the Certificates.** Interest on the principal components of the Installment Payments relating to the Certificates shall be calculated at the rates per annum (based on a 360-day year of twelve 30-day months) set forth in Section 2.02 hereof.

**Section 2.04. Form of Certificates.** The Certificates and the assignment to appear thereon shall be in substantially the forms set forth in Appendix A hereto with appropriate or necessary insertions, omissions and variations as permitted or required hereby.

**Section 2.05. Execution of Certificates.** The Certificates shall be executed by the Trustee by the manual or electronic signature of an authorized officer of the Trustee.

**Section 2.06. Transfer and Exchange of Certificates.** Subject to the provisions of Section 2.11 hereof:

(a) Each Certificate shall be transferable only upon a register of the names of each certificate owner (the "Certificate Register"), which shall be kept for that purpose at the Principal Office of the Trustee, by the Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner or his duly authorized attorney. Upon the transfer of any such Certificate, the Trustee shall provide in the name of the transferee, a new Certificate or Certificates, of the same aggregate principal amount, interest rate and maturity as the surrendered Certificates (unless there has occurred a partial prepayment of such Certificate pursuant to Section 4.01 hereof, in which case the principal amount of the new Certificate shall be equal to the unrepaid principal portion of the Certificate submitted for transfer).

(b) The Trustee shall deem and treat the person in whose name any Outstanding Certificate shall be registered upon the Certificate Register as the absolute owner of such Certificate, whether such Certificate shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Certificate and for all other purposes, and all such payments so made to any such Owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and neither the District nor the Trustee shall be affected by any notice to the contrary. The District agrees to indemnify and save the Trustee harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence or willful misconduct under the Trust Agreement, in so treating such Owner.

In all cases in which the privilege of exchanging or transferring Certificates is exercised, the Trustee shall execute and deliver Certificates in accordance with the provisions of this Article. All Certificates surrendered in any such exchanges or transfers shall forthwith be canceled by the Trustee. For every such exchange or transfer of Certificates, whether temporary or definitive, the District and the Trustee may make a charge sufficient to reimburse any of them for any tax, fee or other governmental charge, other than one imposed by the District, required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. Notwithstanding any other provision hereof, the cost of preparing each new Certificate and any other expenses of the District or the Trustee incurred in connection therewith (except any applicable tax, fee or other governmental charge other than one imposed by the District) shall be paid by the District. The Trustee shall not be obliged to effect any exchange or transfer of any Certificate during the period after the mailing of notice calling such Certificate or a portion thereof for prepayment, nor during the 15 days preceding the giving of such notice of prepayment.

**Section 2.07. Certificate Registration Books.** The Trustee shall keep or cause to be kept at its Principal Office sufficient books for the registration and transfer of the Certificates, which shall, during normal business hours upon reasonable prior written notice be open to inspection by the District and the Corporation (or its designated agent); and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations consistent herewith as it may prescribe, register or transfer or cause to be registered or transferred, on the Certificate Register, Certificates as herein before provided.

**Section 2.08. Temporary Certificates.** Pending preparation of the definitive Certificates, any Certificates delivered under the Trust Agreement may be initially delivered in temporary form exchangeable for definitive Certificates when ready for delivery. The temporary Certificates may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the District, shall be without coupons and may contain such reference to any of the provisions hereof as may be appropriate. Every temporary Certificate shall be executed by the Trustee and be delivered by the Trustee upon the same conditions and in substantially the same manner as definitive Certificates. If the Trustee delivers temporary Certificates, it shall execute and furnish definitive Certificates without delay and, thereupon, the temporary Certificates shall be surrendered for cancellation at the Principal Office of the Trustee and the Trustee shall deliver in exchange for such temporary Certificates an equal aggregate principal amount of definitive Certificates of authorized denominations of the same interest rate or rates and maturity or maturities. Until so exchanged, the temporary Certificates shall be entitled to the same benefits under the Trust Agreement as definitive Certificates delivered pursuant hereto.

**Section 2.09. Certificates Mutilated, Destroyed, Lost or Stolen.** If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, shall execute and deliver a new Certificate of like tenor in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and destroyed. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft shall be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and if an indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like tenor and numbered as the District or the Purchaser shall determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of a reasonable fee for each new Certificate delivered under this Section and of the reasonable expenses which may be incurred by the Trustee in carrying out the duties under this Section 2.09. Any Certificate executed and delivered under the provisions of this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits hereof with all other Certificates secured by the Trust Agreement. The Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered under the Trust Agreement or for the purpose of determining any percentage of Certificates Outstanding under the Trust Agreement, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this Section 2.09, in lieu of delivering a new Certificate for a Certificate which has been mutilated, lost, destroyed or stolen and which has matured, the Trustee may make payment of such Certificate, upon receipt of indemnity satisfactory to Trustee.

**Section 2.10. Evidence of Signatures of Certificate Owners and Ownership of Certificates.** Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by the Trust Agreement to be signed or executed by Certificate Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such

Certificate Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the holding and ownership of Certificates shall be sufficient for any purpose hereof (except as otherwise herein provided), if made in the form of the Assignment attached to the Certificate in Exhibit A hereto.

Nothing contained in this Article shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which to the Trustee may seem sufficient. Any request or consent of the Owner of any Certificate shall bind every future Owner of the same Certificate in respect of anything done or suffered to be done by the District or the Trustee in pursuance of such request or consent.

### **Section 2.11. Book-Entry System.**

(a) **Original Delivery.** The Certificates shall be initially delivered in the form of a separate single fully registered Certificate (which may be typewritten) for each maturity. Upon initial delivery, the ownership of each such Certificate shall be registered on the Certificate Register kept by the Trustee in the name of the Nominee. Except as provided in Section 2.11(c), the ownership of all of the Outstanding Certificates shall be registered in the name of the Nominee.

With respect to Certificates the ownership of which shall be registered in the name of the Nominee, the District and the Trustee shall have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Depository holds an interest in the Certificates. Without limiting the generality of the immediately preceding sentence, the District and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Certificates; (ii) the delivery to any Depository System Participant or any other person, other than a Certificate Owner as shown in the Certificate Register, or any notice with respect to the Certificates, including any notice of prepayment; (iii) the selection by the Depository of the beneficial interests in the Certificates to be prepaid in the event the District elects to prepay the Certificate in part; (iv) the payment to any Depository System Participant or any other person, other than a Certificate Owner as shown in the Certificate Register, of any amount with respect to principal, premium, if any, or interest with respect to the Certificates; or (v) any consent given or other action taken by the Depository as Owner of the Certificates. The District and the Trustee may treat and consider the person in whose name each Certificate is registered as the absolute owner of such Certificates for the purpose of payment of principal of, premium, if any, and interest on such Certificates for the purpose of giving notices of prepayment and other matters with respect to such Certificates, for the purpose of registering transfers of ownership of such Certificates, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest and premium, if any, on the Certificates only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Certificates to the extent of the sum or sums so paid. No person other than an Owner shall receive a Certificate evidencing the obligation of the District to make payments of principal, interest and premium, if any, pursuant to this Trust Agreement. Upon delivery by the Depository to the Nominee of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to

Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice of the District shall promptly, but in no event later than two Business Days after receipt thereof, deliver a copy of the same to the Trustee.

(b) **Representation Letter.** In order to qualify the Certificates for the Depository's book-entry system, the District shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Certificates. The execution and delivery of such letter shall not in any way limit the provisions of Section 2.11(a) above or in any other way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in the Certificates other than the Certificate Owners. In addition to the execution and delivery of such letter, the District may take any other actions, not inconsistent with this Trust Agreement, to qualify the Certificates for the Depository's book-entry program.

(c) **Transfers Outside Book-Entry System.** In the event that either (i) the Depository determines not to continue to act as Depository for the Certificates, or (ii) the District determines to terminate the Depository as such, then the District shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the District and the Trustee in the execution and delivery of replacement Certificates by providing the Trustee with a list showing the interests of the Depository System Participants in the Certificates, and by surrendering the Certificates, registered in the name of the Nominee, to the Trustee on or before the date such replacement Certificates are to be executed and delivered. The Depository, by accepting delivery of the Certificates, agrees in the Letter of Representations to be bound by the provisions of this Section 2.11(c). If, prior to the termination of the Depository acting as such, the District fails to identify another qualified securities depository to replace the Depository, then the Certificates shall no longer be required to be registered in the Certificate Register in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Certificates shall designate, in accordance with the provisions of this Section 2.11 hereof.

In the event the District determines that it is in the best interests of the beneficial owners of the Certificates that they be able to obtain certificated Certificates, the District may notify the Depository System Participants of the availability of such certificate Certificates through the Depository. In such event, the Trustee will, at the expense of the District, execute, transfer and exchange Certificates as required by the Depository and others in appropriate amounts; and whenever the Depository so requests, the District shall cooperate with the Depository in taking appropriate action (i) to make available one or more separate certificates evidencing the Certificates to any Depository System Participant having Certificates credited to its account with the Depository, or (ii) to arrange for another qualified securities depository to maintain custody of a single certificate evidencing such Certificates, all at the District's expense.

Prior to any transfer of the Certificates outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

(d) **Payments to the Nominee.** Notwithstanding any other provision of the Trust Agreement to the contrary, so long as any Certificate is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Certificates and all notices with respect to such Certificates shall be made and given, respectively, as provided in the letter described in Section 2.11(b) or as otherwise instructed in writing by the Depository.

### ARTICLE III

#### PROCEEDS OF CERTIFICATES; INSTALLMENT PAYMENT

**Section 3.01. Delivery of Certificates.** The Trustee is hereby authorized to execute the Certificates and upon receipt of the proceeds of sale thereof deliver the Certificates to the Purchaser upon receipt of a Certificate of the District.

**Section 3.02. Depositing of Proceeds of Certificates and Other Amounts.** The proceeds received by the Trustee from the sale of the Certificates (\$\_\_\_\_\_) shall be utilized by the Trustee as follows:

- (i) \$\_\_\_\_\_ shall be deposited in the Acquisition Fund;
- (ii) \$\_\_\_\_\_ shall be deposited in the Reserve Fund;
- (iii) \$\_\_\_\_\_ shall be deposited in the Interest Account of the Installment Payment Fund; and
- (iv) \$\_\_\_\_\_ shall be deposited in the Delivery Costs Fund.

**Section 3.03. Use of Money in the Delivery Costs Fund.**

(a) The Trustee shall disburse funds from the Delivery Costs Fund only upon receipt of a signed requisition (stating the amount to be disbursed and the party or parties being paid) approved by the Authorized Officer of the District and accompanied by an invoice or statement for each such amount. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

(b) Upon payment of all Delivery Costs, which shall be determined by a certificate to that effect by an Authorized Officer of the District delivered to the Trustee, or upon the date occurring three months after the Closing Date, whichever occurs first, the Trustee shall transfer all funds remaining in the Delivery Costs Fund to the Installment Payment Fund, and the Delivery Costs Fund shall thereupon be closed.

**Section 3.04. The Reserve Fund.** The Trustee hereby agrees to establish and maintain so long as any Certificates are Outstanding the Reserve Fund. Amounts on deposit in the Reserve Fund shall be available only to pay the principal and interest with respect to the Certificates, and for so long as any Certificates remain outstanding, shall not be available for the payment of debt service on or with respect to any Parity Obligations. The Trustee shall hold the Reserve Fund in trust and shall apply moneys in the Reserve Fund in accordance with the following provisions. If, five days prior to any Interest Payment Date, the money in the Installment Payment Fund is insufficient to make the payments

required hereunder with respect to the Certificates on such Interest Payment Date the Trustee shall transfer from the Reserve Fund to the Installment Payment Fund the amount of such insufficiency.

The Trustee shall calculate the Reserve Fund semiannually, on the first day of the month preceding an Interest Payment Date. If as of the first day of the month preceding any Interest Payment Date there shall be any deficiency in the Reserve Fund (whether due to a payment therefrom or due to the fluctuation in market value of securities credited thereto, or otherwise), the Trustee shall promptly notify the District in writing of the amount of such deficiency and the District shall pay to the Trustee the amount of such deficiency as provided in Section 4.02 of the Installment Purchase Contract. Delinquent Installment Payments, when received, shall be used to replenish any draw on the Reserve Fund caused by such delinquency.

If, following valuation thereof, the amount available and contained in the Reserve Fund (valued as provided herein) exceeds the Reserve Requirement and if the District is not then in default hereunder, the Trustee shall withdraw the amount of such excess from the Reserve Fund. The Trustee shall deposit such amount in the Installment Payment Fund; subject to the requirement that certain investment earnings must be transferred to the Rebate Fund (as defined in Section 3.11 hereof) in accordance with instructions of the District as required hereunder. Except for such withdrawals all money in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of making the Installment Payments in the event that amounts on deposit in the Installment Payment Fund are insufficient for such purposes, or to pay the final Installment Payments.

**Section 3.05. Deposit of Installment Payments.** All Installment Payments and interest thereon shall be paid directly by the District to the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof. All Installment Payments and interest thereon received by the Trustee shall be held in trust by the Trustee under the terms hereof and shall be deposited by it as and when received in the Installment Payment Fund, which fund the Trustee hereby agrees to establish and maintain so long as any Certificates are Outstanding.

**Section 3.06. Installment Payment Fund.** The Trustee shall deposit the following amounts in the Installment Payment Fund 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 Trustee hereby agrees to establish and maintain so long as any Certificates are Outstanding, and the money in each of such accounts shall be disbursed only for the purposes and uses hereinafter authorized:

(a) ***Interest Account.*** The Trustee, on or before each Interest Payment Date, shall deposit in the Interest Account that amount of money received by it constituting the interest components of Installment Payments representing the interest due and unpaid or becoming due and payable to but not including such Interest Payment Date. No deposit shall be made into the Interest Account if the amount contained therein is at least equal to the interest component of Installment Payments representing the interest becoming due and payable upon all Outstanding Certificates on each succeeding Interest Payment Date within the then current Certificate Year. All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest evidenced and represented by such Certificates to but not including their respective Interest Payment Dates or any other date on which the Certificates may be prepaid in accordance with Article IV hereof. Amounts deposited in the Interest Account pursuant to Section 3.02(iii) shall be used to pay the interest component of

Installment Payments becoming due and payable on [March 15, 2022, September 15, 2022, March 15, 2023, September 15, 2023 and March 15, 2024].

(b) **Principal Account.** The Trustee on or before each September 15, shall deposit in the Principal Account that amount of money received by it constituting the principal components of Installment Payments representing the principal to become due and unpaid or becoming due and payable on September 15. No deposit shall be made into the Principal Account if the amount contained therein is at least equal to the principal components of Installment Payments representing the principal to become due and unpaid or becoming due and payable on such Interest Payment Date. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by such Certificates on the principal payment date.

(c) **Prepayment Account.** The Trustee, on the prepayment date specified in the Certificate of the District filed with the Trustee at the time that any prepayment is paid to the Trustee pursuant to the Installment Purchase Contract, shall deposit in the Prepayment Account the amount of such prepayment. All money in the Prepayment Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal and any applicable premium evidenced and represented by such Certificates to be prepaid on their respective prepayment dates.

**Section 3.07. Held in Trust.** The moneys and investments held by the Trustee under Sections 3.04, 3.05 and 3.06 are irrevocably held in trust for the benefit of the Owners, and, in the case of the Rebate Fund established pursuant to Section 3.11 below, for payment as required to the United States Treasury, and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Trust Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of the District, the Trustee or the Corporation, or any of them.

**Section 3.08. Commingling of Moneys in Funds.** The Trustee at its sole discretion may, and upon the written request of the District shall, commingle any of the funds held by it pursuant to this Trust Agreement into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee hereunder shall be accounted for separately notwithstanding such commingling by the Trustee.

**Section 3.09. Arbitrage Covenant.** The District and the Corporation hereby covenant with the Owners of the Certificates that, notwithstanding any other provision of this Trust Agreement, they will make no use of the proceeds of the Certificates which would cause the Certificates to be “arbitrage bonds” subject to federal income taxation by reason of Section 148 of the Internal Revenue Code of 1986, as amended. The Trustee hereby covenants with the Owners of the Certificates that it will comply with the express provisions of this Trust Agreement and will follow the written directions of the District and, so long as the Trustee shall have complied with the written instructions of the District as provided in Section 3.11 hereof with respect to making any rebate indicated therein to the United States, the Trustee shall conclusively be deemed to have complied with its obligations hereunder and shall not be liable if the Certificates become arbitrage bonds.

**Section 3.10. Use of Money in the Acquisition Fund.** The Trustee hereby agrees to establish and maintain the Acquisition Fund until the completion of the Acquisition of the Project. All money in the Acquisition Fund shall be held by the Trustee in trust and shall be applied by the Trustee for the

payment of the Acquisition Costs of the Project and the expenses incidental thereto (including reimbursement to the District for any such costs or expenses theretofore paid by it for the account of the Corporation whether or not paid prior to the date hereof) as provided in this Section 3.10. Before any payment is made from the Acquisition Fund by the Trustee, the District shall file with the Trustee a Certificate of the District in the form attached hereto as Appendix B.

Upon receipt of each such Certificate of District, the Trustee shall, so long as the Trustee does not have actual knowledge of or has not received written notice that the District or the Corporation is then in default under the Installment Purchase Contract or hereunder, pay the amount set forth therein as directed by the terms thereof from moneys on deposit in the Acquisition Fund, except that the Trustee shall not make any such payment of Acquisition Costs if it has received a written stop notice or any other written notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money to be so paid which has not been released or will not be released simultaneously with such payment, other than materialmen's or mechanics' liens accruing by mere operation of law or a written notice from the Corporation stating that the District is not authorized to act as agent for the Corporation with respect to the matter described in such Certificate of the District. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

When the Acquisition of the Project has been completed to the satisfaction of the District or when the District determines that a portion of the Project will not be Acquired, the District shall deliver a Certificate of the District to the Trustee stating the fact and date of the completion of such improvements, and stating that all the Acquisition Costs and the expenses incidental thereto have been determined and paid (or that such claims and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Acquisition Fund is to be maintained in the full amount of such claims until such dispute is resolved). Upon receipt of such certificate, the Trustee shall transfer (but less the amount of such retention) first to the Reserve Fund until the amount therein equals the Reserve Requirement, and thereafter to the Installment Payment Fund all remaining moneys in the Acquisition Fund, to be credited to the payment of the Installment Payments as provided herein. In the event the Acquisition Fund has not been depleted by the date which is three years after the Closing Date, the District shall provide the Trustee with an opinion of nationally recognized bond counsel to the effect that the investment of such remaining funds shall not adversely affect the tax-exempt status of the Certificates.

**Section 3.11. Rebate of Excess Investment Earnings to United States.** The District covenants to calculate the amount of, and to rebate to the United States, excess investment earnings, all in accordance with the Regulations. The Trustee shall not be responsible for enforcing compliance with such rebate requirements.

(a) ***Obligation to Calculate Excess Investment Earnings.*** The District shall calculate or cause to be calculated, and shall provide, or cause to be provided, written notice to the Trustee of the excess investment earnings (as defined in the Code, "Excess Investment Earnings") at such times and in such manner as may be required pursuant to the Code. The District shall inform the Trustee how frequently calculations are to be made and shall ensure that a copy of all such calculations which indicate a payment is required is given promptly to the Trustee.

(b) ***Rebate to United States.*** The District agrees to deposit with the Trustee, promptly upon the receipt of any calculations made pursuant to the preceding subsection (a),

the amount of Excess Investment Earnings so calculated. The Trustee shall deposit all amounts paid to it for such purpose by the District in the Rebate Fund, which the Trustee shall establish when so directed in writing by the District. The Trustee shall pay to the United States of America from the amounts on deposit in the Rebate Fund such amounts as shall be identified pursuant to written notice filed with the Trustee by the District for such purpose from time to time. Payments to the United States of America shall be made to the address prescribed by the Regulations as the same may be from time to time in effect, accompanied by a Form 8038-T (or such other reports and statements as may be prescribed by such Regulations) prepared by the District. Following payment in full to the United States of America of all amounts due and owing under this Section 3.11(b) at the direction of the District, the Trustee shall withdraw from the Rebate Fund and transfer to the District all amounts remaining on deposit in the Rebate Fund.

(c) ***Investment Transactions.*** The District shall assure that Excess Investment Earnings are not paid or disbursed except as required in this Section 3.11. To that end the District shall assure that investment transactions are on an arm's-length basis. In the event that Qualified Investments consist of certificates of deposit or investment contracts, investment in such Qualified Investments shall be made in accordance with the procedures described in the Regulations.

(d) ***Maintenance of Records.*** The District shall keep and retain for a period of six years following the retirement of the Certificates, records of the determinations made pursuant to this Section 3.11.

(e) ***Engagement of Professional Services.*** In order to provide for the administration of this Section 3.11, the District may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the District may deem appropriate.

(f) ***Modification of this Section.*** Any of the provisions of this Section 3.11 may be amended, modified or deleted in any manner whatsoever in the event that the District shall cause to be filed with the Trustee written directions making such amendment, modification or deletion, which written directions are accompanied by an opinion of Bond Counsel stating that such amendment, modification or deletion will not cause interest with respect to the Certificates to be includable in gross income of the Owners for federal income tax purposes. The Trustee shall be deemed conclusively to have complied with such provisions of this Section if it follows the directions of the District and shall have no liability or responsibility to enforce compliance by the District with the terms of the guidance for compliance with the rebate requirements.

## **ARTICLE IV**

### **PREPAYMENT OF CERTIFICATES**

#### **Section 4.01. Terms of Prepayment.**

(a) The Certificates are subject to extraordinary prepayment on any Interest Payment Date upon notice as hereinafter provided, as a whole or in part (on a pro-rata basis) in integral multiples of \$5,000, from prepaid Installment Payments made by the District pursuant to Section 6.01(a) of the Installment Purchase Contract from the Net Proceeds received by the District due to a

casualty loss or governmental taking of the Enterprise or portions thereof by eminent domain proceedings, under the circumstances and upon the conditions and terms prescribed herein and in the Installment Purchase Contract, at a prepayment price equal to the sum of the principal amount evidenced thereby plus accrued interest accrued to the date fixed for prepayment of the Certificates, without premium; provided that such prepaid Installment Payment shall be received by the Trustee not later than the fifth (5<sup>th</sup>) day preceding the latest date on which the Trustee is required to give notice pursuant to Section 4.03 below.

(b) The Certificates shall not be subject to optional prepayment prior to September 15, 20\_\_\_. The Certificates are subject to prepayment, in whole or in part in any integral multiple of \$5,000, at the option of the District on any date on or after September 15, 20\_\_\_, from any available source of funds, at the prepayment price equal to the principal amount of the Certificates to be prepaid from the proceeds of such prepayment, in each case together with accrued interest thereon to the prepayment date, without premium; provided that timely notice of such optional prepayment shall be provided to the Trustee by the District pursuant to Section 6.01(b) of the Installment Purchase Contract.

(c) The Certificates maturing on September 15, 20\_\_\_ are also subject to mandatory sinking fund prepayment in part by lot, on September 15 in each year commencing September 15, 20\_\_\_, from Installment Payments made by the District pursuant to the Installment Purchase Contract, at a prepayment price equal to the principal amount evidenced thereby to be prepaid, without premium, in the aggregate respective principal amounts and on September 15 in the respective years as set forth in the following table:

<b>Sinking Fund Prepayment Date (September 15)</b>	<b>Principal Amount of Term Certificates to Be Prepaid</b>
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\$

The Certificates maturing on September 15, 20\_\_\_ are also subject to mandatory sinking fund prepayment in whole, or in part by lot, on September 15 in each year commencing September 15, 20\_\_\_, from Installment Payments made by the District pursuant to the Installment Purchase Contract, at a prepayment price equal to the principal amount evidenced thereby to be prepaid, without premium, in the aggregate respective principal amounts and on September 15 in the respective years as set forth in the following table:

**Sinking Fund Prepayment Date  
(September 15)**

**Principal Amount of Term  
Certificates to Be Prepaid**

\$

(d) If some but not all of the term Certificates described in Section 4.01(c) above have been prepaid pursuant to Section 4.01(a) or (b) above, the total amount of all related future sinking fund payments shall be reduced by the aggregate principal amount of such Certificates so prepaid, to be allocated among such sinking fund payments on a pro rata basis as determined by the District (notice of which determination shall be given by the District to the Trustee) as set forth in a revised sinking fund schedule.

**Section 4.02. Selection of Certificates for Prepayment; Purchase in Lieu of Prepayment.**

In the event that part, but not all, of the Certificates are to be prepaid (other than extraordinary prepayment pursuant to Section 4.01(a) or pursuant to mandatory sinking fund payments under Section 4.01(c)), the Certificates to be prepaid shall be selected by the Trustee from maturities designated by the District in writing, and by lot within a maturity (subject to the procedures of the Depository in the case of Certificates registered in the name of the Nominee pursuant to Section 2.11).

The District may at any time buy Certificates at public or private sale at a price which, inclusive of brokerage fees, will not exceed the par amount of the Certificates so purchased, plus any applicable premium and any Certificates so purchased shall be tendered to the Trustee for cancellation. Term Certificates so purchased may be credited against sinking fund prepayments as set forth in Section 4.01 hereof.

**Section 4.03. Notice of Prepayment; Rescission.** When prepayment is authorized or required pursuant to this Article, and subject to the Trustee's timely receipt of funds and written notice from the District in the case of extraordinary and optional prepayment pursuant to Section 4.01(a) and (c), the Trustee shall give notice (the "Prepayment Notice"), at the expense of the District, of the prepayment of the Certificates. Such Prepayment Notice shall specify: (A) the Certificates or designated portions thereof (in the case of prepayment of the Certificates in part but not in whole) which are to be prepaid; (B) the date of prepayment; (C) the place or places where the prepayment will be made, including the name and address of any paying agent; (D) the prepayment price; (E) the CUSIP numbers, if any, assigned to the Certificates to be prepaid; (F) the Certificate numbers of the Certificates to be prepaid in whole or in part and, in the case of any Certificate to be prepaid in part only, the amount of such Certificate to be prepaid; and (G) the original issue date, interest rate and stated maturity date of each Certificate to be prepaid in whole or in part. Such Prepayment Notice shall further state that on the specified date there shall become due and payable upon each Certificate or portion thereof being prepaid the prepayment price, together with interest accrued to the prepayment date, and that from and after such date interest with respect thereto shall cease to accrue and be payable. A Prepayment Notice may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Certificates.

Subject to the provisions stated above, the Trustee shall take the following actions with respect to such Prepayment Notice. Such notice shall be given by the Trustee at least 30 but not more than 45 days prior to the prepayment date, by telecopy or other electronic transmission, registered, certified or overnight mail, to DTC or other applicable Depository which shall state the information set forth above, but no defect in said notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption.

An optional Prepayment Notice may be conditional and state that the District shall have the right to rescind any optional prepayment by written notice to the Trustee on or prior to the date fixed for prepayment, in which case such optional prepayment shall be cancelled and annulled and such cancellation shall not constitute an Event of Default under this Trust Agreement. In addition, any such notice of optional prepayment shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Certificates then called for prepayment, and such cancellation shall not constitute an Event of Default under this Trust Agreement. The District, the Corporation and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission or cancellation of prepayment. The Trustee shall mail notice of such rescission and cancellation of prepayment in the same manner as the original notice of prepayment was sent.

Neither failure to receive any Prepayment Notice nor any defect in such Prepayment Notice so given shall affect the sufficiency of the proceedings for the prepayment of any such other Certificates as to which proper notice was given as provided herein. Each check or other payment method used by the Trustee for the purpose of prepaying Certificates shall bear the CUSIP number identifying, by issue and maturity, the Certificates being prepaid with the proceeds of such check or other transfer.

**Section 4.04. Partial Prepayment of Certificates.** Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof a new Certificate or Certificates equal to the remaining principal amount of the Certificate surrendered.

**Section 4.05. Effect of Prepayment.** Notice having been given as aforesaid, and the moneys for the prepayment, including interest to the applicable prepayment date of the Certificates to be prepaid, having been set aside in the Prepayment Account, the portion of Certificates to be prepaid shall become due and payable on said prepayment date, and, upon presentation and surrender thereof at the office or offices specified in said notice, said Certificates shall be paid at the unpaid principal amount and premium, if any, with respect thereto, plus any unpaid and accrued interest to said prepayment date.

If, on said prepayment date, moneys sufficient for the prepayment of all the Certificates to be prepaid, together with interest to said prepayment date, shall be held by the Trustee so as to be available therefor on such prepayment date, and, if notice of prepayment thereof shall have been given as aforesaid, then, from and after said prepayment date, interest with respect to the portion of Certificates to be prepaid shall cease to accrue and become payable. If said moneys shall not be so available on said prepayment date, interest with respect to such portion of Certificates shall continue to be payable until paid at the same rates as they would have been payable had they not been called for prepayment.

## ARTICLE V

### COVENANTS OF THE DISTRICT AND THE CORPORATION

**Section 5.01. Compliance with Trust Agreement.** The Corporation and the District will not suffer or permit any default by them 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 them.

**Section 5.02. Compliance with Installment Purchase Contract.** The District and the Corporation will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Installment Purchase Contract required to be complied with, kept, observed and performed by them and will enforce the Installment Purchase Contract against the other party thereto in accordance with its terms.

**Section 5.03. Observance of Laws and Regulations.** The Corporation and the District will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them 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 them, 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 5.04. Other Liens.** The District will keep the Enterprise and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, and free from any claim or liability which may hamper the District in conducting its business or utilizing the Enterprise, and the District shall defend against any and all actions or proceedings in which the validity hereof is or might be questioned, or may pay or compromise any claim or demand asserted in any such actions or proceedings. So long as any Certificates are Outstanding, neither the Corporation nor the District will create or suffer to be created any pledge of or lien on the Installment Payments and the Net Revenues other than as permitted hereunder or under the Installment Purchase Contract with respect to the Net Revenues.

**Section 5.05. Prosecution and Defense of Suits.** The District will promptly, upon request of the Trustee or any Owner, 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 Trustee and every Owner harmless from all cost, damage, expense or loss, including attorneys' fees, which they or any of them may incur by reason of any such cloud, defect, action, suit or other proceeding.

**Section 5.06. Accounting Records and Statements.** The Trustee will keep proper accounting records in which complete and correct entries shall be made of all transactions made by the Trustee relating to the receipt, deposit and disbursement of the Installment Payments, and such accounting records shall be available for inspection by the Corporation, the District or any Owner or his agent duly authorized in writing on any Business Day upon reasonable prior notice at reasonable hours and under reasonable conditions prescribed by the Trustee.

**Section 5.07. Further Assurances.** Whenever and so often as requested to do so by the Trustee (who has no duty to make such request) or any Owner, the Corporation and 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 Trustee and the Owners all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by this Trust Agreement, the Installment Purchase Contract or the Assignment Agreement.

## ARTICLE VI

### DEFAULT AND LIMITATIONS OF LIABILITY

**Section 6.01. Action on Default or Acceleration.** If an Event of Default under Section 7.01 of the Installment Purchase Contract shall happen, then such Event of Default shall constitute an Event of Default hereunder. In each and every such case during the continuance of such Event of Default the Trustee or, subject to the provisions of Section 6.08 hereof, the Owners of not less than a majority in aggregate principal amount represented by the Certificates at the time Outstanding upon notice given in writing to the District and the Trustee may, upon being indemnified to its satisfaction, exercise the remedies provided to the Corporation in Section 7.01 of the Installment Purchase Contract.

Upon the occurrence of an Event of Default hereunder, the Trustee may declare the principal and interest with respect to all such Certificates immediately due and payable and such principal and interest shall thereupon be due and payable immediately. The Trustee shall apply amounts on deposit in the funds and accounts created under the Installment Purchase Contract and the Trust Agreement in accordance with Section 6.09 hereof.

**Section 6.02. Other Remedies of the Trustee.** The Trustee may, upon being indemnified to its satisfaction, and, subject to the provisions of Section 6.08 hereof, the Owners of not less than a majority in aggregate principal amount represented by the Certificates at the time Outstanding may:

- (a) by mandamus or other action or proceeding or suit at law or in equity enforce its rights against the Corporation or the District or any board member, officer or employee thereof, and compel the Corporation or the District or any such board member, officer or employee to perform or carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained herein;
- (b) by suit in equity enjoin any acts or things which are unlawful or violate the rights of the Trustee;
- (c) intervene in judicial proceedings that affect the Certificates or the security therefor; or
- (d) seek the appointment of a receiver or other third party to operate the Enterprise and collect Revenues.

Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Certificates or the rights of any Owner thereof, or to authorize the Trustee to vote in

respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

**Section 6.03. Non-Waiver.** A waiver of any default or breach of duty or contract by the Trustee or the Owners 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 Trustee or the Owners to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right 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 Trustee or the Owners by law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

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

**Section 6.04. Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Trustee 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 law.

**Section 6.05. No Liability by the Corporation to the Owners.** The Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Installment Payments by the District, or with respect to the performance by the District of the other agreements and covenants required to be performed by it contained in the Installment Purchase Contract or herein, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained herein.

**Section 6.06. No Liability by the District to the Owners.** Except for the payment when due of the Installment Payments and the interest thereon, and the performance of the other agreements and covenants required to be performed by it contained in the Installment Purchase Contract or herein, the District will not have any obligation or liability to the Owners with respect to this Trust Agreement or the preparation, execution, delivery or transfer of the Certificates or the disbursement of the Installment Payments, and the interest thereon, by the Trustee, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained herein.

**Section 6.07. No Liability by the Trustee to the Owners.** Except for the duty of the Trustee to make payments of principal, prepayment premiums and interest with respect to the Certificates from moneys received from the District, the Trustee will not have any obligation or liability to the Owners with respect to the payment when due of the Installment Payments and the interest thereon by the District, or with respect to the performance by the District of the other agreements and covenants required to be performed by it contained in the Installment Purchase Contract or herein.

**Section 6.08. Limitation on Owners' Right to Bring Suit.** No Owner of any Certificate shall have any right to institute any proceeding, judicial or otherwise, under or with respect to this Trust Agreement, or for the appointment of a receiver or trustee or for any other remedy hereunder, at law or in equity, unless:

(a) such Owner has previously given written notice to the Trustee of a continuing event of default;

(b) the owners of not less than a majority in principal amount of the Certificates Outstanding shall have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee hereunder;

(c) such Owner or Owners have offered to the Trustee reasonable indemnity, satisfactory to the Trustee, against the costs, expenses and liabilities to be incurred in compliance with such request; and

(d) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding.

It being understood and intended that no one or more Owners shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Trust Agreement to affect, disturb or prejudice the lien of this Trust Agreement or the rights of any other Owners or to obtain or to seek to obtain priority or preference over any other Owners or to enforce any right under this Trust Agreement, except in the manner herein provided and for the equal and ratable benefit of all Certificates. Notwithstanding the foregoing, the Owner of any Certificate shall have the right which is absolute and unconditional to receive payment of interest on such Certificate when due in accordance with the terms thereof and hereof and the principal of such Certificate at the stated maturity thereof and to institute suit for the enforcement of any such payment in accordance with the provisions of this Trust Agreement and such rights shall not be impaired without the consent of such Owner.

**Section 6.09. Application of Funds Upon Default.** All moneys received by the Trustee or by any receiver pursuant to any right given or action taken under the provisions of this Article VI or under the provisions of Article VII of the Installment Purchase Contract shall, after payment of the reasonable costs and fees of, and the reasonable expenses (including legal fees and expenses) of, and liabilities and advances incurred or made by the Trustee in and about the performance of its powers and duties hereunder, be deposited in the Installment Payment Fund and all moneys so deposited during the continuance of an Event of Default (other than moneys for the payment of Certificates which have previously matured or otherwise become payable prior to such Event of Default or for the payment of interest due prior to such Event of Default), together with all moneys in the Funds maintained by the Trustee under Article III hereof, shall be applied as follows:

(a) Unless the principal of all Certificates 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 all installments of interest then due on the Certificates, with interest on overdue installments, if lawful, at the rate per annum borne by the Certificates, 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;

SECOND, to the payment to the Persons entitled thereto of the unpaid principal of any of the Certificates which shall have become due (other than Certificates called

for prepayment for the payment of which moneys are held pursuant to the provisions of this Trust Agreement), with interest on such Certificates 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 Certificates 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; and

THIRD, to the payment of amounts, if any, payable to the United States Treasury in respect of rebate.

(b) If the principal of all the Certificates shall have become due or shall have been declared due and payable, all such moneys shall be applied:

FIRST, to the payment of the principal and interest then due and unpaid upon the Certificates, 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, or of any Certificates over any other Certificates, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or privilege; and

SECOND, to the payment of amounts, if any, payable to the United States Treasury in respect of rebate.

Whenever the Trustee shall apply such moneys, it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which date such application is to commence and upon such date interest on the amounts of principal and interest to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and of the special record date in accordance with Article II hereof. The Trustee shall not be required to make payment to the holder of any unpaid Certificate until such Certificate shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

## ARTICLE VII

### THE TRUSTEE

**Section 7.01. Trustee; Duties, Removal and Resignation.** By executing and delivering the Trust Agreement, the Trustee accepts the duties and obligations of the Trustee provided in the Trust Agreement, but only upon the terms and conditions set forth in the Trust Agreement. The District (so long as an Event of Default has not occurred) or the Owners of a majority in aggregate principal amount of all Certificates Outstanding may, by 30 days prior written request, remove the Trustee initially a party hereto, and any successor thereto, and in such event, or in the event the Trustee resigns, the District shall appoint a successor Trustee, but any such successor shall be (a) a bank, national banking association or trust company that is supervised by the Office of Comptroller of the Currency and has at least \$250 million in assets or (b) a state-chartered commercial bank or trust company that is a member of the Federal Reserve System and has at least \$1 billion of assets. If such bank, national banking association, or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the

purposes of this Section the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of conditions so published.

The Trustee may at any time resign by giving written notice to the District and by giving to the Certificate Owners notice by mailing a notice of such resignation to their addresses appearing in the Certificate register. Upon receiving any such notice of resignation, the District shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event that the District does not appoint a successor Trustee within 30 days following receipt of such notice of resignation or giving notice of removal, the retiring Trustee may petition an appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of the Trustee shall not become effective until written acceptance of appointment by the successor Trustee under the Trust Agreement.

Any Trustee which shall resign or be removed upon 30 days' prior written notice pursuant to this Section shall be entitled to compensation in accordance with Section 7.02 and to reimbursement for all reasonable and proper expenses and advances incurred and not previously reimbursed for its activities in connection with the Trust Agreement and the Installment Purchase Contract and for any indemnification due pursuant to the Trust Agreement or the Installment Purchase Contract and not previously paid. Any Trustee which resigns or is removed, upon payment of its unpaid compensation and expenses hereunder, shall fully discharge all the right, title and interest of the retiring Trustee and the accounts and funds hereunder shall vest in said successor Trustee, and such retiring Trustee shall promptly pay over, assign and deliver to the successor Trustee any money or other property then held by such Trustee hereunder, and deliver any and all records, or copies thereof, in respect of the funds and accounts held hereunder which it may have.

**Section 7.02. Compensation of the Trustee.** The District shall pay from time to time, upon receipt of a statement, to the Trustee reasonable compensation for the Trustee's services and shall reimburse the Trustee for all its reasonable advances and expenditures, including but not limited to advances to and fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties under the Trust Agreement. Such compensation and reimbursement shall be paid promptly by the District. The lien of the Trustee on amounts held by it under the Trust Agreement for its services rendered under the Trust Agreement shall be superior to the rights of the Certificate Owners to receive scheduled payments of principal and interest with respect to their Certificates; provided that the Trustee shall have no lien on moneys in the Prepayment Account or the Rebate Fund.

The District shall, under the Installment Purchase Contract, hold harmless and indemnify the Trustee for all costs, claims, expenses and liabilities incurred by or asserted against the Trustee in the performance of its duties under this Trust Agreement, the Installment Purchase Contract, the Assignment Agreement or any related document executed in connection herewith or therewith, including any such reasonable costs, claims, expenses and liabilities, including legal fees and expenses, incurred in the course of defending itself against any claims or actions or enforcing any remedies under this Trust Agreement or any related document. Any such indemnity shall not extend to any costs, claims, expenses or liabilities adjudicated to have been caused by the negligence or willful misconduct of the Trustee. The indemnification of the Trustee under this Trust Agreement shall extend to its directors, officers, employees and agents. The obligations of the Corporation and the District under this Section shall survive the payment of the Certificates and the discharge of this Trust Agreement and the removal or resignation of the Trustee.

When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

**Section 7.03. Protection to Trustee.** The District shall indemnify, protect and hold the Trustee harmless and the Trustee shall incur no liability for acting upon any notice, resolution, consent, order, certificate, report or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee, in its discretion, may consult with counsel, who may be counsel to the District or the Corporation, with regard to legal questions, and the opinion or advice of such counsel, shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Trust Agreement in good faith in accordance therewith. Whenever in the administration of its duties under the Trust Agreement, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Trust Agreement, such matter (unless other evidence in respect thereof be specifically prescribed in the Trust Agreement) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by the certificate of an Authorized Officer of the District and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof (but shall not be obligated to), accept other evidence of such matter.

The Trustee may in good faith buy, sell, own, hold and deal in any of the Certificates executed pursuant to the Trust Agreement, and may join in any action which any Owner may be entitled to take with like effect as if the Trustee were not a party to the Trust Agreement. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Corporation or the District, and may act as depository, trustee, or agent for any committee or body of Owners of Certificates or other obligations of the District as freely as if it were not Trustee under the Trust Agreement.

The recitals, statements and representations contained in this Trust Agreement or in the Certificates, save only the Trustee's execution of the Certificates, shall be taken and construed as made by and on the part of the District, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof. The Trustee shall not be deemed to make any representations with respect to the security afforded by this Trust Agreement, the Installment Purchase Contract or the Assignment Agreement. The Trustee may execute any of the trusts or powers hereof and perform the duties required of it under the Trust Agreement by or through attorneys, agents, or receivers, shall not be responsible for the negligence or misconduct of such attorneys, agents or receivers appointed by it with due care, and shall be entitled to advice of counsel concerning all matters of trust and its duty under the Trust Agreement. The Trustee shall be fully reimbursed by the District for reasonable expenses incurred in hiring attorneys, agents or receivers in connection with the performance of its obligations under the Trust Agreement.

Before taking any action hereunder the Trustee may require that a satisfactory indemnity bond or other indemnity satisfactory to the Trustee be furnished for the reimbursement of all reasonable expenses to which it may be put and to protect it against all liability which may be incurred in connection with the taking of such action, except liability which is adjudicated to have resulted from its negligence or willful misconduct; provided, however, the Trustee shall not seek such indemnity prior to making payments on the Certificates. The Trustee, prior to the occurrence of an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, undertakes

to perform only such duties as are specifically set forth in this Trust Agreement. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use in the conduct of such person's own affairs.

The Trustee shall not be deemed to have knowledge of an Event of Default under the Installment Purchase Contract (except in connection with a failure of the District to make Installment Payments when due) until it has actual knowledge thereof, or until notified in writing of such Event of Default. In acting as Trustee hereunder, the Trustee acts solely in its capacity as Trustee hereunder and not in its individual or personal capacity, and all persons, including without limitation the Owners, the District and the Corporation, having any claim against the Trustee shall look only to the funds and accounts held by the Trustee hereunder for payment, except as otherwise provided herein. Under no circumstances shall the Trustee be liable in its individual or personal capacity for the obligations evidenced by the Certificates.

Every provision of this Trust Agreement, the Installment Purchase Contract and the Assignment Agreement relating to the conduct or liability of the Trustee shall be subject to the provisions of this Trust Agreement, including without limitation, this Article. The Trustee is authorized and directed to execute in its capacity as Trustee the Assignment Agreement. The Trustee shall not be liable with respect to any action taken or not taken by it in accordance with the direction of the Owners of a majority (or other percentage provided for herein) in aggregate principal amount of Certificates at the time Outstanding relating to the exercise of any right or remedy available to the Trustee hereunder or under the Installment Purchase Contract or any other trust or power conferred upon the Trustee.

The Trustee makes no representation or warranty, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District or the Corporation of the Project or any portion thereof, or any other representation or warranty with respect to the Project or any portion thereof. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with this Trust Agreement or the Installment Purchase Contract or the existence, furnishing or functioning of the Project or the District's use of the Project. The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Certificates.

The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Trust Agreement and delivered using Electronic Means ("Electronic Means" shall mean the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the District and/or Corporation shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the District and/or the Corporation whenever a person is to be added or deleted from the listing. If the District and/or Corporation elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The District and Corporation understand and agree that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively

presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The District and Corporation shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the District, Corporation and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District and/or Corporation. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The District and Corporation agree: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District and Corporation; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

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

The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct. The Trustee shall not be liable for errors made in good faith unless negligent in ascertaining pertinent facts.

In acting or omitting to act pursuant to the Assignment Agreement, the Installment Purchase Contract or any other documents executed in connection herewith or therewith, the Trustee shall be entitled to all of the rights, immunities and indemnities accorded to it under this Trust Agreement and the Installment Purchase Contract, including, but not limited to, this Article VII.

None of the provisions of this Trust Agreement shall require the Trustee to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers if it shall have reasonable grounds for believing that repayment of such funds or indemnity satisfactory to it against such risk or liability is not assured to it.

The Trustee shall not be accountable for the use or application by the District of any of the Certificates or the proceeds thereof or for the use or application of any money paid over by the Trustee in accordance with the provisions of this Indenture or for the use and application of money received

by any paying agent. The Trustee may become the owner of Certificates secured hereby with the same rights it would have if not Trustee.

The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct.

**Section 7.04. Payment from Trust Estate Only.** All payments to be made by the Trustee under and pursuant to this Trust Agreement shall be made only from the corpus, income and proceeds of the funds and accounts hereunder and only to the extent that the Trustee shall have received sufficient contribution, income and proceeds in accordance with the terms of this Trust Agreement.

**Section 7.05. Merger or Consolidation.** Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 7.01 hereof, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

**Section 7.06. No Filing Responsibility.** For the avoidance of doubt, the Trustee has no responsibility under this Trust Agreement for the preparation, filing, or continuation of any Uniform Commercial Code or other filings or recordings necessary to the perfection or, and is not otherwise responsible for the validity or perfection or, any lien or security interest granted hereunder or any rights assigned under the Assignment Agreement.

## ARTICLE VIII

### AMENDMENT OF OR SUPPLEMENT TO TRUST AGREEMENT

**Section 8.01. Amendment or Supplement by Consent of Owners.** The Trust Agreement may be amended in writing by agreement among all of the parties, but no such amendment (except as provided below) shall become effective as to the Owners of the Certificates then Outstanding, unless and until approved by the Owners of a majority in aggregate principal amount of Certificates Outstanding; provided that no such amendment shall impair the right of any Owner to receive his proportionate share of any Installment Payments in accordance with his Certificate of Participation unless consented to by the applicable Certificate Owner, furthermore no such amendment or supplement shall (a) reduce the rate of interest evidenced hereby or extend the time of payment of such interest or reduce the amount of principal evidenced hereby or extend the Maturity Date hereof without the prior written consent of the Owner hereof, or (b) reduce the percentage of Owners of Certificates whose consent is required for the execution of any amendment of or supplement to the Trust Agreement, or (c) modify any rights or obligations of the Trustee without its prior written consent thereto. Notwithstanding the foregoing, the Trust Agreement and the rights and obligations provided thereby may also be modified or amended at any time without the consent of any Owners of the Certificates, but only (a) for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Trust Agreement; or (b) in regard to questions arising under the Trust Agreement which the District may deem necessary or desirable and not inconsistent with the Trust Agreement and which shall not materially adversely affect the interests of the Owners; provided that the Corporation, the District and the Trustee may rely in entering into any such amendment of the Trust Agreement upon the opinion of nationally recognized bond counsel

stating that the requirements of this sentence shall have been met with respect to such amendment. The Trustee may in its discretion, but shall not be obligated to, enter into any amendment or modification which adversely affects the Trustee's own rights, duties or immunities under this Trust Agreement or otherwise.

In the event of any such amendment or supplement, copies of such amendment or supplement and any other documents relating thereto shall be provided by the District to Moody's (to the extent Moody's maintains a rating on the Certificates), S&P (to the extent S&P maintains a rating on the Certificates) at least 15 days prior to the effective date thereof.

**Section 8.02. Disqualified Certificates.** Certificates owned or held by or for the account of the District shall not be deemed outstanding for the purpose of any consent or other action or any calculation of Outstanding Certificates provided in this Article VIII, and shall not be entitled to consent to or take any other action provided in this Article VIII; except that in determining whether the Trustee shall be protected in relying upon any such demand, request, direction, consent or waiver of an Owner, only Certificates which the Trustee actually knows to be owned or held by or for the account of the District, shall be disregarded unless all Certificates are so owned or held, in which case such Certificates shall be considered outstanding for the purpose of such determination. The Trustee may adopt appropriate regulations to require each Owner, before his consent provided for herein shall be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in this Section 8.02. Upon request of the Trustee, the District shall specify in a certificate to the Trustee those Certificates disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

**Section 8.03. Execution of Amendments.** In executing, or accepting the additional trusts created by, any supplement or amendment permitted by this Article or the modification thereby of the trusts created by this Trust Agreement, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an opinion of counsel stating that the execution of such supplemental indenture is authorized or permitted by this Trust Agreement and complies with the terms hereof. The Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Trustee's own rights, duties or immunities under this Indenture or otherwise.

## ARTICLE IX

### DEFEASANCE

**Section 9.01. Defeasance.** Any Outstanding Certificates shall be paid and discharged in any one or more of the following ways:

(a) by paying or causing to be paid the principal and interest with respect to the Certificates Outstanding to be defeased, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, before maturity, money which, together with the amounts which are then on deposit in the Installment Payment Fund and the Reserve Fund, is fully sufficient to pay such Certificates Outstanding, including all principal and interest relating thereto;

(c) by depositing with the Trustee, in trust, non-callable Federal Securities (the "Defeasance Obligations") in such amount as a nationally recognized certified public

accountant shall determine will, together with the interest to accrue thereon and moneys then on deposit in the Installment Payment Fund and Reserve Fund to be applied to such defeasance together with the interest to accrue thereon, be fully sufficient to pay and discharge such Certificates (including all principal and interest) at or before their respective maturity dates;

(d) by depositing with the Trustee, cash, or Defeasance Obligations for the payment of a portion of Installment Payments, said Defeasance Obligations to be held by the Trustee, as agent for District and to be applied by the Trustee to pay Installment Payments representing the obligation of the District under the Installment Purchase Contract.

In the event of an advance refunding as described in Sections 9.01(c) and (d) above (i) the District shall cause to be delivered, on the deposit date and upon any reinvestment of the defeasance amount, a report of an independent firm of nationally recognized certified public accountants (“Accountant”) verifying the sufficiency of the escrow established to pay such Certificates in full on the maturity or prepayment date (“Verification”); (ii) the escrow agreement or instructions shall provide that no (A) substitution of a Defeasance Obligation shall be permitted except with another Defeasance Obligation and upon delivery of a new Verification, and (B) reinvestment of a Defeasance Obligation shall not be permitted except as contemplated by the original Verification or upon delivery of a new Verification; and (iii) there shall be delivered an opinion of nationally recognized bond counsel to the effect that such Certificates are no longer “Outstanding” under the Trust Agreement. Each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the District. Certificates shall be deemed “Outstanding” under the Trust Agreement unless and until they are in fact paid and retired or the above criteria are met.

Notwithstanding that some Certificates may not have been surrendered for payment, all obligations of the Corporation, the Trustee and the District under the Trust Agreement with respect to all defeased Certificates shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid to the Owners of the Certificates all sums due thereon and the obligation of the District to indemnify and pay the Trustee in accordance with Sections 7.02 and 7.03 hereof.

Upon the defeasance of all Outstanding Certificates, any funds held by the Trustee, at the time of one of the events described above in Section 9.01(a), (b), (c) or (d), which are not required for the payment to be made to Owners, or for payments to be made to the Trustee by the District, shall be paid over to the District upon delivery of a certificate of a certified public accountant that such funds are not required to be paid to the Owners.

**Section 9.02. Unclaimed Moneys.** Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or principal evidenced and represented by any of the Certificates which remains unclaimed for two years after the date when the payments evidenced and represented by such Certificates have become payable, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when the interest and principal evidenced and represented by such Certificates have become payable, the Trustee shall pay such amounts to the District (without liability for interest) as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for interest and principal represented by such Certificates; provided, however, that before being required to make any such payment to the District, the Trustee shall, at the expense and written request of the District, cause to be published once a week for two successive weeks in a financial newspaper a notice that such money remains unclaimed and that after a date named in such notice, which date shall

not be less than 30 days after the date of the first publication of such notice, the balance of such money then unclaimed will be returned to the District.

## ARTICLE X

### MISCELLANEOUS

**Section 10.01. Benefits of Trust Agreement Limited to Parties.** Nothing contained herein, expressed or implied, is intended to give to any person other than the Corporation, the District, the Trustee and the Owners any claim, remedy or right under or pursuant hereto, and any agreement, condition, covenant or term contained herein required to be observed or performed by or on behalf of the Corporation or the District shall be for the sole and exclusive benefit of the Trustee and the Owners.

**Section 10.02. Successor Deemed Included in All References to Predecessor.** Whenever either the Corporation, the District, the Trustee or any officer thereof 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 Corporation, the District, the Trustee or such officer, and all agreements, conditions, covenants and terms required hereby to be observed or performed by or on behalf of the Corporation, the District, the Trustee or any officer thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

**Section 10.03. Execution of Documents by Owners.** Any declaration, consent, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his or her attorney of any declaration, consent, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act, that the person signing such declaration, consent, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee or the paying agent, as the case may be, may accept which it may deem sufficient. Any declaration, consent, request or other instrument in writing of the Owner of any Certificate shall bind all future owners of such Certificate with respect to anything done or suffered to be done by the Corporation, the District or the Trustee in good faith and in accordance therewith. Additionally, a signed and delivered facsimile copy of this Trust Agreement 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 10.04. Waiver of Personal Liability.** No board member, officer or employee of the Corporation or the District shall be individually or personally liable for the payment of the interest or principal evidenced and represented by the Certificates, but nothing contained herein shall relieve any board member, officer or employee of the District or the Corporation from the performance of any official duty provided by any applicable provisions of law or by the Installment Purchase Contract or hereby.

**Section 10.05. Acquisition of Certificates by District.** All Certificates acquired by the District, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

**Section 10.06. Content of Certificates.** Every Certificate of the District with respect to compliance with any agreement, condition, covenant or term contained herein (other than a Certificate of the District filed with the Trustee in connection with a disbursement from the Delivery Costs Fund and the Acquisition Fund, the contents of which certificate shall be as set forth in Sections 3.03 and 3.11, respectively, hereof) shall include (a) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or term and the definitions herein relating thereto; (b) a statement that, in the opinion of the signers they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (c) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with. Any Certificate of the District may be based, insofar as it relates to legal matters, upon an opinion of counsel unless the person making or giving such certificate knows that the opinion of counsel with respect to the matters upon which such certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any opinion of counsel may be based, insofar as it relates to factual matters or information with respect to which is in the possession of the District, upon a representation by an officer or officers of the District unless the counsel executing such opinion of counsel knows that the representation with respect to the matters or upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

**Section 10.07. Notice by Mail.** Any notice required to be given hereunder by mail to any Owners of Certificates shall be given by mailing a copy of such notice, first-class postage prepaid, to the Owners of such Certificates at their addresses appearing in the books required to be kept by the Trustee pursuant to the provisions of Section 2.07 not less than 30 days nor more than 60 days following the action or prior to the event concerning which notice thereof is required to be given unless this Trust Agreement expressly provides a different provision; provided, that receipt of any such notice shall not be a condition precedent to the effect of such notice and failure to receive any such notice shall not affect the validity of the proceedings taken in connection with the action or the event concerning which such notice was given.

**Section 10.08. Funds.** Any fund or account required to be established and maintained herein by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Certificates and the rights of the owners.

**Section 10.09. Investments.**

(a) Amounts on deposit in any fund or account created pursuant to the Installment Purchase Contract or this Trust Agreement (except the Reserve Fund) 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, in accordance with such written directions as the District may from time to time provide to the Trustee. Amounts on deposit in the Reserve Fund shall be invested by the Trustee, in accordance with written directions from the District, in Permitted Investments (i) having an average aggregate weighted term to maturity not greater than five years; or (ii) of any maturity, but callable at par for any purpose required by this Trust Agreement. Investment directions shall be received at least two

Business Days prior to the date of making the investment. If no such direction has been received by the Trustee in sufficient time, the Trustee shall invest such amounts in Permitted Investments of the type described in clause (d) of the definition thereof; provided that the Trustee shall have received a written instruction of the District specifying a specific money market fund and, if no such Written Request of the District is so received, the Trustee shall hold such moneys uninvested. The Trustee may act as principal or agent in the acquisition or disposition of any such investment. The Trustee shall not be liable or responsible for any loss suffered in connection with any such investment made by it under the terms of and in accordance with this Section 10.09. The Trustee may sell or present for prepayment any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such investment sold or presented for prepayment. Interest or profit received from the investment of amounts on deposit in the Delivery Costs Fund shall be retained therein and used as described in Section 3.03. Interest or profit received from the investment of amounts on deposit in the Acquisition Fund shall be retained therein and used as described in Section 3.10. Interest or profit received on investments not described in the previous two sentences shall be deposited to the Acquisition Fund until the Project is Acquired, and thereafter to the Installment Payment Fund.

The Trustee may exclusively rely that any investment directed by the District hereunder is a Permitted Investment as required by this Trust Agreement (including as to the suitability and legality of the directed investment). The Trustee may act as depository, manager, advisor or sponsor with regard to any Permitted Investment.

(b) In computing the amount in any fund or account, Permitted Investments shall be valued at fair market value, marked to market, exclusive of accrued interest. The Trustee shall perform such valuation (i) no less often than once a year or more frequently than monthly, and (ii) upon any draw on the Reserve Fund. In determining market value of Permitted Investments, the Trustee may use and rely conclusively and without liability upon any generally recognized pricing information service (including brokers and dealers in securities) available to it. If amounts on deposit in the Reserve Fund shall, at the time of valuation, be less than the applicable Reserve Requirement the Trustee shall notify the District within five Business Days and such deficiency shall be immediately made up by the District from Net Revenues and such Reserve Fund shall be valued monthly until amounts on deposit therein equal the Reserve Requirement.

(c) 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 10% of invested funds, such Permitted Investment shall be sold or liquidated at the written direction of the District. At the written direction of the District the Trustee shall terminate any repurchase agreement upon a failure of the counterparty thereto to maintain the requisite collateral percentage after the restoration period and, if not paid by the counterparty in federal funds against transfer of the repurchase securities, at the written direction of the District, the Trustee shall, liquidate the collateral. The Trustee shall, upon actual knowledge of a default under a repurchase or investment agreement or the withdrawal or suspension of either of the ratings of a repurchase or investment agreement provider or a drop in the ratings thereon below "AA" or "Aa," as appropriate, or "AAA" or "Aaa," as appropriate, in the case of a foreign bank, shall at the written direction of the District, demand further collateralization of the agreement or termination thereof and liquidation of the

collateral. In the event any funds or accounts are invested in an investment agreement described in clause (j) of the definition of Permitted Investments, at the written direction of the District, the Trustee shall give notice to the provider of such investment agreement in accordance with the terms of such investment agreement to receive funds thereunder with no penalty or premium.

(d) The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants to the District the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

**Section 10.10. 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 Trust Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

**Section 10.11. Partial Invalidity.** If any one or more of the agreements, conditions, covenants or terms contained herein required to be observed or performed by or on the part of the Corporation, the District or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions such covenant or covenants or such term or terms shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants and terms hereof and shall in no way affect the validity hereof or of the Certificates, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law.

**Section 10.12. California Law.** This Trust Agreement shall be construed and governed in accordance with the laws of the State of California.

**Section 10.13. Notices.** All written notices to be given hereunder shall be given by certified mail to the party entitled thereto at its address set forth in the Installment Purchase Contract, or at such other address as such party may provide to the other parties in writing from time to time.

**Section 10.14. Effective Date.** This Trust Agreement shall become effective upon its execution and delivery.

**Section 10.15. Execution in Counterparts.** This Trust Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

[Remainder of page intentionally left blank]

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

**THE BANK OF NEW YORK MELLON  
TRUST COMPANY, N.A., as Trustee**

By \_\_\_\_\_  
Authorized Representative

**CSDA FINANCE CORPORATION**

By \_\_\_\_\_  
Authorized Representative

**MCKINLEYVILLE COMMUNITY  
SERVICES DISTRICT**

By \_\_\_\_\_  
General Manager

**APPENDIX A**

**FORM OF CERTIFICATE OF PARTICIPATION**

EVIDENCING THE DIRECT, UNDIVIDED FRACTIONAL INTEREST OF THE OWNER HEREOF IN INSTALLMENT PAYMENTS TO BE MADE TO THE CSDA FINANCE CORPORATION BY THE MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT  
REVENUE CERTIFICATE OF PARTICIPATION  
SERIES 2021B  
(WASTEWATER PROJECT)**

No. R- \_\_\_\_\_ \$ \_\_\_\_\_

<b>Interest Rate</b>	<b>Maturity Date</b>	<b>Original Issue Date</b>	<b>CUSIP</b>
_____ %	September 15, _____	December __, 2021	_____

REGISTERED OWNER: **\*\*CEDE & CO.\*\***

PRINCIPAL AMOUNT: \_\_\_\_\_ DOLLARS

THIS IS TO CERTIFY that the Owner specified above of this Certificate of Participation (the "Certificate"), is the Owner of an undivided interest in the rights to receive certain installment payments (the "Installment Payments") and the interest thereon under and pursuant to that certain Installment Purchase Contract, dated as of December 1, 2021 (the "Installment Purchase Contract"), between the McKinleyville Community Services District, duly organized and validly existing under the laws of the State of California (the "District") and the CSDA Finance Corporation, a nonprofit corporation duly organized and validly existing under the laws of the State of California (the "Corporation"), all of which rights to receive such Installment Payments and the interest thereon, together with certain other rights, have been assigned by the Corporation to The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), a national banking association duly organized and validly existing under the laws of the United States and having a corporate trust office in Los Angeles, California, or in such other place as designated by the Trustee or any other bank or trust company which may at any time be substituted in its place as provided in the Trust Agreement hereinafter mentioned.

This Certificate is one of the duly authorized certificates of participation designated "McKinleyville Community Services District Revenue Certificates of Participation, Series 2021B (Wastewater Project)" aggregating \$\_\_\_\_\_ in principal amount which have been executed by the Trustee under and pursuant to the terms of a Trust Agreement, dated as of December 1, 2021 (the "Trust Agreement"), by and among the Trustee, the Corporation and the District, and all capitalized terms used herein not otherwise defined shall have the definitions for such terms contained in the Trust Agreement or the Installment Purchase Contract.

The Owner of this Certificate is entitled to receive, subject to the terms of the Installment Purchase Contract and any right of prepayment prior thereto hereinafter provided for, on the date set

forth on the front hereof (the “Maturity Date”), upon surrender of this Certificate on the Maturity Date or on the date of prepayment prior thereto at the principal corporate trust office of the Trustee in Los Angeles, California, or such other place as designated by the Trustee, the Principal Amount specified above representing the Owner’s share of the Installment Payments becoming due and payable on the Maturity Date, and to receive on March 15 and September 15 of each year, commencing September 15, 2022 (each, an “Interest Payment Date”) to and including the Maturity Date or the date of prepayment prior thereto, whichever is earlier, by check mailed via first-class mail on the Interest Payment Date to the owner at the address shown on the registration books for the Certificates on the fifteenth day of the calendar month prior to an Interest Payment Date, or, upon the written request from any Owner of any Certificate in a denomination of, or Certificates aggregating, at least \$1,000,000, received on or prior to the fifteenth day of the month preceding the applicable Interest Payment Date, by wire in Federal Reserve funds, the Owner’s share of the interest on the Installment Payments at the rate set forth on the front hereof. All such amounts are payable in lawful money of the United States of America.

Interest on the principal components shall be at a rate equal to the rate set forth on the front hereof, which shall be calculated based on a 360-day year of twelve 30-day months.

Copies of the Trust Agreement are on file at the corporate trust office of the Trustee in San Francisco, California and reference is hereby made to the Trust Agreement and to any and all amendments thereof and supplements thereto for a description of the agreements, conditions, covenants and terms securing the Certificates, for the nature, extent and manner of enforcement of such agreements, conditions, covenants and terms, for the rights and remedies of the Owners of the Certificates with respect thereto and for the other agreements, conditions, covenants and terms upon which the Certificates are executed and delivered thereunder.

The Installment Payments relating to the Certificates are a special obligation of the District, payable solely from (a) Net Revenues (as defined in the Installment Purchase Contract), and (b) moneys on deposit in the funds and accounts established under the Trust Agreement and the Installment Purchase Contract. The Installment Payments do not constitute a debt 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.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended or supplemented in writing by the parties thereto (in certain instances without the consent of the Owners of Certificates), but no such amendment or supplement shall (a) reduce the rate of interest evidenced hereby or extend the time of payment of such interest or reduce the amount of principal evidenced hereby or extend the Maturity Date hereof without the prior written consent of the Owner hereof, or (b) reduce the percentage of Owners of Certificates whose consent is required for the execution of any amendment of or supplement to the Trust Agreement, or (c) modify any rights or obligations of the Trustee without its prior written consent thereto.

The Certificates are authorized to be executed and delivered in the form of fully registered Certificates in denominations of \$5,000 or any integral multiple thereof.

This Certificate is transferable or exchangeable by the Owner hereof in person or by the Owner’s attorney duly authorized in writing, at the designated corporate trust operations office of the Trustee, or such other place as designated by the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement, and upon surrender of

this Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer or exchange in a form approved by the Trustee. Upon such transfer or exchange, a new Certificate or certificates of authorized denominations of the same Maturity Date and interest rate representing the same aggregate principal amount hereof will be executed and delivered by the Trustee to the owner thereof in exchange therefor. The Trustee shall require the payment by the Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange. The Trustee may treat the Owner hereof as the absolute owner hereof for all purposes, whether or not this Certificate shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the interest and principal and prepayment premium, if any, evidenced by this Certificate shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge liability evidenced by this Certificate to the extent of the sum or sums so paid.

The Trustee shall not be obligated to make any such registration of transfer or exchange of Certificates during the 15-day period prior to the date on which notice of prepayment must be mailed pursuant to the Trust Agreement, or with respect to any Certificate which has been selected for prepayment pursuant to the Trust Agreement.

The Certificates shall be subject to prepayment as set forth in the Trust Agreement.

As provided in the Trust Agreement, notice of prepayment hereof shall be mailed, first-class postage prepaid, not less than 30 nor more than 45 days prior to the prepayment date, to the Owner of this Certificate at such Owner's address as it appears in the registration books maintained by the Trustee, but failure to give any such notice or any defect therein shall not affect the validity of the proceedings for the prepayment of this Certificate. If this Certificate is called for prepayment and payment is duly provided therefor as specified in the Trust Agreement, the interest evidenced hereby shall cease to accrue from and after the date fixed for prepayment.

The Trustee has no obligation or liability to the Owners of the Certificates for the payment of the interest or principal or prepayment premiums, if any, evidenced by the Certificates; but rather the Trustee's sole obligations are to administer, for the benefit of the District and the Corporation and the Owners of the Certificates, the various funds established under the Trust Agreement and Installment Purchase Contract. The Trustee has executed this Certificate solely in its capacity as Trustee under the Trust Agreement and not in its individual or personal capacity. The Trustee is not liable for the obligations evidenced by the Certificates except from amounts held by it in its capacity as Trustee under the Trust Agreement. The Corporation has no obligation or liability whatsoever to the Owners of the Certificates.

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

IN WITNESS WHEREOF, this Certificate has been executed by the manual or electronic signature of an authorized officer of the Trustee.

Dated: December \_\_\_\_, 2021

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A., solely as Trustee (not  
individually)

By \_\_\_\_\_  
Authorized Representative

**ASSIGNMENT**

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

---

**(Please print or typewrite name and address of Transferee)  
(Tax Identification or Social Security No.)**

the within bond and all rights thereunder and hereby irrevocably constitutes and appoints \_\_\_\_\_ attorney to transfer the within bond on the books kept for registration thereof, with full power of substitution in the premises.

Dated: \_\_\_\_\_

NOTICE: The signature to this assignment must correspond with the name as it appears upon the face of the within bond in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed:

\_\_\_\_\_  
Signature(s) must be guaranteed by a national bank or trust company or by a brokerage firm having a membership in one of the major stock exchanges and who is a member of a Medallion Signature Program.

**APPENDIX B**

**FORM OF CERTIFICATE OF THE DISTRICT**

The Bank of New York Mellon Trust Company, N.A.  
400 S. Hope Street, Suite 500  
Los Angeles, CA 90071  
Attention: Corporate Trust Services

RE: Disbursement from the Acquisition Fund pursuant to Section 3.10 of the Trust Agreement, dated as of December 1, 2021 (the "Agreement"), among THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee (the "Trustee"), the CSDA FINANCE CORPORATION (the "Corporation") and the MCKINLEYVILLE COMMUNITY SERVICES DISTRICT (the "District")

Notice No. \_\_\_\_\_

You are hereby instructed to pay to the parties listed on Exhibit A hereto the sum listed opposite such parties' names as a payment of the cost of the Acquisition of the Project for the items listed on the Schedule attached hereto and the expenses incidental thereto (including reimbursement to the District for certain of such costs or expenses) from the Acquisition Fund as provided in Section 3.10 of the Trust Agreement. This cost has been properly incurred, is a proper charge under the Agreement against payment of the costs of the Acquisition of the Project and has not been the basis of any previous disbursements. The amount remaining in the Acquisition Fund, together with interest earnings thereon will, after payment of the amount set forth in this requisition, be sufficient to pay all remaining costs of the Acquisition of the Project as presently estimated.

I hereby certify that:

- (a) the District is authorized to act as agent for the Corporation with respect to this Certificate and the undersigned is duly authorized by the District to deliver this Certificate;
- (b) an obligation in the stated amount has been properly incurred under and pursuant to the Installment Purchase Contract and each such obligation is a proper charge against the Acquisition Fund and has not been subject of any previous Certificate of the District;
- (c) there has not been filed with or served upon the Corporation or the District a stop notice or any other notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable to the person named in this Certificate which has not been released or will not be released with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of laws;
- (d) in the case of each payment made under any contract for installation or construction, insofar as such obligation was incurred for work, materials, equipment or supplies, such work was actually performed on behalf of the District or such materials, equipment or supplies were actually installed in furtherance of the Project or delivered at the site for that purpose or delivered for storage or fabrication at a place or places approved by the District;

(e) in the case of increased costs of the Acquisition of the Project, the amount of such increase has been or is herewith being deposited with the Trustee, or otherwise made available by the District; and

(f) no event of default has occurred and is continuing.

Very truly yours,

---

District Representative

**EXHIBIT A**

<b>Name and Address of Payee</b>	<b>Purpose</b>	<b>Amount \$</b>
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§ \_\_\_\_\_  
**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT  
 REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021A  
 (WATER PROJECT)**

**CERTIFICATE PURCHASE AGREEMENT**

\_\_\_\_\_, 2021

McKinleyville Community Services District  
 1656 Sutter Road  
 McKinleyville, California 95519

Ladies and Gentlemen:

The undersigned, Oppenheimer & Co. Inc. (the “Underwriter”), acting not as a fiduciary or agent for you, but on behalf of itself, offers to enter into this Certificate Purchase Agreement (which, together with the exhibits hereto, is referred to as the “Purchase Agreement”) with the McKinleyville Community Services District (the “District”), which, upon acceptance by the District, will be binding upon the District and the Underwriter. This offer is made subject to acceptance by the District by execution of the Purchase Agreement and delivery of the same to the Underwriter prior to 11:59 P.M., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the District at any time prior to the acceptance hereof by the District. Capitalized terms that are used herein and not otherwise defined have the meanings that are set forth in the Trust Agreement, dated as of \_\_\_\_\_ 1, 2021 (the “Trust Agreement”), by and among the CSDA Finance Corporation (the “Corporation”), the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The District acknowledges and agrees that: (a) the purchase and sale of the Certificates (as such term is defined herein) pursuant to the Purchase Agreement is an arm’s length commercial transaction between the District and the Underwriter, and the only obligations that the Underwriter has to the District with respect to the transaction that is contemplated hereby expressly are set forth in the Purchase Agreement; (b) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as such term is defined in Section 15B of The Securities Exchange Act of 1934, as amended) to the District; (c) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the District with respect to the offering that is contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters); (d) the Underwriter has financial and other interests that may differ from and be adverse to those of the District; and (e) the District and has consulted its own legal, financial, accounting, tax and other advisors to the extent that it has deemed appropriate.

**Section 1. Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations, warranties and agreements herein, the Underwriter hereby agrees to purchase, and the District hereby agrees to cause the Trustee to execute, sell and deliver to the Underwriter all (but not less than all) of the McKinleyville Community Services District Revenue Certificates of

Participation, Series 2021A (Water Project), in the aggregate principal amount of \$\_\_\_\_\_ (the “Certificates”). The Certificates will be dated as of their date of delivery. Interest with respect to the Certificates will be payable semiannually on \_\_\_ 1 and \_\_\_ 1 of each year, commencing \_\_\_ 1, 2022, and will mature and bear interest as set forth in Exhibit A. The purchase price of the Certificates is \$\_\_\_\_\_ (being the aggregate principal amount thereof [plus] a [net] original issue premium of \$\_\_\_\_\_ and less an Underwriter’s discount of \$\_\_\_\_\_).

**Section 2. The Certificates.** The Certificates shall be secured by installment payments (the “Installment Payments”) to be paid by the District to the Corporation pursuant to the Installment Purchase Contract, dated as of \_\_\_\_\_ 1, 2021 (the “Installment Purchase Contract”), by and between the District and the Corporation. The Installment Payments are payable from Net Revenues (as such term is defined in the Installment Purchase Contract). The Corporation’s right to receive the Installment Payments under the Installment Purchase Contract has been assigned to the Trustee for the benefit of the owners of the Certificates pursuant to an Assignment Agreement, dated as of \_\_\_\_\_ 1, 2021 (the “Assignment Agreement”), by and between the Corporation and the Trustee.

The Certificates shall be as described in, and shall be secured under and pursuant to the Trust Agreement substantially in the form previously submitted to the Underwriter, with only such changes therein as shall be mutually agreed upon by the District and the Underwriter.

The proceeds of the Certificates shall be applied to: (i) finance the construction of certain capital improvements to the District’s water system; (ii) fund a deposit to the reserve fund for the Certificates; (iii) pay a portion of the interest due on the Certificates; (iv) repay the remaining amounts owing under the District’s contract entered into November 1, 1971 with the State of California (the “State”), acting through its Department of Water Resources, and (v) pay the costs of delivery of the Certificates.

The Certificates, the Trust Agreement, the Installment Purchase Contract, the Assignment Agreement and the resolution of the Board of Directors of the Corporation authorizing the execution and delivery of the Certificates and the foregoing documents are collectively referred to herein as the “Corporation Documents.”

The Certificates, the Purchase Agreement, the Continuing Disclosure Certificate of the District relating to the Certificates (the “Continuing Disclosure Certificate”), dated the Closing Date (as such term is defined herein), the Trust Agreement, the Installment Purchase Contract and the resolution of the Board of Directors of the District authorizing the execution and delivery of the foregoing documents are collectively referred to herein as the “District Documents.”

**Section 3. Public Offering; Establishment of Issue Price for Certificates.**

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

(b) Except as otherwise set forth in Exhibit A, the District will treat the first price at which 10% of each maturity of the Certificates (the “10% test”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number within that maturity will be subject to the 10% test). At or promptly after the execution of the Purchase Agreement, the Underwriter shall report to the District the price or prices at which it has sold to the public each maturity of Certificates. If at that time the 10% test has not been satisfied as to any maturity of the Certificates, the Underwriter agrees to promptly report to the District the prices at which it sells the unsold Certificates of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Certificates of that maturity or until the Underwriter has sold all Certificates of that maturity to the public; provided that the Underwriter’s reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, the District or Special Counsel.

(c) The Underwriter confirms that it has offered the Certificates to the public on or before the date of the Purchase Agreement at the offering price or prices (the “initial offering price”), or at the corresponding yield or yields, set forth in Exhibit A, except as otherwise set forth therein. Exhibit A also sets forth, identified under the column “Hold the Offering Price Rule Used,” as of the date of the Purchase Agreement, the maturities, if any, of the Certificates for which the 10% test has not been satisfied and for which the District and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the District to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “hold-the-offering-price rule”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Certificates, the Underwriter will neither offer nor sell unsold Certificates of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

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

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

(d)

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

(A) report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either: (I) all Certificates of that maturity allocated to it have been sold; or (II) it is notified by the Underwriter that the 10% test has been satisfied as to the Certificates of that maturity; provided that the reporting

obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter;

(B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter;

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

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

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

(e) The District acknowledges that, in making the representations set forth in this subsection, the Underwriter will rely on: (A) in the event that a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in a selling group agreement and the related pricing wires; and (B) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates.

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

1. “public” means any person other than an underwriter or a related party;
2. “underwriter” means: (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the public; and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Certificates to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the public);
3. a purchaser of any of the Certificates is a “related party” to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to: (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another); (ii) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another); or (iii) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership, as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and
4. “sale date” means the date of execution of the Purchase Agreement by all parties.

**Section 4. The Official Statement.** By its acceptance of this proposal, the District ratifies, confirms and approves of the use and distribution by the Underwriter prior to the date hereof of the preliminary official statement relating to the Certificates dated \_\_\_\_\_, 2021 (including the front cover page, inside front cover page, all appendices and all information incorporated therein and any supplements or amendments thereto and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the “Preliminary Official Statement”) that an authorized officer of the District deemed “final” as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except for certain information that is permitted to be omitted therefrom by Rule 15c2-12. The District hereby agrees to deliver or cause to be delivered to the Underwriter, within seven business days of the date hereof, copies of a final official statement, dated the date hereof, relating to the Certificates (including all information previously permitted to have been omitted by Rule 15c2-12), including the cover page, inside cover page, all appendices, all information incorporated therein and any amendments or supplements as have been approved by the District and the Underwriter (the “Official Statement”) in such quantity as the Underwriter shall reasonably request to comply with Section (b)(4) of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board (the “MSRB”).

The Underwriter hereby agrees that it will not request that payment be made by any purchaser of the Certificates prior to delivery by the Underwriter to the purchaser of a copy of the Official Statement. The Underwriter agrees: (i) to provide the District with final pricing information on the Certificates on a timely basis; and (ii) to promptly file a copy of the Official Statement, including any supplements prepared by the District, with the MSRB at <http://emma.msrb.org>. The District hereby approves of the use and distribution by the Underwriter of the Preliminary Official Statement in connection with the offer and sale of the Certificates. The District will cooperate with the Underwriter in the filing by the Underwriter of the Official Statement with the MSRB.

**Section 5. Closing.** At 8:00 a.m., California Time, on \_\_\_\_\_, 2021, or at such other time or date as the District and the Underwriter agree upon (the “Closing Date”), the District shall cause the Trustee to deliver the Certificates, in definitive form, registered in the name of Cede & Co., as the nominee of The Depository Trust Company (“DTC”), so that the Certificates may be credited to the account specified by the Underwriter under DTC’s FAST procedures. Concurrently with the delivery of the Certificates, the District will deliver the documents hereinafter mentioned at the offices of Kutak Rock LLP, California (“Special Counsel”), or another place to be mutually agreed upon by the District and the Underwriter. The Underwriter will accept such delivery and pay the purchase prices of the Certificates as set forth in Section 1 hereof by wire transfer in immediately available funds. This payment for and delivery of the Certificates, together with the delivery of the aforementioned documents, is herein called the “Closing.”

The Certificates shall be registered in the name of Cede & Co., as nominee of DTC in denominations of five thousand dollars (\$5,000) or any integral multiple thereof. The District acknowledges that the services of DTC will be used initially by the Underwriter in order to permit the delivery of the Certificates in book-entry form, and agree to cooperate fully with the Underwriter in employing such services.

**Section 6. [Reserved].**

**Section 7. Representations, Warranties and Covenants of the District.** The District represents, warrants and covenants to the Underwriter that:

(a) The District is a community services district that is duly organized and existing under and by virtue of the laws of the State of California.

(b) The District has full legal right, power and authority to adopt or enter into, as the case may be, and to carry out and consummate the transactions on its part contemplated by the District Documents.

(c) By all necessary official action, the District has duly authorized and approved the District Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement and has duly authorized and approved the execution and delivery of, and the performance by the District of the obligations on its part contained in, the District Documents and the consummation by it of all other transactions contemplated by the District Documents in connection with the execution and delivery of the Certificates. As of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the District Documents will constitute the legally valid and binding obligations of the District enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors’ rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against special districts in the State. The District has complied, and will at the Closing be in compliance in all material respects, with the terms of the District Documents.

(d) To the best of its knowledge, the District is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable

judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party which breach or default has or may have a materially adverse effect on the ability of the District to perform its obligations under the District Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the District Documents, if applicable, and compliance with the provisions on the District's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the District or under the terms of any such law, regulation or instrument, except as may be provided by the District Documents.

(e) To the best of its knowledge, all material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the District of its obligations in connection with the District Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Certificates.

(f) The Preliminary Official Statement was as of its date, and the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement do not and up to and including the Closing will not contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading (except that this representation does not include statements in the Official Statement under the caption "UNDERWRITING" and information regarding DTC and DTC's book-entry only system, as to which no view is expressed).

(g) The District will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement. The District will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental authority prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Certificates.

(h) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process upon the District having been accomplished, or threatened in writing to the District: (i) in any way questioning the corporate existence of the District or the titles of the officers of the District to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Certificates, or the collection of Revenues under the Installment Purchase Contract or of any amounts pledged or to be pledged to pay the principal of and interest with respect to the Certificates, or in any way contesting or affecting the validity of the District

Documents or the consummation of the transactions contemplated thereby or hereby, contesting the exclusion of interest with respect to the Certificates from federal taxation or the exemption of interest with respect to the Certificates from State taxation or contesting the powers of the District or its authority to cause the execution and delivery of the Certificates; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the District; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) To the District's knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of Section 7(h).

(j) Until the date which is twenty-five (25) days after the end of the underwriting period (but not later than 90 days after the Closing Date), if any event shall occur of which the District is aware that would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact that is necessary in order to make the statements in the Official Statement, in light of the circumstances under which they were made, not misleading (except that this representation does not include information regarding DTC and its book-entry only system, as to which no view is expressed), the District shall forthwith notify the Underwriter of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, in the Underwriter's reasonable opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time and the District shall promptly furnish to the Underwriter a reasonable number of copies of such supplement. As used herein, the term "end of the underwriting period" means the later of such time as: (i) the Trustee delivers the Certificates to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Certificates for sale to the public. Unless the Underwriter gives notice to the contrary, the "end of the underwriting period" shall be deemed to be the Closing Date. Any notice delivered pursuant to the preceding sentence shall be written notice delivered to the District at or prior to the Closing Date of the Certificates and shall specify a date (other than the Closing Date) to be deemed the end of the underwriting period.

(k) Except as disclosed in the Preliminary Official Statement and the Official Statement, the District has not within the last five years failed to comply in any material respect with any continuing disclosure undertakings with regard to Rule 15c2-12 to provide annual reports or notices of material events specified in such rule.

(l) The District will refrain from taking any action, or permitting any action to be taken, with regard to which the District may exercise control, that results in the loss of the tax-exempt status of the interest for federal income tax purposes with respect to the Certificates.

(m) The financial statements relating to the receipts, expenditures and cash balances of the District as of June 30, 2020 attached as an appendix to the Official Statement fairly represent the receipts, expenditures and cash balances of the District. Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the District or in its operations since June 30,

2020 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(n) To the extent required by law, the District will undertake, pursuant to the Continuing Disclosure Certificate and the other District Documents, to provide annual reports and notices of certain events. A description of these undertakings is set forth in an appendix to the Preliminary Official Statement and will also be set forth in the Official Statement.

(o) The District will refrain from taking any action, or permitting any action to be taken, to reduce the amount of the Installment Payments while the Certificates are Outstanding, and the District will pay the Installment Payments in accordance with the Installment Purchase Contract.

(p) Any certificate signed by any officer of the District authorized to execute such certificate in connection with the execution, sale and delivery of the Certificates and delivered to the Underwriter shall be deemed a representation and warranty of the District to the Underwriter as to the statements made therein but not of the person signing such certificate.

**Section 8. Conditions to the Obligations of the Underwriter.** The Underwriter has entered into the Purchase Agreement in reliance upon the representations and warranties of the Corporation and the District contained herein. The obligations of the Underwriter to accept delivery of and pay for the Certificates on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the statements of the officers and other officials of the Corporation and the District, as well as authorized representatives of Special Counsel and the Trustee made in any Certificates or other documents furnished pursuant to the provisions hereof; to the performance by the District of its obligations to be performed hereunder at or prior to the Closing Date; and to the following additional conditions:

(a) The representations, warranties and covenants of the District contained herein shall be true and correct at the date hereof and at the time of the Closing, as if made on the Closing Date.

(b) At the time of Closing, the District Documents and the Corporation Documents shall be in full force and effect as valid and binding agreements between or among the various parties thereto, and the District Documents, the Corporation Documents and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter.

(c) At the time of the Closing, no material default shall have occurred or be existing under the District Documents, the Corporation Documents or any other agreement or document pursuant to which any of the District's financial obligations were executed and delivered, and the District shall not be in default in the payment of principal or interest with respect to any of its financial obligations, which default would materially adversely impact the ability of the District to pay the Installment Payments.

(d) In recognition of the desire of the District and the Underwriter to effect a successful public offering of the Certificates, and in view of the potential adverse impact of any of the following events on such a public offering, the Purchase Agreement shall be subject to termination in the discretion of the Underwriter by notification, in writing, to the District prior to delivery of and payment for the Certificates, if at any time prior to such time, regardless of whether

any of the following statements of fact were in existence or known of on the date of the Purchase Agreement:

(i) any event shall occur which makes untrue any material statement or results in an omission to state a material fact that is necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading, which event, in the reasonable opinion of the Underwriter would materially or adversely affect the ability of the Underwriter to market the Certificates;

(ii) the marketability of the Certificates or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of the Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or state court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or state authority affecting the federal or state tax status of the Corporation or the District, or the interest with respect to bonds or notes (including the Certificates);

(iii) any legislation, ordinance, rule or regulation shall be enacted by any governmental body, department or authority of the State, or a decision by any court of competent jurisdiction within the State shall be rendered which materially adversely affects the market price of the Certificates;

(iv) an order, decree or injunction issued by any court of competent jurisdiction, or order, ruling, regulation (final, temporary or proposed), official statement or other form of notice or communication issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental authority having jurisdiction of the subject matter, to the effect that: (i) obligations of the general character of the Certificates, or the Certificates, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Trust Agreement is not exempt from qualification under the Trust Indenture Act of 1939, as amended; or (ii) the issuance, offering or sale of obligations of the general character of the Certificates, or the execution, delivery, offering or sale of the Certificates, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(v) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, to the effect that obligations of the general character of the Certificates, or the Certificates, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended and as then in effect, or the Securities

Exchange Act of 1934, as amended and as then in effect, or that the Trust Agreement is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect;

(vi) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any domestic governmental authority or by any domestic national securities exchange, which are material to the marketability of the Certificates;

(vii) a general banking moratorium shall have been declared by federal, State or New York authorities, or the general suspension of trading on any national securities exchange;

(viii) there shall have occurred any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war, pandemic, civil unrest or other calamity or crisis the effect of which on financial markets is materially adverse such as to make it, in the sole judgment of the Underwriter, impractical or inadvisable to proceed with the purchase or delivery of the Certificates as contemplated by the Official Statement (exclusive of any amendment or supplement thereto);

(ix) a disruption in securities settlement, payment or clearance services shall have occurred, which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Certificates;

(x) any rating of the Certificates or the rating of any obligations of the District shall have been downgraded or withdrawn by a national rating service, which, in the opinion of the Underwriter, materially adversely affects the market price of the Certificates; or

(xi) the commencement of any action, suit or proceeding described in Section 7(h).

(e) at or prior to the Closing, the Underwriter shall receive the following documents, in each case to the reasonable satisfaction in form and substance of the Underwriter:

(i) The executed resolution of the Corporation relating to the Certificates and authorizing the execution and delivery of the Corporation Documents;

(ii) The executed resolution of the District relating to the Certificates and authorizing the execution and delivery of the Certificates, the District Documents and the Official Statement signed by an authorized official of the District;

(iii) The District Documents and the Corporation Documents duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Underwriter;

(iv) The approving opinion of Special Counsel dated the Closing Date and addressed to the District, in substantially the form attached as an appendix to the Official Statement, and reliance letters thereon addressed to the Underwriter and the Trustee;

(v) A supplemental opinion of Special Counsel dated the Closing Date and addressed to the Underwriter, to the effect that:

(A) the statements on the cover of the Official Statement and in the Official Statement under the captions [“INTRODUCTION,” “PLAN OF FINANCE,” “THE CERTIFICATES,” “SECURITY FOR THE CERTIFICATES” and “TAX EXEMPTION”] and in Appendices [A and B], excluding any material that may be treated as included under such captions and appendices by any cross-reference, insofar as such statements expressly summarize provisions of the Certificates, the District Documents, the Corporation Documents and Special Counsel’s final opinion concerning the Certificates or state legal conclusions with respect to the matters covered by such final opinion, present a fair and accurate summary of the provisions thereof, provided that Special Counsel need not express any opinion with respect to any financial or statistical data contained therein or with respect to the book-entry system in which the Certificates are initially delivered;

(B) The Purchase Agreement and the Continuing Disclosure Certificate have been duly authorized, executed and delivered by the District and are the valid, legal and binding agreements of the District enforceable in accordance with their respective terms, except that the rights and obligations under the Purchase Agreement and the Continuing Disclosure Certificate are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State, and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein; and

(C) The Certificates are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(vi) The Official Statement, executed on behalf of the District, and the Preliminary Official Statement;

(vii) Evidence that the ratings on the Certificates are as described in the Official Statement;

(viii) A certificate, dated the Closing Date, signed by a duly authorized officer of the Corporation, satisfactory in form and substance to the Underwriter and substantially in the form that is set forth in Exhibit C;

(ix) A certificate, dated the Closing Date, signed by a duly authorized officer of the District satisfactory in form and substance to the Underwriter to the effect that: (i) the representations, warranties and covenants of the District contained in the Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the District, and the District has complied with all of the terms and conditions of the Purchase Agreement that are required to be complied with by the District on or prior to the Closing Date; (ii) to the best of such officer’s knowledge, no event affecting the District has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; (iii) the information and

statements contained in the Official Statement (other than information in the Official Statement under the caption “UNDERWRITING” and information regarding DTC and its book-entry only system) did not as of its date and do not as of the Closing contain an untrue statement of a material fact or omit to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and (iv) to the best of its knowledge after reasonable investigation, the District is not, in any material respect, in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including but not limited to the Installment Purchase Contract) or other instrument to which the District is a party or is otherwise subject, which would have a material adverse impact on the District’s ability to perform its obligations under the District Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument;

(x) An opinion dated the Closing Date and addressed to the Underwriter and the Trustee, of counsel to the Corporation, in form and substance acceptable to the Underwriter;

(xi) an opinion dated the Closing Date and addressed to the Underwriter and the Trustee, of the District’s General Counsel, to the effect that:

(A) The District is a community services district, duly organized and validly existing under the Community Services District Law (Division 3 of Title 6 of the California Government Code);

(B) The resolution of the District approving and authorizing the execution and delivery of the District Documents, and approving the Official Statement, was duly adopted at a meeting of the Board of Directors that was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and such resolution is in full force and effect and has not been modified, amended, or rescinded;

(C) To such counsel’s knowledge, the execution and delivery of the District Documents and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with, or constitute on the part of the District a breach of or default under, as applicable: (a) any agreement or other instrument to which the District is a party or by which it is bound; or (b) any existing law, regulation, court order or consent decree to which the District is subject, which breach or default has or may have a material adverse effect on the ability of the District to perform its obligations under the District Documents;

(D) To such counsel’s knowledge, except as otherwise disclosed in the Official Statement, there is no litigation, proceeding, action, suit or investigation at law or in equity before or by any court, governmental agency or body, pending, with service of process upon the District having been accomplished, or threatened in writing against the District, challenging the creation, organization or existence of the District, or the validity of the District Documents or seeking to restrain or enjoin the payment of the Installment Payments or in any way contesting or affecting the validity of the District Documents or contesting the authority of the District to enter into or perform its obligations under any of the District Documents, or which, in any manner, questions the right of the District to pay the Installment Payments under the Installment Purchase Contract; and

(E) The District Documents, assuming due execution and delivery by the other parties thereto, as applicable, constitute valid and binding obligations of the District;

(xii) An opinion of Kutak Rock LLP, Irvine, California, in its capacity as Disclosure Counsel, dated the Closing Date and addressed to the Underwriter, to the effect that, based upon the information made available to them in the course of their participation in the preparation of the Preliminary Official Statement and the Official Statement and without passing on and without assuming any responsibility for the accuracy, completeness and fairness of the statements in the Preliminary Official Statement and the Official Statement, and having made no independent investigation or verification thereof, and stated as a matter of fact and not opinion that, during the course of its representation of the District on this matter, no facts came to the attention of the attorneys in its firm rendering legal services in connection with the Preliminary Official Statement and the Official Statement which caused them to believe that the Preliminary Official Statement as of its date and as of the date hereof, or the Official Statement as of its date and as of the Closing Date (except any CUSIP numbers, financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, environmental litigation, environmental matters, information relating to The Depository Trust Company and its book-entry system, and the Appendices thereto, included or referred to therein, which shall be expressly excluded from the scope of this paragraph and as to which such firm need not express any opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xiii) An opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, counsel to the Underwriter, in form and substance satisfactory to the Underwriter;

(xiv) An opinion of counsel to the Trustee, addressed to the Underwriter and dated the Closing Date, in form and substance satisfactory to the Underwriter and to Special Counsel, addressing the Trust Agreement;

(xv) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee in form and substance satisfactory to the Underwriter, addressing the Trust Agreement, and an incumbency certificate of the Trustee;

(xvi) A preliminary and final Statement of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code and Section 8855(g) of the Government Code;

(xvii) A copy of the executed Blanket Issuer Letter of Representations by and between the District and DTC relating to the book-entry system;

(xviii) The tax and nonarbitrage certificate of the District relating to the Certificates, and a form 8038-G relating to the Certificates, each in form and substance to the reasonable satisfaction of Special Counsel and the Underwriter;

(xix) A certificate, dated the date of the Preliminary Official Statement, of the District, as required under Rule 15c2-12;

(xx) Evidence that a Debt Management Policy which complies with Section 8855 of the Government Code has been adopted by the District;

(xxi) Specimen Certificates; and

(xxii) Such additional legal opinions, certificates, proceedings, instruments or other documents as Special Counsel or the Underwriter may reasonably request.

**Section 9. Changes in Official Statement.** After the Closing, the District will not adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing. Within 25 days following the end of the underwriting period, if any event relating to or affecting the Certificates, the Trustee, the District or the Corporation shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in any material respect in the light of the circumstances existing at the time it is delivered to a purchaser, the District will forthwith prepare and furnish to the Underwriter an amendment or supplement that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to purchaser, not misleading. The District shall cooperate with the Underwriter in the filing by the Underwriter of such amendment or supplement to the Official Statement with the MSRB.

**Section 10. Expenses.** Whether or not the Certificates are delivered to the Underwriter as set forth herein:

(a) The Underwriter shall be under no obligation to pay, and the District shall pay or cause to be paid (from the proceeds of the Certificates or from any legally available funds) all expenses that are incident to the performance of the District's obligations hereunder, including, but not limited to, the cost of printing and delivering the Certificates to the Underwriter, the cost of preparation, printing, distribution and delivery of the District Documents, the Corporation Documents, the Preliminary Official Statement, the Official Statement and all other agreements and documents that are contemplated hereby (and drafts of any thereof) in such reasonable quantities as requested by the Underwriter (excluding the fees and disbursements of the Underwriter's counsel), the fees and disbursements of the Trustee, Special Counsel, the District's municipal advisor and any accountants, engineers or any other experts or consultants that the District has retained in connection with the execution and delivery of the Certificates and any other expenses that are agreed to by the parties; and

(b) The District shall be under no obligation to pay, and the Underwriter shall pay, any fees of the California Debt and Investment Advisory Commission, the cost of preparation of any "blue sky" or legal investment memoranda and the Purchase Agreement; expenses to qualify the Certificates for sale under any "blue sky" or other state securities laws; and all other expenses that are incurred by the Underwriter in connection with the public offering and distribution of the Certificates (except those which are specifically enumerated in paragraph (a) of this section), including the fees and disbursements of its counsel and any advertising expenses.

**Section 11. Notices.** Any notice or other communication to be given to the Underwriter under the Purchase Agreement may be given by delivering the same in writing to Oppenheimer & Co. Inc., 580 California Street, Suite 2300, San Francisco, California 94104 Attention: Municipal

Capital Markets Group. All notices or communications hereunder by any party shall be given and served upon each other party. Any notice or communication to be given to the District under the Purchase Agreement may be given by delivering the same in writing to the address set forth on the first page of the Purchase Agreement.

**Section 12. Parties in Interest.** The Purchase Agreement is made solely for the benefit of the District and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and agreements of the District in the Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Certificates.

**Section 13. Severability.** In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

**Section 14. Counterparts.** The Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

**Section 15. Survival of Representations and Warranties.** The representations and warranties of the District in or made pursuant to the Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of the Purchase Agreement and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the District and regardless of delivery of and payment for the Certificates.

**Section 16. Effectiveness.** The Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the District and shall be valid and enforceable as of the time of such acceptance.

**Section 17. Governing Law.** The Purchase Agreement shall be governed by and construed in accordance with the laws of the State.

OPPENHEIMER & CO. INC., as Underwriter

By: \_\_\_\_\_  
Title: Authorized Officer

Accepted as of the date first stated above:

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

By: \_\_\_\_\_  
General Manager

Time of Execution: \_\_\_\_\_

**EXHIBIT A**

**\$ \_\_\_\_\_**  
**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
**REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021A**  
**(WATER PROJECT)**

**MATURITY SCHEDULE**

<i>Maturity Date</i> <i>(_____ 1)</i>	<i>Principal</i> <i>Amount</i>	<i>Interest</i> <i>Rate</i>	<i>Yield</i>	<i>Initial</i> <i>Offering</i> <i>Price</i>	<i>10% Test</i> <i>Used</i>	<i>Hold the</i> <i>Offering</i> <i>Price Rule</i> <i>Used</i>
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<sup>C</sup> Priced to first optional redemption date of \_\_\_\_\_ 1, 20\_\_ at par.  
<sup>T</sup> Term Certificate.

## EXHIBIT B

\$ \_\_\_\_\_  
**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT  
REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021A  
(WATER PROJECT)**

### FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Oppenheimer & Co. Inc. (“Oppenheimer”) hereby certifies as set forth below with respect to the sale and delivery of the above-captioned obligations (the “Certificates”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) Oppenheimer offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Certificates is attached to this certificate as Schedule B.

(b) As set forth in the Certificate Purchase Agreement, dated \_\_\_\_\_, 2021, by and between Oppenheimer, as the Underwriter, and the Issuer, Oppenheimer has agreed in writing that: (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Certificates of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”); and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Certificates during the Holding Period.

3. ***Defined Terms.***

(a) ***General Rule Maturities*** means those Maturities of the Certificates listed in Schedule A hereto as the “General Rule Maturities.”

(b) ***Hold-the-Offering-Price Maturities*** means those Maturities of the Certificates listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) ***Holding Period*** means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (which Sale Date is \_\_\_\_\_, 2021), or (ii) the date on which Oppenheimer has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(b) *Issuer* means McKinleyville Community Services District.

(c) *Maturity* means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate maturities.

(d) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(e) *Underwriter* means: (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public; and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the Public).

The representations that are set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Oppenheimer’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Certificates, and by Kutak Rock LLP, Special Counsel, in connection with rendering its opinion that the interest with respect to the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates.

OPPENHEIMER & CO. INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: \_\_\_\_\_, 2021

**SCHEDULE A**

**SALE PRICES OF THE GENERAL RULE MATURITIES AND INITIAL OFFERING  
PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES**

*(Attached)*

**SCHEDULE B**

**PRICING WIRE OR EQUIVALENT COMMUNICATION**

*(Attached)*

## EXHIBIT C

\$ \_\_\_\_\_  
**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT  
REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021A  
(WATER PROJECT)**

### CLOSING CERTIFICATE OF THE CORPORATION

The undersigned hereby certifies and represents that the undersigned is the duly appointed and acting representative of the CSDA Finance Corporation (the “**Corporation**”) and is duly authorized to execute and deliver this certificate and further hereby certifies and reconfirms on behalf of the Corporation as follows:

(i) The covenants, representations and warranties of the Corporation in the Installment Purchase Contract, dated as of \_\_\_\_\_ 1, 2021 (the “**Installment Purchase Contract**”), by and between the Corporation and McKinleyville Community Services District, are true and correct in all material respects on and as of the date hereof, with the same effect as if made on the date hereof.

(ii) The resolution of the Corporation approving and authorizing the execution of the Installment Purchase Contract, among other documents, was duly adopted at a meeting of the Corporation at which a quorum was present and acting throughout, is in full force and effect as of the date hereof and has not been amended, modified or supplemented, except as agreed to by the Underwriter.

(iii) The Corporation has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied on or prior to the date hereof relating to the above-captioned certificates of participation (the “**Certificates**”).

(iv) The statements and descriptions pertaining to the Corporation in the Official Statement dated \_\_\_\_\_, 2021 relating to the Certificates (the “**Official Statement**”) do not contain any untrue or misleading statement of a material fact and do not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(v) No event affecting the Corporation has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the date hereof the statements or information regarding the Corporation contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein regarding the Corporation not misleading in any material respect.

(vi) to the best of its knowledge, the Corporation is not, in any material respect, in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including but not limited to the Installment Purchase Contract) or other instrument to which the Corporation is a party or is otherwise subject, which would have a material adverse impact on the Corporation’s ability to perform its obligations under the Installment Purchase

Contract, the Trust Agreement (as such term is defined in the recitals of the Installment Purchase Contract), and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument.

Dated: \_\_\_\_\_, 2021

CSDA FINANCE CORPORATION

By: \_\_\_\_\_  
Authorized Signatory

\$ \_\_\_\_\_  
**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT  
REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021B  
(WASTEWATER PROJECT)**

**CERTIFICATE PURCHASE AGREEMENT**

\_\_\_\_\_, 2021

McKinleyville Community Services District  
1656 Sutter Road  
McKinleyville, California 95519

Ladies and Gentlemen:

The undersigned, Oppenheimer & Co. Inc. (the "Underwriter"), acting not as a fiduciary or agent for you, but on behalf of itself, offers to enter into this Certificate Purchase Agreement (which, together with the exhibits hereto, is referred to as the "Purchase Agreement") with the McKinleyville Community Services District (the "District"), which, upon acceptance by the District, will be binding upon the District and the Underwriter. This offer is made subject to acceptance by the District by execution of the Purchase Agreement and delivery of the same to the Underwriter prior to 11:59 P.M., California time, on the date hereof, and, if not so accepted, will be subject to withdrawal by the Underwriter upon notice delivered to the District at any time prior to the acceptance hereof by the District. Capitalized terms that are used herein and not otherwise defined have the meanings that are set forth in the Trust Agreement, dated as of \_\_\_\_\_ 1, 2021 (the "Trust Agreement"), by and among the CSDA Finance Corporation (the "Corporation"), the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

The District acknowledges and agrees that: (a) the purchase and sale of the Certificates (as such term is defined herein) pursuant to the Purchase Agreement is an arm's length commercial transaction between the District and the Underwriter, and the only obligations that the Underwriter has to the District with respect to the transaction that is contemplated hereby expressly are set forth in the Purchase Agreement; (b) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as principal and is not acting as a Municipal Advisor (as such term is defined in Section 15B of The Securities Exchange Act of 1934, as amended) to the District; (c) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the District with respect to the offering that is contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the District on other matters); (d) the Underwriter has financial and other interests that may differ from and be adverse to those of the District; and (e) the District and has consulted its own legal, financial, accounting, tax and other advisors to the extent that it has deemed appropriate.

**Section 1. Purchase and Sale.** Upon the terms and conditions and upon the basis of the representations, warranties and agreements herein, the Underwriter hereby agrees to purchase, and the District hereby agrees to cause the Trustee to execute, sell and deliver to the Underwriter all (but not less than all) of the McKinleyville Community Services District Revenue Certificates of

Participation, Series 2021B (Wastewater Project), in the aggregate principal amount of \$\_\_\_\_\_ (the “Certificates”). The Certificates will be dated as of their date of delivery. Interest with respect to the Certificates will be payable semiannually on \_\_\_ 1 and \_\_\_ 1 of each year, commencing \_\_\_ 1, 2022, and will mature and bear interest as set forth in Exhibit A. The purchase price of the Certificates is \$\_\_\_\_\_ (being the aggregate principal amount thereof [plus] a [net] original issue premium of \$\_\_\_\_\_ and less an Underwriter’s discount of \$\_\_\_\_\_).

**Section 2. The Certificates.** The Certificates shall be secured by installment payments (the “Installment Payments”) to be paid by the District to the Corporation pursuant to the Installment Purchase Contract, dated as of \_\_\_\_\_ 1, 2021 (the “Installment Purchase Contract”), by and between the District and the Corporation. The Installment Payments are payable from Net Revenues (as such term is defined in the Installment Purchase Contract). The Corporation’s right to receive the Installment Payments under the Installment Purchase Contract has been assigned to the Trustee for the benefit of the owners of the Certificates pursuant to an Assignment Agreement, dated as of \_\_\_\_\_ 1, 2021 (the “Assignment Agreement”), by and between the Corporation and the Trustee.

The Certificates shall be as described in, and shall be secured under and pursuant to the Trust Agreement substantially in the form previously submitted to the Underwriter, with only such changes therein as shall be mutually agreed upon by the District and the Underwriter.

The proceeds of the Certificates shall be applied to: (i) finance the construction of certain capital improvements to the District’s wastewater system; (ii) fund a deposit to the reserve fund for the Certificates; (iii) pay a portion of the interest due on the Certificates; and (iv) pay the costs of delivery of the Certificates.

The Certificates, the Trust Agreement, the Installment Purchase Contract, the Assignment Agreement and the resolution of the Board of Directors of the Corporation authorizing the execution and delivery of the Certificates and the foregoing documents are collectively referred to herein as the “Corporation Documents.”

The Certificates, the Purchase Agreement, the Continuing Disclosure Certificate of the District relating to the Certificates (the “Continuing Disclosure Certificate”), dated the Closing Date (as such term is defined herein), the Trust Agreement, the Installment Purchase Contract and the resolution of the Board of Directors of the District authorizing the execution and delivery of the foregoing documents are collectively referred to herein as the “District Documents.”

**Section 3. Public Offering; Establishment of Issue Price for Certificates.**

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

(b) Except as otherwise set forth in Exhibit A, the District will treat the first price at which 10% of each maturity of the Certificates (the “10% test”) is sold to the public as the issue price of that maturity (if different interest rates apply within a maturity, each separate CUSIP number

within that maturity will be subject to the 10% test). At or promptly after the execution of the Purchase Agreement, the Underwriter shall report to the District the price or prices at which it has sold to the public each maturity of Certificates. If at that time the 10% test has not been satisfied as to any maturity of the Certificates, the Underwriter agrees to promptly report to the District the prices at which it sells the unsold Certificates of that maturity to the public. That reporting obligation shall continue, whether or not the Closing Date has occurred, until the 10% test has been satisfied as to the Certificates of that maturity or until the Underwriter has sold all Certificates of that maturity to the public; provided that the Underwriter's reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter, the District or Special Counsel.

(c) The Underwriter confirms that it has offered the Certificates to the public on or before the date of the Purchase Agreement at the offering price or prices (the "initial offering price"), or at the corresponding yield or yields, set forth in Exhibit A, except as otherwise set forth therein. Exhibit A also sets forth, identified under the column "Hold the Offering Price Rule Used," as of the date of the Purchase Agreement, the maturities, if any, of the Certificates for which the 10% test has not been satisfied and for which the District and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the District to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the "hold-the-offering-price rule"). So long as the hold-the-offering-price rule remains applicable to any maturity of the Certificates, the Underwriter will neither offer nor sell unsold Certificates of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

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

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

(d)

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

(A) report the prices at which it sells to the public the unsold Certificates of each maturity allocated to it, whether or not the Closing Date has occurred, until either: (I) all Certificates of that maturity allocated to it have been sold; or (II) it is notified by the Underwriter that the 10% test has been satisfied as to the Certificates of that maturity; provided that the reporting obligation after the Closing Date may be at reasonable periodic intervals or otherwise upon request of the Underwriter;

(B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter;

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

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

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

(e) The District acknowledges that, in making the representations set forth in this subsection, the Underwriter will rely on: (A) in the event that a selling group has been created in connection with the initial sale of the Certificates to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in a selling group agreement and the related pricing wires; and (B) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Certificates to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates, as set forth in the third-party distribution agreement and the related pricing wires. The District further acknowledges that the Underwriter shall not be liable for the failure of any dealer who is a member of a selling group, or of any broker-dealer that is a party to a third-party distribution agreement, to comply the requirements for establishing issue price of the Certificates, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Certificates.

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

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

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

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

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

**Section 4. The Official Statement.** By its acceptance of this proposal, the District ratifies, confirms and approves of the use and distribution by the Underwriter prior to the date hereof of the preliminary official statement relating to the Certificates dated \_\_\_\_\_, 2021 (including the front cover page, inside front cover page, all appendices and all information incorporated therein and any supplements or amendments thereto and as disseminated in its printed physical form or in electronic form in all respects materially consistent with such physical form, the “Preliminary Official Statement”) that an authorized officer of the District deemed “final” as of its date for purposes of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), except for certain information that is permitted to be omitted therefrom by Rule 15c2-12. The District hereby agrees to deliver or cause to be delivered to the Underwriter, within seven business days of the date hereof, copies of a final official statement, dated the date hereof, relating to the Certificates (including all information previously permitted to have been omitted by Rule 15c2-12), including the cover page, inside cover page, all appendices, all information incorporated therein and any amendments or supplements as have been approved by the District and the Underwriter (the “Official Statement”) in such quantity as the Underwriter shall reasonably request to comply with Section (b)(4) of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board (the “MSRB”).

The Underwriter hereby agrees that it will not request that payment be made by any purchaser of the Certificates prior to delivery by the Underwriter to the purchaser of a copy of the Official Statement. The Underwriter agrees: (i) to provide the District with final pricing information on the Certificates on a timely basis; and (ii) to promptly file a copy of the Official Statement, including any supplements prepared by the District, with the MSRB at <http://emma.msrb.org>. The District hereby approves of the use and distribution by the Underwriter of the Preliminary Official Statement in connection with the offer and sale of the Certificates. The District will cooperate with the Underwriter in the filing by the Underwriter of the Official Statement with the MSRB.

**Section 5. Closing.** At 8:00 a.m., California Time, on \_\_\_\_\_, 2021, or at such other time or date as the District and the Underwriter agree upon (the “Closing Date”), the District shall

cause the Trustee to deliver the Certificates, in definitive form, registered in the name of Cede & Co., as the nominee of The Depository Trust Company (“DTC”), so that the Certificates may be credited to the account specified by the Underwriter under DTC’s FAST procedures. Concurrently with the delivery of the Certificates, the District will deliver the documents hereinafter mentioned at the offices of Kutak Rock LLP, California (“Special Counsel”), or another place to be mutually agreed upon by the District and the Underwriter. The Underwriter will accept such delivery and pay the purchase prices of the Certificates as set forth in Section 1 hereof by wire transfer in immediately available funds. This payment for and delivery of the Certificates, together with the delivery of the aforementioned documents, is herein called the “Closing.”

The Certificates shall be registered in the name of Cede & Co., as nominee of DTC in denominations of five thousand dollars (\$5,000) or any integral multiple thereof. The District acknowledges that the services of DTC will be used initially by the Underwriter in order to permit the delivery of the Certificates in book-entry form, and agree to cooperate fully with the Underwriter in employing such services.

**Section 6. [Reserved].**

**Section 7. Representations, Warranties and Covenants of the District.** The District represents, warrants and covenants to the Underwriter that:

(a) The District is a community services district that is duly organized and existing under and by virtue of the laws of the State of California.

(b) The District has full legal right, power and authority to adopt or enter into, as the case may be, and to carry out and consummate the transactions on its part contemplated by the District Documents.

(c) By all necessary official action, the District has duly authorized and approved the District Documents, has duly authorized and approved the Preliminary Official Statement and the Official Statement and has duly authorized and approved the execution and delivery of, and the performance by the District of the obligations on its part contained in, the District Documents and the consummation by it of all other transactions contemplated by the District Documents in connection with the execution and delivery of the Certificates. As of the date hereof, such authorizations and approvals are in full force and effect and have not been amended, modified or rescinded. When executed and delivered, and assuming due execution and delivery by the other parties thereto, if applicable, the District Documents will constitute the legally valid and binding obligations of the District enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors’ rights generally, or by the exercise of judicial discretion and the limitations on legal remedies against special districts in the State. The District has complied, and will at the Closing be in compliance in all material respects, with the terms of the District Documents.

(d) To the best of its knowledge, the District is not in any material respect in breach of or default under any applicable constitutional provision, law or administrative regulation of any state or of the United States, or any agency or instrumentality of either, or any applicable judgment or decree, or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party which breach or default has or may have a materially

adverse effect on the ability of the District to perform its obligations under the District Documents, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument; and the adoption, execution and delivery of the District Documents, if applicable, and compliance with the provisions on the District's part contained therein, will not conflict in any material way with or constitute a material breach of or a material default under any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the District or under the terms of any such law, regulation or instrument, except as may be provided by the District Documents.

(e) To the best of its knowledge, all material authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by the District of its obligations in connection with the District Documents have been duly obtained or, when required for future performance, are expected to be obtained, other than such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Certificates.

(f) The Preliminary Official Statement was as of its date, and the Official Statement is, and at all times subsequent to the date of the Official Statement up to and including the Closing will be, true and correct in all material respects, and the Preliminary Official Statement and the Official Statement do not and up to and including the Closing will not contain any untrue statement of a material fact or omit to state a material fact that is necessary to make the statements contained therein, in the light of the circumstances under which they were made, not misleading (except that this representation does not include statements in the Official Statement under the caption "UNDERWRITING" and information regarding DTC and DTC's book-entry only system, as to which no view is expressed).

(g) The District will advise the Underwriter promptly of any proposal to amend or supplement the Official Statement. The District will advise the Underwriter promptly of the institution of any proceedings known to it by any governmental authority prohibiting or otherwise affecting the use of the Official Statement in connection with the offering, sale or distribution of the Certificates.

(h) As of the time of acceptance hereof and the Closing, except as disclosed in the Official Statement, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental authority, public board or body, pending, with service of process upon the District having been accomplished, or threatened in writing to the District: (i) in any way questioning the corporate existence of the District or the titles of the officers of the District to their respective offices; (ii) affecting, contesting or seeking to prohibit, restrain or enjoin the execution or delivery of any of the Certificates, or the collection of Revenues under the Installment Purchase Contract or of any amounts pledged or to be pledged to pay the principal of and interest with respect to the Certificates, or in any way contesting or affecting the validity of the District Documents or the consummation of the transactions contemplated thereby or hereby, contesting the exclusion of interest with respect to the Certificates from federal taxation or the exemption of interest

with respect to the Certificates from State taxation or contesting the powers of the District or its authority to cause the execution and delivery of the Certificates; (iii) which would be likely to result in any material adverse change relating to the business, operations or financial condition of the District; or (iv) contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or any supplement or amendment thereto or asserting that the Preliminary Official Statement or the Official Statement contained any untrue statement of a material fact or omitted to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(i) To the District's knowledge, there is no basis for any action, suit, proceeding, inquiry or investigation of the nature described in clauses (i) through (iv) of Section 7(h).

(j) Until the date which is twenty-five (25) days after the end of the underwriting period (but not later than 90 days after the Closing Date), if any event shall occur of which the District is aware that would cause the Official Statement to contain any untrue statement of a material fact or to omit to state a material fact that is necessary in order to make the statements in the Official Statement, in light of the circumstances under which they were made, not misleading (except that this representation does not include information regarding DTC and its book-entry only system, as to which no view is expressed), the District shall forthwith notify the Underwriter of any such event of which it has knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Official Statement necessary, in the Underwriter's reasonable opinion, so that the statements therein as so supplemented will not be misleading in light of the circumstances existing at such time and the District shall promptly furnish to the Underwriter a reasonable number of copies of such supplement. As used herein, the term "end of the underwriting period" means the later of such time as: (i) the Trustee delivers the Certificates to the Underwriter; or (ii) the Underwriter does not retain, directly or as a member of an underwriting syndicate, an unsold balance of the Certificates for sale to the public. Unless the Underwriter gives notice to the contrary, the "end of the underwriting period" shall be deemed to be the Closing Date. Any notice delivered pursuant to the preceding sentence shall be written notice delivered to the District at or prior to the Closing Date of the Certificates and shall specify a date (other than the Closing Date) to be deemed the end of the underwriting period.

(k) Except as disclosed in the Preliminary Official Statement and the Official Statement, the District has not within the last five years failed to comply in any material respect with any continuing disclosure undertakings with regard to Rule 15c2-12 to provide annual reports or notices of material events specified in such rule.

(l) The District will refrain from taking any action, or permitting any action to be taken, with regard to which the District may exercise control, that results in the loss of the tax-exempt status of the interest for federal income tax purposes with respect to the Certificates.

(m) The financial statements relating to the receipts, expenditures and cash balances of the District as of June 30, 2020 attached as an appendix to the Official Statement fairly represent the receipts, expenditures and cash balances of the District. Except as disclosed in the Official Statement or otherwise disclosed in writing to the Underwriter, there has not been any materially adverse change in the financial condition of the District or in its operations since June 30, 2020 and there has been no occurrence, circumstance or combination thereof which is reasonably expected to result in any such materially adverse change.

(n) To the extent required by law, the District will undertake, pursuant to the Continuing Disclosure Certificate and the other District Documents, to provide annual reports and notices of certain events. A description of these undertakings is set forth in an appendix to the Preliminary Official Statement and will also be set forth in the Official Statement.

(o) The District will refrain from taking any action, or permitting any action to be taken, to reduce the amount of the Installment Payments while the Certificates are Outstanding, and the District will pay the Installment Payments in accordance with the Installment Purchase Contract.

(p) Any certificate signed by any officer of the District authorized to execute such certificate in connection with the execution, sale and delivery of the Certificates and delivered to the Underwriter shall be deemed a representation and warranty of the District to the Underwriter as to the statements made therein but not of the person signing such certificate.

**Section 8. Conditions to the Obligations of the Underwriter.** The Underwriter has entered into the Purchase Agreement in reliance upon the representations and warranties of the Corporation and the District contained herein. The obligations of the Underwriter to accept delivery of and pay for the Certificates on the Closing Date shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the statements of the officers and other officials of the Corporation and the District, as well as authorized representatives of Special Counsel and the Trustee made in any Certificates or other documents furnished pursuant to the provisions hereof; to the performance by the District of its obligations to be performed hereunder at or prior to the Closing Date; and to the following additional conditions:

(a) The representations, warranties and covenants of the District contained herein shall be true and correct at the date hereof and at the time of the Closing, as if made on the Closing Date.

(b) At the time of Closing, the District Documents and the Corporation Documents shall be in full force and effect as valid and binding agreements between or among the various parties thereto, and the District Documents, the Corporation Documents and the Official Statement shall not have been amended, modified or supplemented except as may have been agreed to in writing by the Underwriter.

(c) At the time of the Closing, no material default shall have occurred or be existing under the District Documents, the Corporation Documents or any other agreement or document pursuant to which any of the District's financial obligations were executed and delivered, and the District shall not be in default in the payment of principal or interest with respect to any of its financial obligations, which default would materially adversely impact the ability of the District to pay the Installment Payments.

(d) In recognition of the desire of the District and the Underwriter to effect a successful public offering of the Certificates, and in view of the potential adverse impact of any of the following events on such a public offering, the Purchase Agreement shall be subject to termination in the discretion of the Underwriter by notification, in writing, to the District prior to delivery of and payment for the Certificates, if at any time prior to such time, regardless of whether any of the following statements of fact were in existence or known of on the date of the Purchase Agreement:

(i) any event shall occur which makes untrue any material statement or results in an omission to state a material fact that is necessary to make the statements in the Official Statement, in the light of the circumstances under which they were made, not misleading, which event, in the reasonable opinion of the Underwriter would materially or adversely affect the ability of the Underwriter to market the Certificates;

(ii) the marketability of the Certificates or the market price thereof, in the opinion of the Underwriter, has been materially adversely affected by an amendment to the Constitution of the United States or by any legislation in or by the Congress of the United States or by the State, or the amendment of legislation pending as of the date of the Purchase Agreement in the Congress of the United States, or the recommendation to Congress or endorsement for passage (by press release, other form of notice or otherwise) of legislation by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or the proposal for consideration of legislation by either such Committee or by any member thereof, or the presentment of legislation for consideration as an option by either such Committee, or by the staff of the Joint Committee on Taxation of the Congress of the United States, or the favorable reporting for passage of legislation to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or any decision of any federal or state court or any ruling or regulation (final, temporary or proposed) or official statement on behalf of the United States Treasury Department, the Internal Revenue Service or other federal or state authority affecting the federal or state tax status of the Corporation or the District, or the interest with respect to bonds or notes (including the Certificates);

(iii) any legislation, ordinance, rule or regulation shall be enacted by any governmental body, department or authority of the State, or a decision by any court of competent jurisdiction within the State shall be rendered which materially adversely affects the market price of the Certificates;

(iv) an order, decree or injunction issued by any court of competent jurisdiction, or order, ruling, regulation (final, temporary or proposed), official statement or other form of notice or communication issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental authority having jurisdiction of the subject matter, to the effect that: (i) obligations of the general character of the Certificates, or the Certificates, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Trust Agreement is not exempt from qualification under the Trust Indenture Act of 1939, as amended; or (ii) the issuance, offering or sale of obligations of the general character of the Certificates, or the execution, delivery, offering or sale of the Certificates, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(v) legislation shall be enacted by the Congress of the United States, or a decision by a court of the United States shall be rendered, to the effect that obligations of the general character of the Certificates, or the Certificates, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended and as then in effect, or the Securities Exchange Act of 1934, as amended and as then in effect, or that the Trust Agreement is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended and as then in effect;

(vi) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any domestic governmental authority or by any domestic national securities exchange, which are material to the marketability of the Certificates;

(vii) a general banking moratorium shall have been declared by federal, State or New York authorities, or the general suspension of trading on any national securities exchange;

(viii) there shall have occurred any outbreak or escalation of hostilities, declaration by the United States of a national emergency or war, pandemic, civil unrest or other calamity or crisis the effect of which on financial markets is materially adverse such as to make it, in the sole judgment of the Underwriter, impractical or inadvisable to proceed with the purchase or delivery of the Certificates as contemplated by the Official Statement (exclusive of any amendment or supplement thereto);

(ix) a disruption in securities settlement, payment or clearance services shall have occurred, which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Certificates;

(x) any rating of the Certificates or the rating of any obligations of the District shall have been downgraded or withdrawn by a national rating service, which, in the opinion of the Underwriter, materially adversely affects the market price of the Certificates; or

(xi) the commencement of any action, suit or proceeding described in Section 7(h).

(e) at or prior to the Closing, the Underwriter shall receive the following documents, in each case to the reasonable satisfaction in form and substance of the Underwriter:

(i) The executed resolution of the Corporation relating to the Certificates and authorizing the execution and delivery of the Corporation Documents;

(ii) The executed resolution of the District relating to the Certificates and authorizing the execution and delivery of the Certificates, the District Documents and the Official Statement signed by an authorized official of the District;

(iii) The District Documents and the Corporation Documents duly executed and delivered by the respective parties thereto, with only such amendments, modifications or supplements as may have been agreed to in writing by the Underwriter;

(iv) The approving opinion of Special Counsel dated the Closing Date and addressed to the District, in substantially the form attached as an appendix to the Official Statement, and reliance letters thereon addressed to the Underwriter and the Trustee;

(v) A supplemental opinion of Special Counsel dated the Closing Date and addressed to the Underwriter, to the effect that:

(A) the statements on the cover of the Official Statement and in the Official Statement under the captions ["INTRODUCTION," "PLAN OF FINANCE," "THE

CERTIFICATES,” “SECURITY FOR THE CERTIFICATES” and “TAX EXEMPTION”] and in Appendices [A and B], excluding any material that may be treated as included under such captions and appendices by any cross-reference, insofar as such statements expressly summarize provisions of the Certificates, the District Documents, the Corporation Documents and Special Counsel’s final opinion concerning the Certificates or state legal conclusions with respect to the matters covered by such final opinion, present a fair and accurate summary of the provisions thereof, provided that Special Counsel need not express any opinion with respect to any financial or statistical data contained therein or with respect to the book-entry system in which the Certificates are initially delivered;

(B) The Purchase Agreement and the Continuing Disclosure Certificate have been duly authorized, executed and delivered by the District and are the valid, legal and binding agreements of the District enforceable in accordance with their respective terms, except that the rights and obligations under the Purchase Agreement and the Continuing Disclosure Certificate are subject to bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws affecting creditors’ rights, to the application of equitable principles if equitable remedies are sought, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against public agencies in the State, and provided that no opinion is expressed with respect to any indemnification or contribution provisions contained therein; and

(C) The Certificates are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification under the Trust Indenture Act of 1939, as amended;

(vi) The Official Statement, executed on behalf of the District, and the Preliminary Official Statement;

(vii) Evidence that the ratings on the Certificates are as described in the Official Statement;

(viii) A certificate, dated the Closing Date, signed by a duly authorized officer of the Corporation, satisfactory in form and substance to the Underwriter and substantially in the form that is set forth in Exhibit C;

(ix) A certificate, dated the Closing Date, signed by a duly authorized officer of the District satisfactory in form and substance to the Underwriter to the effect that: (i) the representations, warranties and covenants of the District contained in the Purchase Agreement are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date by the District, and the District has complied with all of the terms and conditions of the Purchase Agreement that are required to be complied with by the District on or prior to the Closing Date; (ii) to the best of such officer’s knowledge, no event affecting the District has occurred since the date of the Official Statement which should be disclosed in the Official Statement for the purposes for which it is to be used or which is necessary to disclose therein in order to make the statements and information therein not misleading in any material respect; (iii) the information and statements contained in the Official Statement (other than information in the Official Statement under the caption “UNDERWRITING” and information regarding DTC and its book-entry only system) did not as of its date and do not as of the Closing contain an untrue statement of a material fact or omit to state any material fact that is necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material respect; and (iv) to the

best of its knowledge after reasonable investigation, the District is not, in any material respect, in breach of or default under any applicable law or administrative regulation of the State or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including but not limited to the Installment Purchase Contract) or other instrument to which the District is a party or is otherwise subject, which would have a material adverse impact on the District's ability to perform its obligations under the District Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument;

(x) An opinion dated the Closing Date and addressed to the Underwriter and the Trustee, of counsel to the Corporation, in form and substance acceptable to the Underwriter;

(xi) an opinion dated the Closing Date and addressed to the Underwriter and the Trustee, of the District's General Counsel, to the effect that:

(A) The District is a community services district, duly organized and validly existing under the Community Services District Law (Division 3 of Title 6 of the California Government Code);

(B) The resolution of the District approving and authorizing the execution and delivery of the District Documents, and approving the Official Statement, was duly adopted at a meeting of the Board of Directors that was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and such resolution is in full force and effect and has not been modified, amended, or rescinded;

(C) To such counsel's knowledge, the execution and delivery of the District Documents and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with, or constitute on the part of the District a breach of or default under, as applicable: (a) any agreement or other instrument to which the District is a party or by which it is bound; or (b) any existing law, regulation, court order or consent decree to which the District is subject, which breach or default has or may have a material adverse effect on the ability of the District to perform its obligations under the District Documents;

(D) To such counsel's knowledge, except as otherwise disclosed in the Official Statement, there is no litigation, proceeding, action, suit or investigation at law or in equity before or by any court, governmental agency or body, pending, with service of process upon the District having been accomplished, or threatened in writing against the District, challenging the creation, organization or existence of the District, or the validity of the District Documents or seeking to restrain or enjoin the payment of the Installment Payments or in any way contesting or affecting the validity of the District Documents or contesting the authority of the District to enter into or perform its obligations under any of the District Documents, or which, in any manner, questions the right of the District to pay the Installment Payments under the Installment Purchase Contract; and

(E) The District Documents, assuming due execution and delivery by the other parties thereto, as applicable, constitute valid and binding obligations of the District;

(xii) An opinion of Kutak Rock LLP, Irvine, California, in its capacity as Disclosure Counsel, dated the Closing Date and addressed to the Underwriter, to the effect that, based upon the information made available to them in the course of their participation in the

preparation of the Preliminary Official Statement and the Official Statement and without passing on and without assuming any responsibility for the accuracy, completeness and fairness of the statements in the Preliminary Official Statement and the Official Statement, and having made no independent investigation or verification thereof, and stated as a matter of fact and not opinion that, during the course of its representation of the District on this matter, no facts came to the attention of the attorneys in its firm rendering legal services in connection with the Preliminary Official Statement and the Official Statement which caused them to believe that the Preliminary Official Statement as of its date and as of the date hereof, or the Official Statement as of its date and as of the Closing Date (except any CUSIP numbers, financial, accounting, statistical or economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, environmental litigation, environmental matters, information relating to The Depository Trust Company and its book-entry system, and the Appendices thereto, included or referred to therein, which shall be expressly excluded from the scope of this paragraph and as to which such firm need not express any opinion or view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xiii) An opinion of Stradling Yocca Carlson & Rauth, a Professional Corporation, counsel to the Underwriter, in form and substance satisfactory to the Underwriter;

(xiv) An opinion of counsel to the Trustee, addressed to the Underwriter and dated the Closing Date, in form and substance satisfactory to the Underwriter and to Special Counsel, addressing the Trust Agreement;

(xv) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee in form and substance satisfactory to the Underwriter, addressing the Trust Agreement, and an incumbency certificate of the Trustee;

(xvi) A preliminary and final Statement of Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code and Section 8855(g) of the Government Code;

(xvii) A copy of the executed Blanket Issuer Letter of Representations by and between the District and DTC relating to the book-entry system;

(xviii) The tax and nonarbitrage certificate of the District relating to the Certificates, and a form 8038-G relating to the Certificates, each in form and substance to the reasonable satisfaction of Special Counsel and the Underwriter;

(xix) A certificate, dated the date of the Preliminary Official Statement, of the District, as required under Rule 15c2-12;

(xx) Evidence that a Debt Management Policy which complies with Section 8855 of the Government Code has been adopted by the District;

(xxi) Specimen Certificates; and

(xxii) Such additional legal opinions, certificates, proceedings, instruments or other documents as Special Counsel or the Underwriter may reasonably request.

**Section 9. Changes in Official Statement.** After the Closing, the District will not adopt any amendment of or supplement to the Official Statement to which the Underwriter shall reasonably object in writing. Within 25 days following the end of the underwriting period, if any event relating to or affecting the Certificates, the Trustee, the District or the Corporation shall occur as a result of which it is necessary, in the opinion of the Underwriter, to amend or supplement the Official Statement in order to make the Official Statement not misleading in any material respect in the light of the circumstances existing at the time it is delivered to a purchaser, the District will forthwith prepare and furnish to the Underwriter an amendment or supplement that will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to purchaser, not misleading. The District shall cooperate with the Underwriter in the filing by the Underwriter of such amendment or supplement to the Official Statement with the MSRB.

**Section 10. Expenses.** Whether or not the Certificates are delivered to the Underwriter as set forth herein:

(a) The Underwriter shall be under no obligation to pay, and the District shall pay or cause to be paid (from the proceeds of the Certificates or from any legally available funds) all expenses that are incident to the performance of the District's obligations hereunder, including, but not limited to, the cost of printing and delivering the Certificates to the Underwriter, the cost of preparation, printing, distribution and delivery of the District Documents, the Corporation Documents, the Preliminary Official Statement, the Official Statement and all other agreements and documents that are contemplated hereby (and drafts of any thereof) in such reasonable quantities as requested by the Underwriter (excluding the fees and disbursements of the Underwriter's counsel), the fees and disbursements of the Trustee, Special Counsel, the District's municipal advisor and any accountants, engineers or any other experts or consultants that the District has retained in connection with the execution and delivery of the Certificates and any other expenses that are agreed to by the parties; and

(b) The District shall be under no obligation to pay, and the Underwriter shall pay, any fees of the California Debt and Investment Advisory Commission, the cost of preparation of any "blue sky" or legal investment memoranda and the Purchase Agreement; expenses to qualify the Certificates for sale under any "blue sky" or other state securities laws; and all other expenses that are incurred by the Underwriter in connection with the public offering and distribution of the Certificates (except those which are specifically enumerated in paragraph (a) of this section), including the fees and disbursements of its counsel and any advertising expenses.

**Section 11. Notices.** Any notice or other communication to be given to the Underwriter under the Purchase Agreement may be given by delivering the same in writing to Oppenheimer & Co. Inc., 580 California Street, Suite 2300, San Francisco, California 94104 Attention: Municipal Capital Markets Group. All notices or communications hereunder by any party shall be given and served upon each other party. Any notice or communication to be given to the District under the Purchase Agreement may be given by delivering the same in writing to the address set forth on the first page of the Purchase Agreement.

**Section 12. Parties in Interest.** The Purchase Agreement is made solely for the benefit of the District and the Underwriter (including the successors or assigns thereof) and no other person shall acquire or have any right hereunder or by virtue hereof. All representations, warranties and

agreements of the District in the Purchase Agreement shall remain operative and in full force and effect regardless of any investigation made by or on behalf of the Underwriter and shall survive the delivery of and payment for the Certificates.

**Section 13. Severability.** In case any one or more of the provisions contained herein shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof.

**Section 14. Counterparts.** The Purchase Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

**Section 15. Survival of Representations and Warranties.** The representations and warranties of the District in or made pursuant to the Purchase Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of the Purchase Agreement and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and statements of the District and regardless of delivery of and payment for the Certificates.

**Section 16. Effectiveness.** The Purchase Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the District and shall be valid and enforceable as of the time of such acceptance.

**Section 17. Governing Law.** The Purchase Agreement shall be governed by and construed in accordance with the laws of the State.

OPPENHEIMER & CO. INC., as Underwriter

By: \_\_\_\_\_  
Title: Authorized Officer

Accepted as of the date first stated above:

MCKINLEYVILLE COMMUNITY SERVICES DISTRICT

By: \_\_\_\_\_  
General Manager

Time of Execution: \_\_\_\_\_

**EXHIBIT A**

**\$ \_\_\_\_\_**  
**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**  
**REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021B**  
**(WASTEWATER PROJECT)**

**MATURITY SCHEDULE**

<i>Maturity Date</i> <i>(_____ 1)</i>	<i>Principal</i> <i>Amount</i>	<i>Interest</i> <i>Rate</i>	<i>Yield</i>	<i>Initial</i> <i>Offering</i> <i>Price</i>	<i>10% Test</i> <i>Used</i>	<i>Hold the</i> <i>Offering</i> <i>Price Rule</i> <i>Used</i>
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<sup>C</sup> Priced to first optional redemption date of \_\_\_\_\_ 1, 20\_\_ at par.  
<sup>T</sup> Term Certificate.

## EXHIBIT B

\$ \_\_\_\_\_  
**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT  
REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021B  
(WASTEWATER PROJECT)**

### FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Oppenheimer & Co. Inc. (“Oppenheimer”) hereby certifies as set forth below with respect to the sale and delivery of the above-captioned obligations (the “Certificates”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Initial Offering Price of the Hold-the-Offering-Price Maturities.***

(a) Oppenheimer offered the Hold-the-Offering-Price Maturities to the Public for purchase at the respective initial offering prices listed in Schedule A (the “Initial Offering Prices”) on or before the Sale Date. A copy of the pricing wire or equivalent communication for the Certificates is attached to this certificate as Schedule B.

(b) As set forth in the Certificate Purchase Agreement, dated \_\_\_\_\_, 2021, by and between Oppenheimer, as the Underwriter, and the Issuer, Oppenheimer has agreed in writing that: (i) for each Maturity of the Hold-the-Offering-Price Maturities, it would neither offer nor sell any of the Certificates of such Maturity to any person at a price that is higher than the Initial Offering Price for such Maturity during the Holding Period for such Maturity (the “hold-the-offering-price rule”); and (ii) any selling group agreement shall contain the agreement of each dealer who is a member of the selling group, and any third-party distribution agreement shall contain the agreement of each broker-dealer who is a party to the third-party distribution agreement, to comply with the hold-the-offering-price rule. Pursuant to such agreement, no Underwriter has offered or sold any Maturity of the Hold-the-Offering-Price Maturities at a price that is higher than the respective Initial Offering Price for that Maturity of the Certificates during the Holding Period.

3. ***Defined Terms.***

(a) ***General Rule Maturities*** means those Maturities of the Certificates listed in Schedule A hereto as the “General Rule Maturities.”

(b) ***Hold-the-Offering-Price Maturities*** means those Maturities of the Certificates listed in Schedule A hereto as the “Hold-the-Offering-Price Maturities.”

(c) ***Holding Period*** means, with respect to a Hold-the-Offering-Price Maturity, the period starting on the Sale Date and ending on the earlier of (i) the close of the fifth business day after the Sale Date (which Sale Date is \_\_\_\_\_, 2021), or (ii) the date on which Oppenheimer has sold at least 10% of such Hold-the-Offering-Price Maturity to the Public at prices that are no higher than the Initial Offering Price for such Hold-the-Offering-Price Maturity.

(b) *Issuer* means McKinleyville Community Services District.

(c) *Maturity* means Certificates with the same credit and payment terms. Certificates with different maturity dates, or Certificates with the same maturity date but different stated interest rates, are treated as separate maturities.

(d) *Public* means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(e) *Underwriter* means: (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Certificates to the Public; and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Certificates to the Public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Certificates to the Public).

The representations that are set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Oppenheimer’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Certificates, and by Kutak Rock LLP, Special Counsel, in connection with rendering its opinion that the interest with respect to the Certificates is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Certificates.

OPPENHEIMER & CO. INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Dated: \_\_\_\_\_, 2021

**SCHEDULE A**

**SALE PRICES OF THE GENERAL RULE MATURITIES AND INITIAL OFFERING  
PRICES OF THE HOLD-THE-OFFERING-PRICE MATURITIES**

*(Attached)*

**SCHEDULE B**

**PRICING WIRE OR EQUIVALENT COMMUNICATION**

*(Attached)*

## EXHIBIT C

\$ \_\_\_\_\_  
**MCKINLEYVILLE COMMUNITY SERVICES DISTRICT  
REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021B  
(WASTEWATER PROJECT)**

### CLOSING CERTIFICATE OF THE CORPORATION

The undersigned hereby certifies and represents that the undersigned is the duly appointed and acting representative of the CSDA Finance Corporation (the “**Corporation**”) and is duly authorized to execute and deliver this certificate and further hereby certifies and reconfirms on behalf of the Corporation as follows:

(i) The covenants, representations and warranties of the Corporation in the Installment Purchase Contract, dated as of \_\_\_\_\_ 1, 2021 (the “**Installment Purchase Contract**”), by and between the Corporation and McKinleyville Community Services District, are true and correct in all material respects on and as of the date hereof, with the same effect as if made on the date hereof.

(ii) The resolution of the Corporation approving and authorizing the execution of the Installment Purchase Contract, among other documents, was duly adopted at a meeting of the Corporation at which a quorum was present and acting throughout, is in full force and effect as of the date hereof and has not been amended, modified or supplemented, except as agreed to by the Underwriter.

(iii) The Corporation has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied on or prior to the date hereof relating to the above-captioned certificates of participation (the “**Certificates**”).

(iv) The statements and descriptions pertaining to the Corporation in the Official Statement dated \_\_\_\_\_, 2021 relating to the Certificates (the “**Official Statement**”) do not contain any untrue or misleading statement of a material fact and do not omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they are made, not misleading.

(v) No event affecting the Corporation has occurred since the date of the Official Statement which either makes untrue or incorrect in any material respect as of the date hereof the statements or information regarding the Corporation contained in the Official Statement or is not reflected in the Official Statement but should be reflected therein in order to make the statements and information therein regarding the Corporation not misleading in any material respect.

(vi) to the best of its knowledge, the Corporation is not, in any material respect, in breach of or default under any applicable law or administrative regulation of the State of California or the United States or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement (including but not limited to the Installment Purchase Contract) or other instrument to which the Corporation is a party or is otherwise subject, which would have a material adverse impact on the Corporation’s ability to perform its obligations under the Installment Purchase

Contract, the Trust Agreement (as such term is defined in the recitals of the Installment Purchase Contract), and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute such a default or event of default under any such instrument.

Dated: \_\_\_\_\_, 2021

CSDA FINANCE CORPORATION

By: \_\_\_\_\_  
Authorized Signatory

**PRELIMINARY OFFICIAL STATEMENT DATED [\_\_\_\_\_] , 2021**

**NEW ISSUE  
BOOK-ENTRY-ONLY  
BANK QUALIFIED**

**INSURED WATER SYSTEM CERTIFICATES RATING: S&P Global Ratings: “[\_]”  
INSURED WASTEWATER SYSTEM CERTIFICATES RATING: S&P Global Ratings: “[\_]”  
UNDERLYING WATER SYSTEM CERTIFICATES RATING: S&P Global Ratings “[\_]”  
UNDERLYING WASTEWATER SYSTEM CERTIFICATES RATING: S&P Global Ratings “[\_]”  
INSURANCE: [INSURER]  
(See “RATINGS” herein.)**

*In the opinion of Kutak Rock LLP, Irvine, California, Special Counsel, under existing laws, regulations, rulings and judicial decisions and assuming the accuracy of certain representations and continuing compliance with certain covenants, the portion of each Installment Payment designated as and representing interest and received by the Owners of the Certificates (the “Interest Portion”) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. Special Counsel is also of the opinion that the Interest Portion is exempt from State of California personal income taxes. For a more detailed description of such opinions of Special Counsel, see “TAX EXEMPTION” herein.*

\$[\_\_\_\_\_] \*  
**McKinleyville Community Services District  
Revenue Certificates of Participation  
Series 2021A  
(Water Project)**

\$[\_\_\_\_\_] \*  
**McKinleyville Community Services District  
Revenue Certificates of Participation  
Series 2021B  
(Wastewater Project)**

**Dated: Date of Delivery****Due: As shown on the inside cover**

The McKinleyville Community Services District Revenue Certificates of Participation, Series 2021A (Water Project) (the “Water System Certificates”) are being executed and delivered, among other things, to finance the acquisition, construction and improvement of a 4.5 million gallon water tank and a water/sewer mainline replacements (the “Water System Project”) and the McKinleyville Community Services District Revenue Certificates of Participation, Series 2021B (Wastewater Project) (the “Wastewater System Certificates”) and together with the Water System Certificates, the “Certificates”) are being executed and delivered, among other things, to finance the acquisition, construction and improvement of highway sewer undercrossings and water/sewer mainline replacements (the “Wastewater Project” and, together with the Water System Project, the “Projects”) for the benefit of and use by the McKinleyville Community Services District (the “District”). The Certificates are being executed and delivered as fully registered certificates in book-entry form only, initially registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York (“DTC”). Individual purchases of the Certificates will be in the denomination of \$5,000 each or any integral multiple thereof. Interest due with respect to the Water System Certificates is payable semiannually on February 1 and August 1, commencing February 1, 2022. Interest due with respect to the Wastewater System Certificates is payable semiannually on March 15 and September 15, commencing March 15, 2022. Interest and principal with respect to the Certificates shall be payable by The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the “Trustee”) to DTC. See “APPENDIX E—Book-Entry-Only System.”

The Water System Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2021 (the “Water System Trust Agreement”), by and among the Trustee, CSDA Finance Corporation (the “Corporation”) and the District. The Water System Certificates evidence proportionate interests of the owners thereof in Water System Installment Payments (as defined herein) to be made by the District under an Installment Purchase Contract, dated as of December 1, 2021 (the “Water System Installment Purchase Contract”) by and between the District and the Corporation, in the proportions indicated herein under the heading “SCHEDULE OF WATER SYSTEM INSTALLMENT PAYMENTS.” The Water System Installment Payments will be secured by a pledge of and charge and first priority lien upon, all of the Water System Net Revenues.

The Wastewater System Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2021 (the “Wastewater System Trust Agreement”), by and among the Trustee, the Corporation and the District. The Wastewater System Certificates evidence proportionate interests of the owners thereof in Wastewater System Installment Payments (as defined herein) to be made by the District under an Installment Purchase Contract, dated as of December 1, 2021 (the “Wastewater System Installment Purchase Contract”) by and between the District and the Corporation, in the proportions indicated herein under the heading “SCHEDULE OF WASTEWATER SYSTEM INSTALLMENT PAYMENTS.” The Wastewater System Installment Payments will be secured by a pledge of and charge and first priority lien upon, all of the Wastewater System Net Revenues. The Water System Installment Payments and the Wastewater System Installment Payments are collectively referred to herein as the “Installment Payments.”

The Wastewater System Net Revenues are not pledged to secure the Water System Installment Payments and the Water System Net Revenues are not pledged to secure the Wastewater System Installment Payments.

**THE CERTIFICATES ARE SUBJECT TO PREPAYMENT PRIOR TO MATURITY AS DESCRIBED HEREIN.**

The obligation of the District to make the Installment Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. Neither the Certificates nor the obligation of the District to make Installment Payments constitute a debt of the District, the Corporation, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction. **NEITHER THE CORPORATION NOR ANY OF ITS MEMBERS ARE LIABLE TO MAKE THE INSTALLMENT PAYMENTS RELATING TO THE CERTIFICATES.**

The scheduled payment of principal of and interest represented by the Water System Certificates and the Wastewater Certificates when due will be guaranteed under separate and distinct municipal bond insurance policies [and separate and distinct reserve fund surety policies] to be issued concurrently with the execution and delivery of the respective Certificates by [INSURER] (“[INSURER]” or the “Certificate Insurer”). See “CERTIFICATE INSURANCE.”

[INSURER LOGO]

\* Preliminary; subject to change.

This cover page contains certain information for quick reference only and is not a summary of these transactions. Investors must read the entire Official Statement, including the section entitled "CERTAIN RISK FACTORS FOR THE CERTIFICATES," to obtain information essential to the making of an informed investment decision.

The Certificates are offered when, as and if delivered and received by the Underwriter, subject to the approval as to their legality by Kutak Rock LLP, Irvine, California, Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by The Mitchell Law Firm, LLP, Eureka, California, District Counsel. Certain legal matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Underwriter's Counsel. It is anticipated that the Certificates will be available for delivery through DTC in New York, New York, on or about December \_\_\_\_, 2021.

**OPPENHEIMER & CO. INC.**

**Dated: December [\_\_], 2021**

**MAP OF THE MCKINLEYVILLE COMMUNITY SERVICES DISTRICT**

***[DISTRICT: Does the District possibly have a better map to show locations of Arcata and Eureka?]***



**MATURITY DATES, AMOUNTS, INTEREST  
RATES, PRICES, YIELDS AND CUSIP**

**WATER SYSTEM CERTIFICATES**

<b>Maturity Date (August 1)*</b>	<b>Principal Amount*</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP<sup>†</sup> Number</b>
	\$	%	%		

\$[\_\_\_\_\_] \* [\_\_\_\_\_] % Term Certificates due August 1, 20[\_\_\_\_\_] \* Yield [\_\_\_\_\_] % Price: [\_\_\_\_\_] CUSIP<sup>†</sup>[\_\_\_\_\_]

**WASTEWATER SYSTEM CERTIFICATES**

<b>Maturity Date (September 15)*</b>	<b>Principal Amount*</b>	<b>Interest Rate</b>	<b>Yield</b>	<b>Price</b>	<b>CUSIP Number</b>
	\$	%	%		

\$[\_\_\_\_\_] \* [\_\_\_\_\_] % Term Certificates due September 15, 20[\_\_\_\_\_] \* Yield [\_\_\_\_\_] % Price: [\_\_\_\_\_] CUSIP<sup>†</sup>[\_\_\_\_\_]

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<sup>†</sup> CUSIP® is a registered trademark of the American Bankers Association. CUSIP® data herein are provided by CUSIP Global Services (“CGS”), which is managed on behalf of the American Bankers Association by S&P Global Market Intelligence LLC. Copyright© 2021 CUSIP Global Services. All rights reserved. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. CUSIP® numbers are subject to being changed after the issuance of the Certificates as a result of various subsequent actions including, but not limited to, a prepayment in whole or in part of the Certificates. None of the District, the Corporation, the Underwriter or their agents or counsel assume responsibility for the accuracy of any CUSIP® numbers.

\*Preliminary; subject to change.

No dealer, broker, salesperson or other person has been authorized by the Corporation or the District to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation may not be relied upon as having been authorized by the Corporation or the District. This Official Statement does not constitute an offer to sell or a solicitation or an offer to buy nor shall there be any sale of the Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Official Statement is not to be construed as a contract with the purchasers of the Certificates. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The Underwriter has provided the following sentence for inclusion in this Official Statement:

“The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.”

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Certificates referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

All information for investors regarding the District and the Certificates is contained in this Official Statement. While the District maintains an internet website for various purposes, none of the information on this website is intended to assist investors in making any investment decision or to provide any continuing information with respect to the Certificates or any other Certificates or obligations of the District.

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words.

The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. The District does not plan to issue any updates or revisions to the forward-looking statements set forth in this Official Statement. The District is obligated to provide continuing disclosure for certain historical information only. See the caption “CONTINUING DISCLOSURE OBLIGATION” herein.

**WITH RESPECT TO THIS OFFERING, THE UNDERWRITER MAY ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE CERTIFICATES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME. THE UNDERWRITER MAY OFFER AND SELL THE CERTIFICATES**

**DESCRIBED HEREIN TO CERTAIN DEALERS AND DEALER BANKS AND BANKS ACTING AS AGENT AND OTHERS AT PRICES LOWER THAN THE PUBLIC OFFERING PRICES STATED IN THIS OFFICIAL STATEMENT AND SAID PUBLIC OFFERING PRICES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER.**

**THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXEMPTION CONTAINED IN SUCH ACT. THE CERTIFICATES HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.**

Certificate Insurer Disclaimer. [INSURER] (“[INSURER]”) makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, [INSURER] has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding [INSURER], supplied by [INSURER] and presented under the heading “CERTIFICATE INSURANCE” and “APPENDIX G—SPECIMEN MUNICIPAL BOND INSURANCE POLICY.”

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

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**OFFICIAL STATEMENT**

\$[\_\_\_\_\_]\*  
**McKinleyville Community Services District**  
**Revenue Certificates of Participation**  
**Series 2021A**  
**(Water Project)**

\$[\_\_\_\_\_]\*  
**McKinleyville Community Services District**  
**Revenue Certificates of Participation**  
**Series 2021B**  
**(Wastewater Project)**

**INTRODUCTION**

**General**

This Official Statement, which includes the cover page, table of contents and Appendices hereto (this “Official Statement”), provides certain information concerning the execution and delivery of the McKinleyville Community Services District Revenue Certificates of Participation, Series 2021A (Water Project) (the “Water System Certificates”) to be executed and delivered in the aggregate principal amount of \$[\_\_\_\_\_]\* evidencing proportionate interests of the registered owners thereof in certain installment payments to be made by the McKinleyville Community Services District (the “District”) to CSDA Finance Corporation (the “Corporation”) and the execution and delivery of the McKinleyville Community Services District Revenue Certificates of Participation, Series 2021B (Wastewater Project) (the “Wastewater System Certificates” and, together with the Water System Certificates, the “Certificates”) to be executed and delivered in the aggregate principal amount of \$[\_\_\_\_\_]\* evidencing proportionate interests of the registered owners thereof in certain other installment payments to be made by the District to the Corporation.

The Water System Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2021 (the “Water System Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A., Los Angeles, California, as trustee (the “Trustee”), the Corporation and the District. The Water System Certificates evidence proportionate interests of the owners thereof in Water System Installment Payments to be made by the District under an Installment Purchase Contract, dated as of December 1, 2021 (the “Water System Installment Purchase Contract”) between the District and the Corporation. The Water System Installment Payments will be secured by a pledge of and charge and first priority lien upon, all of the Water System Net Revenues.

The Wastewater System Certificates will be executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2021 (the “Wastewater System Trust Agreement”), by and among the Trustee, the Corporation and the District. The Wastewater System Certificates evidence proportionate interests of the owners thereof in Wastewater System Installment Payments to be made by the District under an Installment Purchase Contract, dated as of December 1, 2021 (the “Wastewater System Installment Purchase Contract”) between the District and the Corporation. The Wastewater System Installment Payments will be secured by a pledge of and charge and first priority lien upon, all of the Wastewater System Net Revenues.

The Water System Trust Agreement and the Wastewater System Trust Agreement are collectively referred to herein as the “Trust Agreements,” the Water System Installment Purchase Contract and the Wastewater System Installment Purchase Contract are collectively referred to herein as the “Installment Purchase Contracts” and the Water System Installment Payments and the Wastewater System Installment Payments are collectively referred to herein as the “Installment Payments.”

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\* Preliminary; subject to change.

The District will make the Water System Installment Payments to the Corporation in order to purchase the Water System Project (as defined below) from the Corporation. The Corporation will sell the Water System Project to the District pursuant to the Water System Installment Purchase Contract. Pursuant to the Assignment Agreement dated as of December 1, 2021 (the “Water System Assignment Agreement”), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee for the benefit of the respective Certificate Owners, its rights and remedies under the Water System Installment Purchase Contract, including its rights to receive Water System Installment Payments.

The District will make the Wastewater System Installment Payments to the Corporation in order to purchase the Wastewater System Project (as defined below) from the Corporation. The Corporation will sell the Wastewater System Project to the District pursuant to the Wastewater System Installment Purchase Contract. Pursuant to the Assignment Agreement dated as of December 1, 2021 (the “Wastewater System Assignment Agreement”), by and between the Corporation and the Trustee, the Corporation will assign to the Trustee for the benefit of the respective Certificate Owners, its rights and remedies under the Wastewater System Installment Purchase Contract, including its rights to receive Wastewater System Installment Payments. The Water System Assignment Agreement and the Wastewater System Assignment Agreement are hereinafter collectively referred to as the “Assignment Agreements”).

The Water System Certificates are being executed and delivered, among other things, to finance the acquisition, construction and improvement of a 4.5 million gallon water tank and a water/sewer mainline replacements (the “Water System Project”) and the Wastewater System Certificates are being executed and delivered, among other things, to finance the acquisition, construction and improvement of highway sewer undercrossings and a water/sewer mainline replacements (the “Wastewater Project” and, together with the Water System Project, the “Projects”) for the benefit of and use by the District. See “THE WATER SYSTEM PROJECT” and “THE WASTEWATER SYSTEM PROJECT” herein.

## **The District**

The District is a community services district organized and existing pursuant to the laws of the State of California located in Humboldt County which operates a retail water distribution system (the “Water System”) and wastewater system (the “Wastewater System” and, together with the Water System, the “System” or the “Enterprise”). The District’s Water System provides treated drinking water to approximately 7,488 customers. The District’s Wastewater System provides service to approximately 6,601 customers. The District is governed by a five-member Board of Directors, elected for four-year terms. The District and the System are described in greater detail under the captions “THE DISTRICT,” “THE WATER SYSTEM” and “THE WASTEWATER SYSTEM” below.

## **Security and Sources of Payment for the Certificates**

*Water System Certificates.* The Water System Certificates evidence a proportionate interest in the right to receive Water System Installment Payments to be made by the District under the Water System Installment Purchase Contract. The obligation of the District to pay Water System Installment Payments and interest thereon is a special obligation payable solely from and secured by a pledge of and first lien (subject to the parity lien of any obligations currently outstanding and hereafter issued and incurred on a parity as to payment and security with the Water System Installment Payments, the “Water System Parity Obligations”) on Water System Net Revenues and all moneys in the Revenue Fund, the Acquisition Fund, and the Installment Payment Fund established pursuant to the Water System Installment Purchase Contract and the Water System Trust Agreement and in other funds and accounts established pursuant to the Water System Trust Agreement. See “SECURITY FOR THE CERTIFICATES-Parity Obligations-*Water System*.”

*Wastewater System Certificates.* The Wastewater System Certificates evidence a proportionate interest in the right to receive Wastewater System Installment Payments to be made by the District under the Wastewater System Installment Purchase Contract. The obligation of the District to pay Wastewater System Installment Payments and interest thereon is a special obligation payable solely from and secured by a pledge of and first lien (subject to the parity lien of any obligations currently outstanding and hereafter issued and incurred on a parity as to payment and security with the Wastewater System Installment Payments, the “Wastewater System Parity Obligations”) on Wastewater System Net Revenues and all moneys in the Revenue Fund, the Acquisition Fund, and the Installment Payment Fund established pursuant to the Wastewater System Installment Purchase Contract and the Wastewater System Trust Agreement and in other funds and accounts established pursuant to the Wastewater System Trust Agreement. See “SECURITY FOR THE CERTIFICATES-Parity Obligations-*Wastewater System*.”

The obligation of the District to make the Water System Installment Payments and to pay the interest thereon is absolute and unconditional, whether or not the Water System Project shall be acquired and constructed. Until such time as all Water System Installment Payments and the interest thereon have been fully paid by the District and the Water System Certificates are no longer Outstanding (or provision for the payment thereof shall have been made pursuant to the Water System Trust), the District will not, under any circumstances, discontinue, abate or suspend any Water System Installment Payments or any interest thereon required to be made under the Water System Installment Purchase Contract, when due, whether or not the Water System, any part thereof or the Water System Project, is operating or operable or has been completed, or whether or not the Water System or the Water System 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 therein for any cause whatsoever.

The obligation of the District to make the Wastewater System Installment Payments and to pay the interest thereon is absolute and unconditional, whether or not the Wastewater System Project shall be acquired and constructed. Until such time as all Wastewater System Installment Payments and the interest thereon have been fully paid by the District and the Wastewater System Certificates are no longer Outstanding (or provision for the payment thereof shall have been made pursuant to the Wastewater System Trust), the District will not, under any circumstances, discontinue, abate or suspend any Wastewater System Installment Payments or any interest thereon required to be made under the Wastewater System Installment Purchase Contract, when due, whether or not the Wastewater System, any part thereof or the Wastewater System Project, is operating or operable or has been completed, or whether or not the Wastewater System or the Wastewater System 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 therein for any cause whatsoever.

### **Parity Obligations**

The District currently has outstanding obligations secured by a pledge of Water System Net Revenues and the District currently has outstanding obligations secured by a pledge of Wastewater System Net Revenues. Additional Parity Obligations are permitted under the Trust Agreements and Installment Purchase Contracts as described below. See “SECURITY FOR THE CERTIFICATES—Parity Obligations” and “SECURITY FOR THE CERTIFICATES—Additional Indebtedness” below.

## **Rate Covenant**

*Water System Installment Payments.* To the fullest extent permitted by law, the District will fix and prescribe rates and charges in connection with the Water System as a whole which are reasonably expected to be at least sufficient to yield during each Fiscal Year Water System Net Revenues equal to 120% of debt service on the aggregate amount of the Water System Installment Payments and Water System 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 Water System Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this paragraph. For purposes of this calculation, amounts held by the District in the Water System Rate Stabilization Fund as of the beginning of any Fiscal Year may, at the election of the District, be treated as Water System 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 Water System Installment Payments, and principal of and interest on any Water System Parity Obligations issued or incurred after the date hereof payable from Water System Net Revenues coming due and payable during such Fiscal Year.

So long as the District has complied with its obligations set forth in the paragraph above, the failure of Water System Net Revenues to meet the threshold set forth in the paragraph 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 the paragraph above at the commencement of the succeeding Fiscal Year. See “SECURITY FOR THE CERTIFICATES—Rate Covenant.”

*Wastewater System Installment Payments.* To the fullest extent permitted by law, the District will fix and prescribe rates and charges in connection with the Wastewater System as a whole which are reasonably expected to be at least sufficient to yield during each Fiscal Year Wastewater System Net Revenues equal to 120% of debt service on the aggregate amount of the Wastewater System Installment Payments and Wastewater System 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 Wastewater System Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this paragraph. For purposes of this calculation, amounts held by the District in the Wastewater System Rate Stabilization Fund as of the beginning of any Fiscal Year may, at the election of the District, be treated as Wastewater System 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 Wastewater System Installment Payments, and principal of and interest on any Wastewater System Parity Obligations issued or incurred after the date hereof payable from Wastewater System Net Revenues coming due and payable during such Fiscal Year.

So long as the District has complied with its obligations set forth in the paragraph above, the failure of Wastewater System Net Revenues to meet the threshold set forth in the paragraph 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 the paragraph above at the commencement of the succeeding Fiscal Year. See “SECURITY FOR THE CERTIFICATES—Rate Covenants.”

## **Reserve Fund [SURETY POLICIES BEING CONSIDERED]**

*Water System Certificates.* A reserve fund (the “Water System Reserve Fund”) will be established and held under the Water System Trust Agreement in order to secure the payment of principal and interest with respect to the Water System Certificates in an amount, as of the Closing Date, equal to the Reserve Requirement for the Water System Certificates. The initial deposit to the Water System Reserve Fund will

be made from a portion of the proceeds of the Water System Certificates. See “ESTIMATED SOURCES AND USES OF PROCEEDS.” If five days prior to any February 1 or August 1 the amounts on deposit in the Installment Payment Fund are insufficient to make the payments required under the Water System Trust Agreement with respect to the Water System Certificates, amounts in the Water System Reserve Fund will be applied to make up such deficiencies.

*Wastewater System Certificates.* A reserve fund (the “Wastewater System Reserve Fund”) will be established and held under the Wastewater System Trust Agreement in order to secure the payment of principal and interest with respect to the Wastewater System Certificates in an amount, as of the Closing Date, equal to the Reserve Requirement for the Wastewater System Certificates. The initial deposit to the Wastewater System Reserve Fund will be made from a portion of the proceeds of the Wastewater System Certificates. See “ESTIMATED SOURCES AND USES OF PROCEEDS.” If five days prior to any March 15 or September 15 the amounts on deposit in the Installment Payment Fund are insufficient to make the payments required under the Wastewater System Trust Agreement with respect to the Wastewater System Certificates, amounts in the Wastewater System Reserve Fund will be applied to make up such deficiencies.

See “SECURITY FOR THE CERTIFICATES—Reserve Fund” and “APPENDIX A—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS—Trust Agreement—The Reserve Fund.”

### **Certificate Insurance**

[INSURER] (“[INSURER]” or the “Certificate Insurer”) has committed to issue, effective as of the date of issuance of the Water System Certificates, a policy of insurance (the “Water System Insurance Policy” or “Water System Policy”) guaranteeing the payment, when due, of the principal of and interest on the Water System Certificates.

The Certificate Insurer has committed to issue, effective as of the date of issuance of the Wastewater System Certificates, a policy of insurance (the “Wastewater System Insurance Policy” or “Wastewater System Policy”) guaranteeing the payment, when due, of the principal of and interest on the Wastewater System Certificates. See “CERTIFICATE INSURANCE.” A specimen of the Water System Insurance Policy and the Wastewater System Insurance Policy is attached as APPENDIX G to this Official Statement. See “CERTIFICATE INSURANCE.” Also see APPENDIX A-“DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS-TRUST AGREEMENT-Certificate Insurance Provisions.”

### **Installment Payments Not Debt**

THE OBLIGATION OF THE DISTRICT TO MAKE THE INSTALLMENT PAYMENTS DOES NOT CONSTITUTE AN OBLIGATION OF THE DISTRICT FOR WHICH THE DISTRICT IS OBLIGATED TO LEVY OR PLEDGE ANY FORM OF TAXATION OR FOR WHICH THE DISTRICT HAS LEVIED OR PLEDGED ANY FORM OF TAXATION. NEITHER THE CERTIFICATES NOR THE OBLIGATION OF THE DISTRICT TO MAKE THE INSTALLMENT PAYMENTS CONSTITUTE A DEBT OR A PLEDGE OF THE FAITH AND CREDIT OF THE DISTRICT, THE CORPORATION, THE STATE OF CALIFORNIA OR ANY OF ITS POLITICAL SUBDIVISIONS WITHIN THE MEANING OF THE CONSTITUTION OR STATUTES OF THE STATE OF CALIFORNIA OR OTHERWISE.

## **Continuing Disclosure**

Pursuant to the Continuing Disclosure Certificate, to be dated the date of delivery of the Certificates (the “Continuing Disclosure Certificate”), executed by the District, the District has covenanted for the benefit of the owners and beneficial owners of the Certificates to provide annually certain financial information and operating data concerning the District and the System to the Municipal Securities Rulemaking Board, acting through its Electronic Municipal Market Access (“EMMA”) system and to provide notice to the Municipal Securities Rulemaking Board through EMMA of certain enumerated events, pursuant to the requirements of Section (b)(5)(i) of Rule 15c2-12 of the Securities and Exchange Commission, as amended. See “CONTINUING DISCLOSURE OBLIGATION” and “APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE” for the form of the Continuing Disclosure Certificate.

## **Other Information and Definitions**

The descriptions of the Certificates, the Installment Purchase Contracts, the Assignment Agreements, the Trust Agreements and other documents described in this Official Statement do not purport to be definitive or comprehensive, and all references to those documents are qualified in their entirety by reference to the approved form of those documents, which documents are available at the principal corporate trust office of the Trustee in Los Angeles, California. During the period of the offering of the Certificates, copies of such documents will also be available from the Underwriter. See “APPENDIX A—DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS” for the definitions of some of the terms used in the Installment Purchase Contracts, the Trust Agreements and this Official Statement, and not otherwise defined.

All of the summaries of statutes, resolutions, opinions, agreements, financial and statistical data, and other related reports described in this Official Statement are made subject to the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available for inspection by written request mailed to the District, 1656 Sutter Road, McKinleyville, California 95519.

## **THE WATER SYSTEM PROJECT**

The Water System Project consists of a 4.5 million gallon water tank and water/sewer mainline replacements. The construction of the water tank will add an additional 4.5 million gallons of water storage to allow the District to provide potable water and wastewater service to the communities of McKinleyville and the City of Arcata if the connection to the Humboldt Bay Municipal Water District is lost during a seismic event. The water/sewer mainline replacements consist of the replacement of approximately 2,200 lineal feet of 16-inch diameter Asbestos Cement (“AC”) water main and 8-inch diameter AC sewer main along Central Avenue in McKinleyville.

The expected cost of the Water System Project is approximately \$12.3 million. \$ [REDACTED] of the costs of the Water System Project will be funded with proceeds from the sale of Water System Certificates, \$7.73 million will be funded via a hazard mitigation grant from the Federal Emergency Management Agency (“FEMA”) and the remainder will be funded by water sales revenue and reserves. The estimated completion date of the Water System Project is December 31, 2023.

## **THE WASTEWATER SYSTEM PROJECT**

The Wastewater System Project consists of the construction of highway sewer undercrossings and the water/sewer mainline replacements described above. The highway sewer undercrossings consist of the

replacement of the three highway crossings where the wastewater from the eastern side of McKinleyville crosses under Highway 101 to the Wastewater Management Facility (defined hereinafter) on the western side of Highway 101. The Water System Project is part of the systemic upgrading of the District's wastewater infrastructure.

The expected cost of the Wastewater System Project is approximately \$8.8 million. \$ [redacted] of the costs of the Wastewater System Project will be funded with proceeds from the sale of Wastewater System Certificates, \$5.1 million will be funded via a hazard mitigation grant from FEMA and the remainder will be funded by user rates and reserves. The estimated completion date of the Wastewater System Project is December 31, 2023.

**PLAN OF FINANCE**

The Water System Certificates are being executed and delivered to (a) finance the Water System Project; and (b) to pay the costs of delivery of the Water System Certificates.

The Wastewater System Certificates are being executed and delivered to (a) finance the Wastewater System Project; and (b) to pay the costs of delivery of the Wastewater System Certificates.

**ESTIMATED SOURCES AND USES OF PROCEEDS<sup>1</sup>**

	Water System Certificates	Wastewater System Certificates
<b>SOURCES:</b>		
Principal .....	\$ _____	\$ _____
[Net] Original Issue [Premium/Discount] .....	_____	
Total Sources .....		
<b>USES:</b>		
Deposit to applicable Acquisition Fund .....		
[Deposit to applicable Reserve Fund][Remove if Surety Policy]		
Deposit to the applicable Delivery Costs Fund <sup>2</sup> .....		
Total Uses .....		

<sup>1</sup> Numbers rounded to nearest dollar.

<sup>2</sup> Includes underwriter's discount, municipal advisor fees, legal, certificate insurance premium, [surety policy] and other delivery costs. The certificate insurer premium in the amount of \$[ ] shall be transferred to [INSURER] on behalf of the District for the premium on the Municipal Bond Insurance Policy.

**THE CERTIFICATES**

**General Provisions**

The Water System Certificates will be executed and delivered in the aggregate principal amount of \$[ ]\*. The Water System Certificates will be executed and delivered in the form of fully registered Water System Certificates in denominations of \$5,000 or any integral multiple thereof. The Water System Certificates will be dated the date of delivery, will represent interest from the delivery date at the rates per annum set forth on the cover page hereof, payable semiannually on February 1 and August

\* Preliminary; subject to change.

1 of each year, commencing February 1, 2022, and will mature on August 1 in each of the designated years in the principal amounts shown on the cover page hereof.

The Wastewater System Certificates will be executed and delivered in the aggregate principal amount of \$[\_\_\_\_\_]\*. The Wastewater System Certificates will be executed and delivered in the form of fully registered Wastewater System Certificates in denominations of \$5,000 or any integral multiple thereof. The Wastewater System Certificates will be dated the date of delivery, will represent interest from the delivery date at the rates per annum set forth on the cover page hereof, payable semiannually on March 15 and September 15 of each year, commencing March 15, 2022, and will mature on September 15 in each of the designated years in the principal amounts shown on the cover page hereof.

Each Certificate shall evidence and represent interest from the date of delivery. Both the principal of and interest represented by the Certificates shall be payable in lawful money of the United States of America. Interest with respect to the Certificates shall be calculated on the basis of a 360-day year composed of twelve 30-day months.

The Certificates will be executed and delivered in fully registered form in the name of Cede & Co. (“Cede & Co.”), as registered owner and nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository for the Certificates. Individual purchases may be made in book-entry form only. Purchasers will not receive certificates representing their interest in the Certificates purchased. So long as Cede & Co., as nominee of DTC, is the registered owner of the Certificates, references herein to the Certificate Owners, Owners or registered owners shall mean Cede & Co. and shall not mean the Beneficial Owners (as defined herein) of the Certificates.

So long as Cede & Co. is the registered owner of the Certificates, principal of and interest with respect to the Certificates are payable by wire transfer by the Trustee to Cede & Co., as nominee for DTC, which is required, in turn, to remit such amounts to the DTC Participants (as defined herein) for subsequent disbursement to the Beneficial Owners. See “APPENDIX E—BOOK-ENTRY-ONLY SYSTEM.”

### **Prepayment of Certificates\***

#### ***Optional Prepayment.***

*Water System Certificates.* The Water System Certificates maturing on or after August 1, 20\_\_\*, are subject to prepayment prior to maturity in whole or in part in any integral multiple of \$5,000, at the option of the District on any date on or after August 1, 20\_\_\*, from any available source of funds, at the prepayment price equal to the principal amount of the Water System Certificates to be prepaid from the proceeds of such prepayment, in each case together with accrued interest thereon to the prepayment date, without premium.

*Wastewater System Certificates.* The Wastewater System Certificates maturing on or after September 15, 20\_\_\*, are subject to prepayment prior to maturity in whole or in part in any integral multiple of \$5,000, at the option of the District on any date on or after September 15, 20\_\_\*, from any available source of funds, at the prepayment price equal to the principal amount of the Wastewater System Certificates to be prepaid from the proceeds of such prepayment, in each case together with accrued interest thereon to the prepayment date, without premium

#### ***Extraordinary Prepayment.***

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\* Preliminary; subject to change.

*Water System Certificates.* The Water System Certificates are subject to extraordinary prepayment on any Interest Payment Date upon notice as provided in the Water System Trust Agreement, as a whole or in part (on a pro-rata basis) in integral multiples of \$5,000, from prepaid Water System Installment Payments made by the District pursuant to the Water System Installment Purchase Contract from the Net Proceeds received by the District due to a casualty loss or governmental taking of the Water System or portions thereof by eminent domain proceedings, under the circumstances and upon the conditions and terms prescribed in the Water System Trust Agreement and in the Water System Installment Purchase Contract, at a prepayment price equal to the sum of the principal amount evidenced thereby plus accrued interest accrued to the date fixed for prepayment of the Water System Certificates, without premium.

*Wastewater System Certificates.* The Wastewater System Certificates are subject to extraordinary prepayment on any Interest Payment Date upon notice as provided in the Wastewater System Trust Agreement, as a whole or in part (on a pro-rata basis) in integral multiples of \$5,000, from prepaid Wastewater System Installment Payments made by the District pursuant to the Wastewater System Installment Purchase Contract from the Net Proceeds received by the District due to a casualty loss or governmental taking of the Wastewater System or portions thereof by eminent domain proceedings, under the circumstances and upon the conditions and terms prescribed in the Wastewater System Trust Agreement and in the Wastewater System Installment Purchase Contract, at a prepayment price equal to the sum of the principal amount evidenced thereby plus accrued interest accrued to the date fixed for prepayment of the Wastewater System Certificates, without premium.

***Mandatory Sinking Fund Prepayment.\****

The Water System Certificates maturing on August 1, 20\_\_\* (the “Water System Term Certificates”) are also subject to mandatory sinking fund prepayment in part by lot, on August 1 in each year commencing August 1, 20\_\_\* from Water System Installment Payments made by the District pursuant to the Water System Installment Purchase Contract, at a prepayment price equal to the principal amount evidenced thereby to be prepaid, without premium, in the aggregate respective principal amounts and on August 1 in the respective years as set forth in the following table:

<b>Sinking Fund Prepayment Date (August 1)</b>	<b>Principal Amount To Be Prepaid</b>
20[__]*	\$

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\* Final Maturity.

The Wastewater System Certificates maturing on September 15, 20\_\_\* (the “Wastewater System Term Certificates”) are also subject to mandatory sinking fund prepayment in part by lot, on September 15 in each year commencing September 15, 20\_\_\* from Wastewater System Installment Payments made by the District pursuant to the Wastewater System Installment Purchase Contract, at a prepayment price equal to the principal amount evidenced thereby to be prepaid, without premium, in the aggregate respective principal amounts and on August 1 in the respective years as set forth in the following table:

**Sinking Fund  
Prepayment Date  
(September 15)**

**Principal Amount  
To Be Prepaid**

\$

20[ ]\*

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\* Final Maturity.

***Selection of Certificates for Prepayment.*** Except as provided under the caption “—Mandatory Sinking Fund Prepayment” above, in the event that part, but not all, of the Certificates are to be prepaid, the Certificates to be prepaid shall be selected by the Trustee from maturities designated by the District in writing, and by lot within a maturity.

***Partial Prepayment of Certificates.*** Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof a new Certificate or Certificates equal to the unprepaid principal amount of the Certificate surrendered.

***Notice of Prepayment.*** When prepayment is authorized or required pursuant to the Trust Agreement, the Trustee will give notice (“Prepayment Notice”) of the prepayment of the Certificates. Such Prepayment Notice will specify: (a) the Certificates or designated portions thereof (in the case of prepayment of the Certificates in part but not in whole) which are to be prepaid; (b) the date of prepayment; (c) the place or places where the prepayment will be made, including the name and address of any paying agent; (d) the prepayment price; (e) the CUSIP numbers, if any, assigned to the Certificates to be prepaid; (f) the certificate numbers of the Certificates to be prepaid in whole or in part and, in the case of any Certificate to be prepaid in part only, the amount of such Certificate to be prepaid; and (g) the original issue date, interest rate and stated maturity date of each Certificate to be prepaid in whole or in part. Such Prepayment Notice shall further state that on the specified date there shall become due and payable upon each Certificate or portion thereof being prepaid, the prepayment price, together with interest accrued to the prepayment date, and that from and after such date interest with respect thereto shall cease to accrue and be payable. Such notice in respect of optional or extraordinary prepayment shall not be provided unless there has been deposited with the Trustee funds sufficient to pay such prepayment price (except in the case of prepayment resulting from the issuance of refunding obligations). A Prepayment Notice may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed therein or on the Certificates.

Such notice shall be given by the Trustee at least 30 but not more than 45 days prior to the prepayment date, by telecopy or other electronic transmission, registered, certified or overnight mail, to DTC or other applicable Depository which shall state the information set forth above, but no defect in said notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for prepayment.

An optional Prepayment Notice may be conditional and state that the District has the right to rescind any optional prepayment by written notice to the Trustee on or prior to the date fixed for prepayment. Any such notice of optional prepayment shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for prepayment for the payment in full of the Certificates then called for prepayment, and such cancellation shall not constitute an Event of Default under the Trust Agreement. The District, the Corporation and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of prepayment. The Trustee shall mail notice of such rescission of prepayment in the same manner as the original notice of prepayment was sent.

Neither failure to receive any Prepayment Notice nor any defect in such Prepayment Notice so given shall affect the sufficiency of the proceedings for the prepayment of any such other Certificates as to which proper notice was given as provided in the Trust Agreement. Each check or other payment method used by the Trustee for the purpose of prepaying Certificates shall bear the CUSIP number identifying, by issue and maturity, the Certificates being prepaid with the proceeds of such check or other transfer.

***Effect of Prepayment.*** If a Prepayment Notice has been given, and the moneys for the prepayment, including interest to the applicable prepayment date of the Certificates to be prepaid, have been set aside in the Prepayment Account, the portion of Certificates to be prepaid shall become due and payable on said prepayment date, and, upon presentation and surrender thereof at the office or offices specified in said notice, said Certificates shall be paid at the unpaid principal amount and premium, if any, with respect thereto, plus any unpaid and accrued interest to said prepayment date.

If, on said prepayment date, moneys sufficient for the prepayment of all the Certificates to be prepaid, together with interest to said prepayment date, shall be held by the Trustee so as to be available therefor on such prepayment date, and, if notice of prepayment thereof shall have been given as aforesaid, then, from and after said prepayment date, interest with respect to the portion of Certificates to be prepaid shall cease to accrue and become payable. If said moneys shall not be so available on said prepayment date, interest with respect to such portion of Certificates shall continue to be payable until paid at the same rates as they would have been payable had they not been called for prepayment. All moneys held by or on behalf of the Trustee for the prepayment of particular Certificates shall be held in trust for the account of the Owners of the Certificates so to be prepaid for two years.

## **SECURITY FOR THE CERTIFICATES**

### **Pledge**

#### *Water System Installment Payments.*

Pursuant to the Water System Installment Purchase Contract, the District will purchase the Water System Project from the Corporation. As a purchase price for the Water System Project, the District agrees to pay the Water System Installment Payments to the Corporation. The Water System Certificates represent a proportionate interest in the Water System Installment Payments to be made by the District under the Water System Installment Purchase Contract. The Corporation, pursuant to the Water System Assignment Agreement, will assign its rights to receive Water System Installment Payments under the Water System Installment Purchase Contract to the Trustee for the benefit of the Owners of the Water System Certificates.

The obligation of the District to make the Water System Installment Payments under the Water System Installment Purchase Contract and pay the interest thereon is a special obligation payable solely from and secured by a pledge of and first lien (subject to the parity lien of the Water System Parity Obligations) on Water System Net Revenues in addition to all moneys in the Revenue Fund, Acquisition Fund, and the Installment Payment Fund established pursuant to the Water System Installment Purchase Contract and the Water System Trust Agreement and in other funds and accounts established pursuant to the Water System Trust Agreement.

“*Water System Net Revenues*” means as, for any period, all of the Water System Revenues received during such period minus the amount required to pay all Water System Maintenance and Operating Costs of the Water System payable from Water System Revenues during such period.

“*Water System Revenues*” means all gross income and revenue received or receivable by the District from the ownership and operation of the Water System, calculated in accordance with Generally

Accepted Accounting Principles, including all rates, fees, and charges received by the District for water service, the proceeds of any standby water availability charges or connection fees collected by the District and all other income and revenue howsoever derived by the District from the Water System or arising from the Water System; provided, however, that the following are not Revenues and are not subject to the lien of the Water System Installment Purchase Contract: (a) 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; (b) customers' deposits or any other deposits subject to refund until such deposits have become the property of the District; (c) grants which are designated by the grantor for a specific purpose and are therefore not available; or (d) Net Proceeds of eminent domain proceedings and casualty insurance maintained by the District with respect to the Enterprise to the extent such proceeds are not promptly applied by the District to the repair or replacement of the Enterprise; provided, however, that Revenues shall be increased by the amounts, if any, transferred in accordance with the Water System Installment Purchase Contract 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 the Water System Installment Purchase Contract 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 the Water System 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.

*“Water System Maintenance and Operation Costs”* of the Water System means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Water System, determined in accordance with generally accepted accounting principles, including all reasonable expenses of management and repair and all other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all administrative costs of the District that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, overhead, taxes (if any), the cost of permits and licenses to operate the Water System and insurance premiums, and including all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms hereof; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles.

*“Water System”* means all water enterprise system facilities owned by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be a part of the water enterprise system, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed excluding all sewer and wastewater system facilities owned by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be part of the sewer and wastewater system.

The obligation of the District to make the Water System Installment Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation. Neither the Water System Certificates nor the obligation of the District to make Water System Installment Payments constitutes a debt or a pledge of the faith and credit of the District, the Corporation, the State of California or any of its political subdivisions within the meaning of the Constitution or statutes of the State of California or otherwise.

*Wastewater Installment Payments.*

Pursuant to the Wastewater System Installment Purchase Contract, the District will purchase the Wastewater System Project from the Corporation. As a purchase price for the Wastewater System Project, the District agrees to pay the Wastewater System Installment Payments to the Corporation. The Wastewater System Certificates represent a proportionate interest in the Wastewater System Installment Payments to be made by the District under the Wastewater System Installment Purchase Contract. The Corporation, pursuant to the Wastewater System Assignment Agreement, will assign its rights to receive Wastewater System Installment Payments under the Wastewater System Installment Purchase Contract to the Trustee for the benefit of the Owners of the Wastewater System Certificates.

The obligation of the District to make the Wastewater System Installment Payments under the Wastewater System Installment Purchase Contract and pay the interest thereon is a special obligation payable solely from and secured by a pledge of and first lien (subject to the parity lien of the Wastewater System Parity Obligations) on Wastewater System Net Revenues in addition to all moneys in the Revenue Fund, Acquisition Fund, and the Installment Payment Fund established pursuant to the Wastewater System Installment Purchase Contract and the Wastewater System Trust Agreement and in other funds and accounts established pursuant to the Wastewater System Trust Agreement.

“*Wastewater System Net Revenues*” means as, for any period, all of the Wastewater System Revenues received during such period minus the amount required to pay all Wastewater System Maintenance and Operating Costs of the Wastewater System payable from Wastewater System Revenues during such period.

“*Wastewater System Revenues*” means, for each Fiscal Year, all gross income and revenue received or receivable by the District from the ownership or operation of the Wastewater System, 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 Wastewater System, and all other income and revenue howsoever derived by the District from the ownership or operation of the Wastewater System or arising from the Wastewater System, 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 the Wastewater System Installment Purchase Contract 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 the Wastewater System Installment Purchase Contract 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 the Wastewater System 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.

“*Wastewater System Maintenance and Operation Costs*” of the Wastewater System means the reasonable and necessary costs and expenses paid by the District to maintain and operate the Wastewater System, 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 Wastewater System in good repair and working order and (c) the reasonable administrative costs of the District attributable to the operation and maintenance of the Wastewater System. Maintenance and Operation Costs do not include (i) debt service payable on obligations incurred by the District with respect to the Wastewater System, including but not limited to Debt Service Payments and any Wastewater System Parity Obligations,

(ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

“*Wastewater System*” 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 Wastewater System Project.

The obligation of the District to make the Wastewater System Installment Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation. Neither the Wastewater System Certificates nor the obligation of the District to make Wastewater System Installment Payments constitutes a debt or a pledge of the faith and credit of the District, the Corporation, the State of California or any of its political subdivisions within the meaning of the Constitution or statutes of the State of California or otherwise.

### **Rate Covenant**

*Water System Installment Payments.* To the fullest extent permitted by law, the District will fix and prescribe rates and charges in connection with the Water System as a whole which are reasonably expected to be at least sufficient to yield during each Fiscal Year Water System Net Revenues equal to 120% of debt service on the aggregate amount of the Water System Installment Payments and Water System 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 Water System Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this paragraph. 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 Water System 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 Water System Installment Payments, and principal of and interest on any Water System Parity Obligations issued or incurred after the date hereof payable from Water System Net Revenues coming due and payable during such Fiscal Year.

So long as the District has complied with its obligations set forth in the paragraph above, the failure of Water System Net Revenues to meet the threshold set forth in the paragraph 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 the paragraph above at the commencement of the succeeding Fiscal Year.

*Wastewater System Installment Payments.* To the fullest extent permitted by law, the District will fix and prescribe rates and charges in connection with the Wastewater System as a whole which are reasonably expected to be at least sufficient to yield during each Fiscal Year Wastewater System Net Revenues equal to 120% of debt service on the aggregate amount of the Wastewater System Installment Payments and Wastewater System 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 Wastewater System Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this paragraph. 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 Wastewater System 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 Wastewater System Net Revenues coming due and payable during such Fiscal Year.

So long as the District has complied with its obligations set forth in the paragraph above, the failure of Wastewater System Net Revenues to meet the threshold set forth in the paragraph 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 the paragraph above at the commencement of the succeeding Fiscal Year.

## **Revenue Fund**

*Water System.* All of the Water System Revenues, together with any interest earned thereon, shall, so long as any Water System Certificates shall be Outstanding under the Water System Trust Agreement, be deposited as received by the District in the Revenue Fund, which fund the District covenants and agrees to maintain under the Water System Installment Purchase Contract so long as any Water System Certificates shall be Outstanding under the Water System Trust Agreement.

*Wastewater System.* All of the Wastewater System Revenues, together with any interest earned thereon, shall, so long as any Wastewater System Certificates shall be Outstanding under the Wastewater System Trust Agreement, be deposited as received by the District in the Revenue Fund, which fund the District covenants and agrees to maintain under the Wastewater System Installment Purchase Contract so long as any Wastewater System Certificates shall be Outstanding under the Wastewater System Trust Agreement

## **Installment Payments**

*Water System Installment Payments.*

On each January 15 and July 15 next preceding each February 1 and August 1 (each, a “Water System Installment 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 interest component becoming due and payable with respect to the Outstanding Water System Certificates on the next succeeding Water System Interest Payment Date, plus an amount of the principal component of the Water System Certificates becoming due and payable with respect to the Outstanding Water System Certificates on such Water System Interest Payment Date. The Trustee shall deposit the money contained in the Installment Payment Fund at the following respective times in the following respective accounts in the following order of priority in the manner hereinafter provided, each of which fund and account the Trustee has agreed to establish and maintain so long as any Water System Certificates are Outstanding, and the money in each of such funds shall be disbursed only for the purposes and uses authorized in the Water System Trust Agreement:

(a) *Interest Account.* The Trustee, on or before each Water System Interest Payment Date, shall deposit in the Interest Account that amount of money constituting the interest components of Water System Installment Payments representing the interest due and unpaid or becoming due and payable to but not including such Water System Interest Payment Date. No deposit shall be made into the Interest Account if the amount contained therein is at least equal to the interest component of Water System Installment Payments representing the interest becoming due and payable upon all Outstanding Water System Certificates on each succeeding Water System Interest Payment Date within the then current Certificate Year. All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest evidenced and represented by such Water System Certificates to but not including their respective Water

System Interest Payment Dates or any other date on which the Water System Certificates may be prepaid in accordance with the Water System Trust Agreement.

(b) *Principal Account.* The Trustee on or before each August 1, shall deposit in the Principal Account that amount of money constituting the principal components of Water System Installment Payments representing the principal to become due and unpaid or becoming due and payable on August 1. No deposit shall be made into the Principal Account if the amount contained therein is at least equal to the principal components of Water System Installment Payments representing the principal to become due and unpaid or becoming due and payable on such Water System Interest Payment Date. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by such Water System Certificates on the principal payment date.

(c) *Prepayment Account.* The Trustee on the prepayment date specified in a certificate of the District filed with the Trustee at the time that any prepayment is paid to the Trustee pursuant to the Water System Installment Purchase Contract, shall deposit in the Prepayment Account the amount of such prepayment. All money in the Prepayment Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal and any applicable premium evidenced and represented by such Water System Certificates to be prepaid on their respective prepayment dates.

*Wastewater System Installment Payments.*

On each March 8 and September 8 next preceding each March 15 and September 15 (each, a “Wastewater System Installment 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 interest component becoming due and payable with respect to the Outstanding Wastewater System Certificates on the next succeeding Wastewater System Interest Payment Date, plus an amount of the principal component of the Wastewater System Certificates becoming due and payable with respect to the Outstanding Wastewater System Certificates on such Wastewater System Interest Payment Date. The Trustee shall deposit the money contained in the Installment Payment Fund at the following respective times in the following respective accounts in the following order of priority in the manner hereinafter provided, each of which fund and account the Trustee has agreed to establish and maintain so long as any Wastewater System Certificates are Outstanding, and the money in each of such funds shall be disbursed only for the purposes and uses authorized in the Wastewater System Trust Agreement:

(a) *Interest Account.* The Trustee, on or before each Wastewater System Interest Payment Date, shall deposit in the Interest Account that amount of money constituting the interest components of Wastewater System Installment Payments representing the interest due and unpaid or becoming due and payable to but not including such Wastewater System Interest Payment Date. No deposit shall be made into the Interest Account if the amount contained therein is at least equal to the interest component of Wastewater System Installment Payments representing the interest becoming due and payable upon all Outstanding Wastewater System Certificates on each succeeding Wastewater System Interest Payment Date within the then current Certificate Year. All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest evidenced and represented by such Wastewater System Certificates to but not including their respective Wastewater System Interest Payment Dates or any other date on which the Wastewater System Certificates may be prepaid in accordance with the Wastewater System Trust Agreement.

(b) **Principal Account.** The Trustee on or before each September 15, shall deposit in the Principal Account that amount of money constituting the principal components of Wastewater System Installment Payments representing the principal to become due and unpaid or becoming due and payable on September 15. No deposit shall be made into the Principal Account if the amount contained therein is at least equal to the principal components of Wastewater System Installment Payments representing the principal to become due and unpaid or becoming due and payable on such Wastewater System Interest Payment Date. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by such Wastewater System Certificates on the principal payment date.

(c) **Prepayment Account.** The Trustee on the prepayment date specified in a certificate of the District filed with the Trustee at the time that any prepayment is paid to the Trustee pursuant to the Wastewater System Installment Purchase Contract, shall deposit in the Prepayment Account the amount of such prepayment. All money in the Prepayment Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal and any applicable premium evidenced and represented by such Wastewater System Certificates to be prepaid on their respective prepayment dates.

### **Reserve Fund**

*Water System Certificates.* The Reserve Fund for the Water System Certificates is established under the Water System Trust Agreement and is funded from a portion of the proceeds of the Water System Certificates in an amount equal to the Reserve Requirement. Amounts in the Reserve Fund are to be used only for the payment of Water System Installment Payments to the extent amounts in the Installment Payment Fund are insufficient therefor. The Reserve Requirement shall mean the lesser of (a) 10% of the original principal amount of the principal payments due under the Water System Installment Purchase Contract (less original issue discount, if any); (b) an amount equal to the maximum annual Water System Installment Payments, and interest thereon, payable by the District between such date of calculation and the expiration of the Water System Installment Purchase Contract; or (c) 125% of the average annual Water System Installment Payments, and interest thereon, payable by the District.

If, five days prior to any Water System Interest Payment Date, the money in the Installment Payment Fund is insufficient to make the payments required under the Water System Trust Agreement with respect to the Water System Certificates on such Water System Interest Payment Date the Trustee will transfer from the Reserve Fund to the Installment Payment Fund the amount of such insufficiency.

*Wastewater System Certificates.* The Reserve Fund for the Wastewater System Certificates is established under the Wastewater System Trust Agreement and is funded from a portion of the proceeds of the Wastewater System Certificates in an amount equal to the Reserve Requirement. Amounts in the Reserve Fund are to be used only for the payment of Wastewater System Installment Payments to the extent amounts in the Installment Payment Fund are insufficient therefor. The Reserve Requirement shall mean the lesser of (a) 10% of the original principal amount of the principal payments due under the Wastewater System Installment Purchase Contract (less original issue discount, if any); (b) an amount equal to the maximum annual Wastewater System Installment Payments, and interest thereon, payable by the District between such date of calculation and the expiration of the Wastewater System Installment Purchase Contract; or (c) 125% of the average annual Wastewater System Installment Payments, and interest thereon, payable by the District.

If, five days prior to any Wastewater System Interest Payment Date, the money in the Installment Payment Fund is insufficient to make the payments required under the Wastewater System Trust Agreement with respect to the Wastewater System Certificates on such Wastewater System Interest Payment Date the

Trustee will transfer from the Reserve Fund to the Installment Payment Fund the amount of such insufficiency.

### **Insurance**

Each of the Installment Purchase Contracts require the District to 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 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 (a) to the repair, reconstruction or replacement of the damaged or destroyed portion of the Enterprise; or (b) 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 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 the Installment Purchase Contract.

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 the Installment Purchase Contract 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.

In lieu of obtaining insurance coverage as required by the Installment Purchase Contract, 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 (a) the District has segregated amounts in a special insurance reserve meeting the requirements of the Installment Purchase Contract; (b) 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 (c) such reserves are held in a separate trust fund by an independent trustee.

### **Parity Obligations**

*Water System Certificates.* The Water System Parity Obligations are described under the heading "THE WATER SYSTEM-Outstanding Water System Indebtedness. Such Water System Parity Obligations are payable from and secured by a pledge of and first lien (subject to the parity lien of any obligations currently outstanding and hereafter issued and incurred on a parity therewith) on Water System Net Revenues. Additional Water System Parity Obligations may be issued or incurred as described under the following heading "-Additional Indebtedness."

*Wastewater System.* The Wastewater System Parity Obligations are described under the heading "THE WASTEWATER SYSTEM-Outstanding Wastewater System Indebtedness. Such Wastewater

System Parity Obligations are payable from and secured by a pledge of and first lien (subject to the parity lien of any obligations currently outstanding and hereafter issued and incurred on a parity therewith) on Wastewater System Net Revenues. Additional Wastewater System Parity Obligations may be issued or incurred as described under the following heading “-Additional Indebtedness.

### **Additional Indebtedness**

*Water System Parity Obligations.* So long as any Water System Certificates are Outstanding, the District shall not issue or incur any obligations payable from Water System Net Revenues or the Revenue Fund senior or superior to the Water System Installment Payments. The District may at any time issue Water System Parity Obligations payable from Water System Net Revenues on a parity with the Water System Installment Payments to provide financing for the Water System in such principal amount as shall be determined by the District. The District may issue or incur any such Water System Parity Obligations subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Water System Parity Obligations:

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

(b) the Water System 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 ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which such Water System Parity Obligation is authorized, 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 clause (b) above shall not apply to any Water System Parity Obligations if (A) all of the proceeds of which (other than proceeds applied to pay costs of issuing such Water System Parity Obligations and to make a deposit to any reserve fund established with respect to such Water System 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 Water System Certificates or on any outstanding Water System Parity Obligations; (B) at the time of the incurring of such Water System Parity Obligations, the District certifies in writing that maximum annual debt service on the refunding Water System Parity Obligations will not exceed Maximum Annual Debt Service on the Outstanding Water System Certificates or Water System Parity Obligations being refunded; and (C) the final maturity of the refunding Water System Parity Obligations is not later than the final maturity of the refunded Water System Certificates or Water System Parity Obligations.

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

*Wastewater System Parity Obligations.* So long as any Wastewater System Certificates are Outstanding, the District shall not issue or incur any obligations payable from Wastewater System Net Revenues or the Revenue Fund senior or superior to the Wastewater System Installment Payments. The District may at any time issue Wastewater System Parity Obligations payable from Wastewater System Net Revenues on a parity with the Wastewater System Installment Payments to provide financing for the Wastewater System in such principal amount as shall be determined by the District. The District may issue or incur any such Wastewater System Parity Obligations subject to the following specific conditions which

are hereby made conditions precedent to the issuance and delivery of such Wastewater System Parity Obligations:

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

(b) the Wastewater System 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 clause (b) above shall not apply to any Wastewater System Parity Obligations if (A) all of the proceeds of which (other than proceeds applied to pay costs of issuing such Wastewater System Parity Obligations and to make a deposit to any reserve fund established with respect to such Wastewater System 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 Wastewater System Certificates or on any outstanding Wastewater System Parity Obligations; (B) at the time of the incurring of such Wastewater System Parity Obligations, the District certifies in writing that maximum annual debt service on the refunding Wastewater System Parity Obligations will not exceed Maximum Annual Debt Service on the Outstanding Wastewater System Certificates or Wastewater System Parity Obligations being refunded; and (C) the final maturity of the refunding Wastewater System Parity Obligations is not later than the final maturity of the refunded Wastewater System Certificates or Wastewater System Parity Obligations.

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

### **Rate Stabilization Fund**

*Water System.* The District will establish 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 Water System Installment Payments remain unpaid. Money may be transferred by the District from the Revenue Fund to the Rate Stabilization Fund and shall be held in the Rate Stabilization Fund and applied in accordance with the Water System Installment Purchase Contract as follows:

All Water System Revenues remaining in the Revenue Fund on February 1 and August 1 of each year, after withdrawing all of the sums required to be withdrawn therefrom by the Treasurer for the payment of Water System Maintenance and Operation Costs and Water System Installment Payments, or in connection with any Water System 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 Water System Net Revenues or other available funds of the District, such amounts as the District shall determine. All interest or other earnings upon deposits in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Water System Revenues.

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 the Water System Installment Purchase Contract or, in the event that all or a portion of the Water System Installment Payments

are discharged in accordance with the Water System Installment Purchase Contract, transfer all or any portion of such amounts for application in accordance with the Water System Installment Purchase Contract. Amounts transferred from the Rate Stabilization Fund to the Revenue Fund during or within 270 days after a Fiscal Year, may be taken into account as Water System Revenues for purposes of the calculations of the Rate Covenant in such Fiscal Year.

*Wastewater System.* The District will establish 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 Wastewater System Installment Payments remain unpaid. Money may be transferred by the District from the Revenue Fund to the Rate Stabilization Fund and shall be held in the Rate Stabilization Fund and applied in accordance with the Wastewater System Installment Purchase Contract as follows:

All Wastewater System 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 for the payment of Wastewater System Maintenance and Operation Costs and Wastewater System Installment Payments, or in connection with any Wastewater System 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 Wastewater System Net Revenues or other available funds of the District, such amounts as the District shall determine. All interest or other earnings upon deposits in the Rate Stabilization Fund shall be withdrawn therefrom and accounted for as Wastewater System Revenues.

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 the Wastewater System Installment Purchase Contract or, in the event that all or a portion of the Wastewater System Installment Payments are discharged in accordance with the Wastewater System Installment Purchase Contract, transfer all or any portion of such amounts for application in accordance with the Wastewater System Installment Purchase Contract. Amounts transferred from the Rate Stabilization Fund to the Revenue Fund during or within 270 days after a Fiscal Year, may be taken into account as Wastewater System Revenues for purposes of the calculations of the Rate Covenant in such Fiscal Year.

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**SCHEDULE OF WATER SYSTEM INSTALLMENT PAYMENTS**

Included in the following table is the schedule of the aggregate semiannual Water System Installment Payments payable by the District (assuming no early prepayments).

**McKinleyville Community Services District  
Schedule of Water System Installment Payments**

<b>Date *</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Date *</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
	\$	\$	\$		\$	\$	\$

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\* The dates indicated on the schedule are Interest Payment Dates with respect to the Water System Certificates. The Due Dates for the related Water System Installment Payments are each January 15 and July 15.

Source: Underwriter.

**SCHEDULE OF WASTEWATER SYSTEM INSTALLMENT PAYMENTS**

Included in the following table is the schedule of the aggregate semiannual Wastewater System Installment Payments payable by the District (assuming no early prepayments).

**McKinleyville Community Services District  
Schedule of Wastewater System Installment Payments**

<b>Date*</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Date*</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
	\$	\$	\$		\$	\$	\$

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\* The dates indicated on the schedule are Interest Payment Dates with respect to the Wastewater System Certificates. The Due Dates for the related Wastewater System Installment Payments are each March 8 and September 8.  
Source: Underwriter.

## CERTIFICATE INSURANCE

[TO BE PROVIDED UPON DETERMINATION OF BOND INSURER]

### THE DISTRICT

#### General

The McKinleyville Community Services District (the “District”) is an unincorporated community located in Humboldt County (the “County”), in the State of California (the “State”) in the north coastal region of California, 300 miles north of San Francisco. The District service area has a population of approximately 17,208 and comprises certain unincorporated areas of Humboldt County contained within the District’s service area. The District is the third largest community population area in the County. The District currently incorporates an area of approximately 12,140 acres and contains primarily residential development.

The District was formed in 1970 for the purpose of operating a water system (the “Water System”) and wastewater system (the “Wastewater System”). Such purposes were expanded on a few occasions subsequent to the District’s formation, including in 1972, relative to street lighting power, 1985, relative to recreational powers and in 1995 with the authorization of the construction of the McKinleyville Library. The District is governed by a five-member Board of Directors, elected for four-year terms. The District operates under the “Community Services District Law,” being section 61000 et seq. of the California Government Code.

**Board of Directors.** The District is a governed entity administered by a Board of Directors (the “Board”) that acts as the authoritative and legislative body of the entity. The Board is comprised of five board members who are elected by voters living within the District’s boundaries. Elections are held within the Board to appoint the President of the Board.

**General Manager.** Patrick Kaspari, P.E. is the General Manager. Mr. Kaspari has been General Manager of the District since June of 2020. In his capacity as General Manager, Mr. Kaspari oversees the day-to-day operations of the District. Mr. Kaspari earned a Bachelor of Science degree in Chemical Engineering from the University of North Dakota and a Master of Science in Engineering, with a Water Resources emphasis, from the University of California at Berkeley, and is a licensed professional Engineer in Civil Engineering (CA). Prior to joining the District, he worked for the engineering consulting firm Winzler & Kelly/GHD in Eureka for the past 21 years. He has 30-years of water and wastewater design and operations experience. He has a long relationship with the District, having worked on the design and construction of several projects including the Ramey Pump Station Upgrades and the current Water/Sewer Master Planning efforts for replacement of the District’s water and sewer infrastructure, the 4.5 million gallons (“MG”) water tank project, the new Treatment Plant Microgrid project and the new Highway 101 Sewer Crossing project. Mr. Kaspari also served as the District Engineer for Humboldt Bay Municipal Water District (“HBMWD”), the regional water wholesaler, for approximately 10 years. He is very familiar with HBMWD’s system as well as the water, sewer and other infrastructure throughout the County

**Finance Director.** Collen M.R. Trask is the Finance Director. Ms. Trask has been the Finance Director and Department Head of the Support Services Department of the District since 2012. Before this, she was the Finance Manager for the North Coast Small Business Development Center, a non-profit funded by the US Small Business Administration, from 2001 - 2012, which provided free consulting and training to local small businesses and start-ups. She also has past experience with teaching at College of the Redwoods (Bookkeeping Certificate Program capstone classes and Accounting), and Humboldt State University (Government and Non-Profit Accounting).

Ms. Trask has a Bachelor of Science Degree in Business Administration from Sacramento State University and an MBA from Humboldt State University. She is a member of the Institute of Management Accountants (IMA) and the California Society for Municipal Finance Officers (CSMFO).

*Employee Full Time Equivalents.* The following table sets forth the employee full-time equivalents of the District for the Fiscal Year ended June 30, 2021.

**McKinleyville Community Services District  
Employee Full-Time Equivalents (FTE)  
As of June 30, 2021**

	<b>Full-Time Benefitted</b>	<b>Part-Time &amp; Seasonal</b>	<b>Total FTEs</b>
<b>General Manager</b>	1	0	1
<b>Support Services</b>	6	1	6.5
<b>Operations</b>	11	4	13
<b>Parks &amp; Recreation</b>	<u>7</u>	<u>12</u>	<u>9</u>
<b>Total</b>	25	17	29.5

**Significant Accounting Policies**

Governmental accounting systems are organized and operated on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Each of the Water System and the Wastewater System is accounted for in two separate enterprise funds. Enterprise funds are used to account for operations, (a) that are financed and operated in a manner similar to private business enterprises (where the intent of the governing body is that the costs expenses, including depreciation of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges); or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

For additional District accounting policies, see the notes to the financial statements in Appendix F.

**Financial Statements**

Fedak & Brown LLP, Certified Public Accountants, Bakersfield, California (the “Auditor”), audited the financial statements of the District for the Fiscal Year ended June 30, 2020. The Auditor’s examination was made in accordance with generally accepted auditing standards and Governmental Auditing Standards, issued by the Comptroller General of the United States. See “APPENDIX F—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2020.”

The District has not requested nor did the District obtain permission from the Auditor to include the audited financial statements as an appendix to this Official Statement. Accordingly, the Auditor has not performed any post-audit review of the financial condition or operations of the District.

## **Employee Pension Plan**

The District qualified permanent and probationary employees are eligible to participate in the Public Agency Cost-Sharing Multiple-Employer Defined Pension Plan (the “Plan”) administered by the California Public Employees’ Retirement System (“CalPERS”). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans, respectively. On September 12, 2012, the California Governor signed the California Public Employees’ Pension Reform Act of 2013 (“PEPRA”) into law and took effect January 1, 2013. The new legislation closed the District’s CalPERS 2.0% at 60 Risk Pool Retirement Plan to new employee entrants effective December 31, 2012. All employees hired after January 1, 2013, are eligible for the District’s CalPERS 2.0% at 62 Retirement under PEPRA. The District is currently required to annually contribute 9.680% and 6.985% of compensation respectively, for all eligible participants under the respective plans. For the years ended June 30, 2020 and 2019, District contributions to the trust totaled \$212,575 and \$184,417, respectively. See Note 8 of “APPENDIX F—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2020” for additional information relative to the District Plan.

## **Other Post-Employment Benefits**

The District administers a single-employer defined-benefit post-employment healthcare plan. Benefits vary by hire date; and continue to dependents, including surviving spouses. Retirees are eligible for medical benefits if they retire directly from the District by at least age 50 with 5 years of service. Employees hired before January 1, 2017 receive 100% District-paid coverage. Employees hired on or after January 1, 2017 receive 100% of the PPO rate. Dental benefits are not covered. At June 30, 2019 (the census date), 11 inactive employees or beneficiaries currently received benefit payments and there are 24 active employees, for a total plan membership of 35.

The District pays benefits as they come due. For the year ended June 30, 2020, the District contributed \$150,475 which includes implicit subsidy credit. The current OPEB liability of the District as of June 30, 2020 is \$8,608,124. For additional information on Other Post-Employment Benefits payable see Note 7 of “APPENDIX F—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2020.”

## **Investment Policies and Procedures**

The District invests its funds in accordance with its investment policy, which is subject to annual review and approval by the Board. The District’s investment policy complies with the provisions of the California government Code, Sections 53600 through 53659 (the authority governing investments for municipal governments in the State) and limits the District to invest in the California Local Agency Investment Fund (LAIF), CalTRUST Funds and Humboldt County Treasurer’s Pool. In addition, the investment policy establishes further guidelines to limit the District’s investments from exposure to interest rate risk, credit risk, custodial risk and concentration of credit risk.

The District’s investment policy is intended to provide a guideline for the prudent investment of surplus cash, reserves, trust funds, and restricted monies and to outline a policy for maximizing the efficiency of the District’s cash management system in compliance with Section 53646 of the Government Code of California. The policy applies to all financial assets of the District as accounted for in the audited financial statements, other than proceeds of long-term debt. In accordance with the strategic goal of fiscal responsibility, the primary objectives of the District’s investment activities, in order of priority, are: safety of principal through the mitigation of both credit and market risk; maintenance of the liquidity necessary to

meet cash flow needs; and, lastly, return on investment. The District reviews the investment policy periodically and may adjust the policy as investment objectives change.

See Note 2 in “APPENDIX F—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR FISCAL YEAR ENDED JUNE 30, 2020” for additional information on the District’s investment policies and procedures.

### **Cybersecurity**

The District’s cybersecurity protections in place include, but are not limited to the following: endpoint & server security including EDR (Endpoint Detection and Response), managed threat response (24x7 Security Operations Center), email security gateway, endpoint encryption, network firewall, endpoint and server patch management, least privilege account security, MFA (Multifactor Authentication), secure remote access via VPN and phishing campaigns and training. Note that despite the efforts of the District, no assurances can be given that the District’s efforts to manage cyber threats and attacks will be successful or that an such attack will not materially impact the operations or finances of the District or the Enterprise. See “CERTAIN RISK FACTORS FOR THE CERTIFICATES-Cybersecurity Risks.”

### **Billing and Collection Procedures**

The District is on a monthly billing cycle for Water System and Wastewater System service charges. Payment to the Water System is deemed delinquent thirty (30) days from the date printed on the bill. If the bill is not paid within sixty (60) days after the date of delinquency, service may be discontinued. A reconnection charge and penalties will be made in accordance with the District’s Rules and Regulations and collected prior to renewing service following discontinuation.

Water service may be terminated by the District in compliance with the notice and other requirements of State law for any of the following reasons: delinquency in payment of any residential water service rate or charge in accordance with District policy, delinquency in payment of any commercial or other nonresidential water service rate or charge, unauthorized taking of water or the taking of water in excess of the amount paid for, the failure of the customer to maintain facilities in suitable condition to prevent waste of water, the existence of an unprotected cross connection on the customer’s premises or the lack of adequate backflow protection at the service connection or any violation by the customer of any rules of the District governing water service.

The District will provide for the collection of its wastewater service charges with the rates for the services of the Water System. The Wastewater System service charges shall be itemized, billed upon the same bill as the Water System and collected as one item, together with and not separately from such utility service charge. If all or any part of the bill on which any sewer service charge is collected is not paid, the District may discontinue its water or utility service until such bill is paid. The District may provide for the collection of all such delinquent charges that have not been paid and collected at the time of establishing its tax rate, upon the tax role which the District taxes are collected and in the same manner provided by law therefore.

The District has not had any material charges considered uncollectible in the past several years. If services are shut-off, the fee to reestablish service is a \$25.00 reconnect fee. Pursuant to Section 61115 of the California Government Code, the Board of Directors of the District may provide that any water or wastewater charges, delinquencies and penalties may be collected on the County tax roll in the same manner as property taxes. In the event the Board takes such action the General Manager of the District, on or before August 10 of each year following the Board’s determination, shall file with the County Auditor a copy of

a final report adopted by the Board of Directors detailing the affected and delinquent parcels. To date, the District has not placed any delinquencies and penalties of its customers on the County tax roll.

## **THE WATER SYSTEM**

### **Overview**

The District as of October 22, 2021 provided approximately 7,488 water service connections with a mixture of urban and rural land uses with a projected growth rate of 0.62 percent per year. These land uses include urban development areas, a commercial town center, rural areas and undeveloped forest and timberland. The District has mostly residential dwellings served by a small commercial urban area. There is a U.S. Coast Guard Air Station, Federal Courthouse, and a Regional Airport within the service area. The urban and residential areas of the District have been gradually filling in over the past 20 years. The District's service area is not expected to expand beyond the current service area boundary due to the terrain and geography of the area. There are a limited number of vacant parcels within the service area. The development of these parcels is not expected to have impacts on the local water resources or climate considerations. Currently there are no plans for expansion of the service area, the annexation of additional customers, or plans for substantive industrial development within the service area.

The District purchases its wholesale water supply from the Humboldt Bay Municipal Water District, which diverts water from its million-gallon tank on Essex Hill under the Mad River to the District's Grant A. Ramey Pump Station at North Bank and Azalea Roads. Water is then pumped to storage tanks at McCluski Hill, Cochran Road and Norton Road. See "-Water System Supply – Humboldt Bay Municipal Water District" below. The District's six storage tanks have a combined capacity of 5.25 million gallons, approximately a 36-hour supply for the approximately 7,488 water customers.

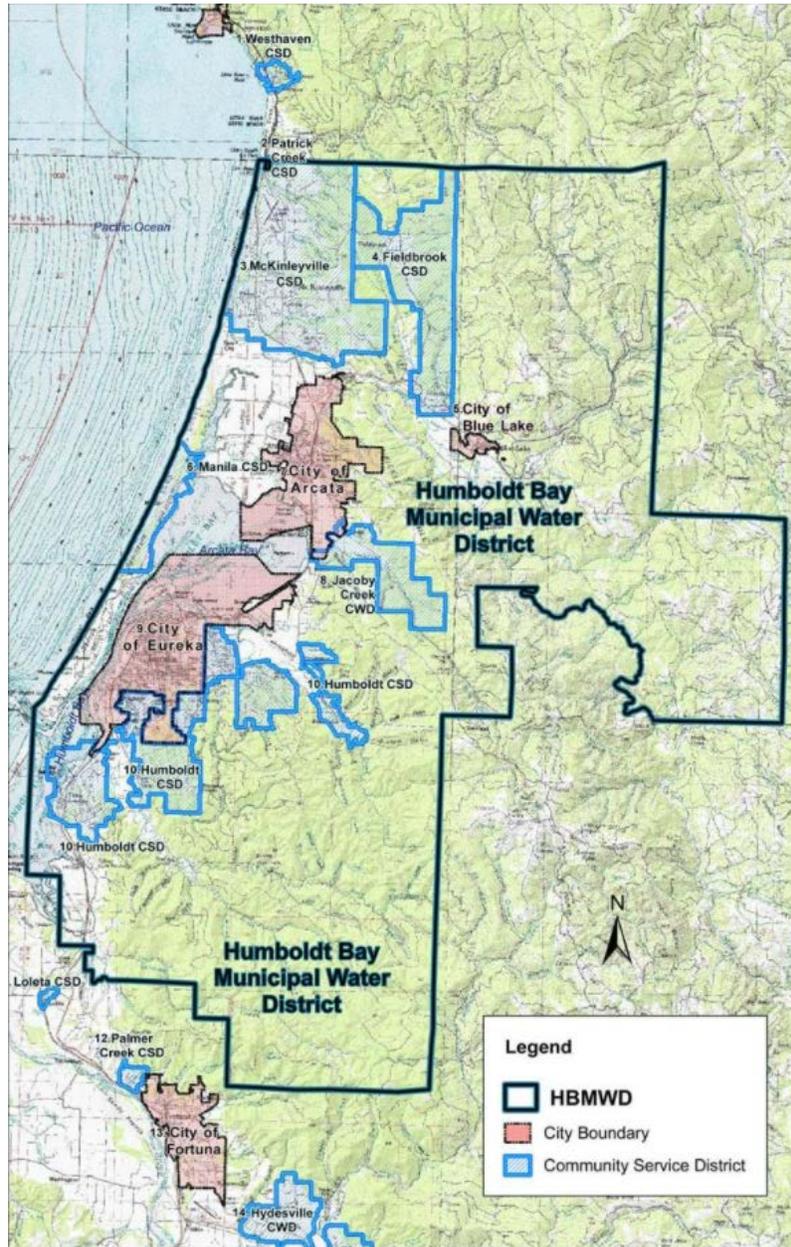
The District has four pressure zones and the primary facilities comprising the Water System, as of June 30, 2021, included six storage tanks with a total capacity of approximately 5.25 million gallons, three booster stations to move water to different elevations and approximately 91 miles of water transmission and distribution mains, and related control and telemetering systems.

Approximately 84% of District total water demand, currently approximately 450 MG per year, is from residential users, and substantially all of the District's customers are billed based on individually metered water usage. Based on projected build-out, the anticipated total water system demand is estimated to be 541 acre-feet a year, by year 2040.

### **Water System Supply - Humboldt Bay Municipal Water District**

The Humboldt Bay Municipal Water District (the "HBMWD") operates a regional water system and provides service at the wholesale level. Since the early 1960s, the District has reliably supplied water to customers in the greater Humboldt Bay area of Humboldt County, California. HBMWD provides treated, potable water for domestic and business use to seven municipalities (wholesale customers), as well as approximately 200 retail customers. HBMWD is the sole source of Water for the District.

The graphic below depicts the Retail Services Map for the HBMWD which includes the District.



As a result of changes in customers and water demands, HBMWD anticipates having more than enough water supply to serve existing and future customers, even during drought years. Our source of water, Ruth Lake reservoir has filled multiple times during drought years and supplies a consistent, reliable source of water, thereby reducing any challenges to water supply availability. Ruth Lake reservoir impounds only about 3% of the watershed and fills at a very rapid rate in normal rainfall years. Approximately 11 MGD is delivered to the municipal/district customers and entitlement is limited by actions taken during water shortage emergencies. Of the delivered water, a peak flow rate of 2.6 MGD is committed to serve the District's customers.

HBMWD operates two separate and distinct water systems: a domestic water system which supplies treated drinking water; and an industrial system which supplies untreated raw water to large industrial users for industrial purposes. HBMWD's system consists of the following facilities:

- R. W. Matthews Dam which forms Ruth Reservoir in southern Trinity County
- Gosselin Hydro-Electric Power House at Matthews Dam
- Diversion, pumping and control facilities adjacent to the Mad River near Essex at the John R. Winzler Operations and Control Center
- Storage and treatment facilities
- Two separate and distinct pipeline systems which deliver treated drinking water or untreated raw water to HBMWD's customers.

R. W. Matthews Dam impounds runoff from the upper quarter of the Mad River basin, an area of approximately 121 square miles. The capacity of Ruth Reservoir, impounded by Matthews Dam, is 48,030 acre-feet.

A portion of the water stored in Ruth Lake is released each summer and fall to satisfy HBMWD's downstream diversion requirements, as well as maintain minimum bypass flow requirements in the Mad River below Essex. Although HBMWD impounds water at Ruth Lake and diverts water at Essex, the operations do not significantly affect the natural flow regime in the Mad River. There are several reasons for this, described as follows.

The total volume of water impounded and diverted by HBMWD represents a small percentage of the natural yield of the Mad River watershed. The Mad River's average annual discharge into the Pacific Ocean is just over 1,000,000 AF. Ruth Reservoir, in its entirety, represents less than 5% of the total average annual runoff from the Mad River basin. The total 48,030 AF capacity of Ruth Reservoir is not drawn down each year, so the amount of winter-season runoff captured in the reservoir is yet a smaller percentage of the total runoff. With respect to diversions, the current withdrawal rate at Essex averages 10 million gallons per day (11,000 AF per year), which is only 1% of the total annual average runoff of the Mad River watershed. This diversion is accomplished by extracting river water from the underlying aquifer via Ranney Collectors. In the winter months, additional filtration is provided by an in-line filtration facility. The full diversion capacity of 75 MGD (84,000 AF per year) is just 8% of the total annual average runoff of the watershed. The balance of the capacity above that diverted via the Ranney Collectors can be pumped from a screened surface diversion, also at Essex.

***Climate Change.*** HBMWD's dam, reservoir and diversion facilities are not at risk due to factors associated with climate change – sea level rise or changes in precipitation intensity. Water supplies could be affected by changing precipitation patterns. However, predictions of precipitation pattern changes associated with global circulation models project that the Pacific Northwest (including the North Coast of California) will receive increased rainfall, while the Southwestern U.S., including Southern California, will likely become drier. In an analysis completed in 2015, HBMWD identified a water supply delivery level of at least 36 MGD (Compared to the 10 MGD delivered in 2015) would be sustainable even under continuous hydrologic conditions similar to those experienced in the 1976-77 drought, which is the drought of record for the area. Even this result is a conservative assessment, as it also assumes that diversions are directly at Ruth Dam, rather than 75 miles downstream at Essex, where intervening accretions in river flow would provide even more water supply available for diversion.

**Wholesale Water Contracts.** The HBMWD is primarily a wholesale water provider. The HBMWD has long-term contracts with its wholesale customers that govern wholesale rates, charges and conditions of service. The District has twenty-year contracts, effective July 1, 2017, in place with the following wholesale municipal customers: City of Arcata, City of Blue Lake, City of Eureka, Fieldbrooke-Glendale Community Services District, Humboldt Community Services District, Manila Community Services District and the District. See “-District Contract with HBMWD for Wholesale Supply of Municipal Water” below.

All operating, maintenance and capital costs associated with the regional water system are paid for by the wholesale customers. The rate structure is based on “Price Factor” formulas which allocate, in proportional shares, the operating, maintenance and capital costs of the District to each of the wholesale customers. Municipal customers are billed monthly for water usage based on their share of such operating, maintenance and capital costs.

The following table sets forth the Annual Supply and Demand Projections for the District which is supplied by HBMWD.

**TABLE I**  
**McKinleyville Community Services District**  
**Annual Supply and Demand Projections**

	<b>2025</b>	<b>2030</b>	<b>2035</b>	<b>2040</b>
Water Source Supply (MG)	949	949	949	949
Projected District Demand (MG)	471	492	517	541

Source: McKinleyville Community Services District 2020 Urban Water Management Plan adopted by the Board on August 4, 2021

**District Contract with HBMWD for Wholesale Supply of Municipal Water.** The District and HBMWD entered into a Contract for Supply of Municipal Water, dated as of July 1, 2017 (the “Water Supply Contract”). The Water Supply Contract provides for wholesale water service to the District as a customer of HBMWD. The Water Supply Contract took effect on July 1, 2017 and remains in effect until June 30, 2037. The District has the right to extend the term of the Water Supply Contract for an additional period of up to ten (10) years, to and including June 30, 2047. The District shall give notice in writing of its exercise of this option no later than December 31, 2036.

During the term of the Water Supply Contract, the HBMWD agrees to provide water to the District and the District agrees to purchase water in accordance with the terms and conditions of such contract as well as the Humboldt Bay Municipal Water District Ordinance 16 for Establishing Rates, Charges and Conditions of Service for Water Sales to Municipal Water Customers (the “HBMWD Ordinance 16”) incorporated therein.

HBMWD Ordinance 16 provides for and establishes the rates, charges and conditions of service for water sales to the District until June 30, 2037 or such later date as the Water Supply Contract may terminate. Such ordinance outlines the price factors as well as revenue credits applicable to customers of HBMWD. The price factor amounts charged to the District contains a fair share portion of the costs of operation, maintenance, repair and replacement of the water facilities of HBMWD as well as the fair share portion of the costs of construction, operation, maintenance, repair and replacement of the water treatment facilities of HBMWD.

## Summary of Operations

The District provides potable water to the following water use sectors: single-family residential, multi-family residential, commercial, sales/transfers to another agency, institutional and government, bulk water sales, and landscape water. The District does not sell raw or recycled water to customers. The 2020 Average Daily Demand (“ADD”) for the entire District Water System was 1.42 MG, the Maximum Daily Demand is 2.52 MG. The current ADD is not expected to increase much over the next ten years due to the District being close to full build out.

The District establishes water use restrictions and prohibitions to be implemented during times of declared water shortages or declared water shortage emergencies. It has established six levels of response actions to be implemented in times of shortage, with increasing restrictions on water use in response to worsening drought conditions or decreasing available supplies. While droughts in the Humboldt Bay area have not resulted in the level of water supply shortfalls that other areas of California routinely experience, voluntary water rationing measures were previously implemented in January 2014.

The drought of 1976-1977 was the only declared water emergency on the north coast. During that event, Ruth Lake storage was 52% of normal average volume and rainfall in the Ruth Lake area was 42% of historical average. The drought came to an end with heavy rains during November 1977. Even during this drought, the District did not experience water supply restrictions and the District’s supplies were sufficient to meet normal demand without restrictions.

The District’s Urban Water Management Plan indicates that the driest three-year period was 1990, 1991, and 1992. During this period of time conditions requiring implementation of water shortage emergency did not exist, there were no restrictions on water supplied by the HBMWD as such District water supplies were sufficient to meet normal demand without restrictions.

Table II summarizes the operation of the Water System for the past six Fiscal Years.

**TABLE II**  
**McKinleyville Community Services District**  
**Water System**  
**Summary of Operations**  
**(as of June 30)**

	2016	2017	2018	2019	2020	2021
Treated Water Entitlement <sup>1,2</sup> (AF/DAY <sup>1</sup> )	29.1	29.1	29.1	29.1	29.1	29.1
Potable Water Sold <sup>1</sup>	1,210	1,195	1,257	1,177	1,315	1,424
Number of Service Connections: <sup>3</sup>						
Residential	5,324	5,349	5,400	5,428	5,457	5,505
Commercial	<u>253</u>	<u>250</u>	<u>244</u>	<u>247</u>	<u>248</u>	<u>248</u>
Total Number of Service Connections	5,577	5,599	5,644	5,675	5,705	5,753
Population <sup>4</sup>	15,543	15,636	15,729	15,823	15,918	16,262
Cost of HBMWD Water \$/a-f	\$606.04	\$610.40	\$688.88	\$693.24	\$706.32	\$736.84

<sup>1</sup> In acre-feet.

<sup>2</sup> May not be equal to the Purveyor’s actual water deliveries from Humboldt Bay Municipal Water District.

<sup>3</sup> Excludes temporary meters.

<sup>4</sup> Estimated; 2020 population source Census Bureau.

Source: McKinleyville Community Services District.

## Water Demand and Deliveries

The Water System records the volume of water delivered by it. Over the past 10 years, the Water System has delivered, on average, 450 MG per fiscal year of potable water. The average daily demand is approximately 1.42 MG.

Table III summarizes treated water deliveries for the most recent 10 Fiscal Years and the projection for Fiscal Year 2021–22.

**TABLE III**  
**McKinleyville Community Services District**  
**Water System Delivery**  
**(Fiscal Year 2012–22)**

Fiscal Year (as of June 30)	Total of Delivered <sup>2</sup>
2012	1,528
2013	1,372
2014	1,240
2015	1,372
2016	1,210
2017	1,195
2018	1,257
2019	1,177
2020	1,315
2021	1,424
2022 <sup>1</sup>	1,438

<sup>1</sup> Projected

Source: McKinleyville Community Services District.

See Table VI herein for a description of historical water sales. The District estimates that potable water delivered for the current Fiscal Year will be approximately 450 MG and based on projected build-out within the District boundaries, the District anticipates that total water system demand is estimated to be 541 MG per year, beginning in Fiscal Year 2040.

## Water System Rates and Charges

**General.** The District periodically reviews water rates to determine if they are sufficient to cover operation and maintenance costs, capital improvement expenditures and debt service requirements. Neither the District nor the Water System is subject to the jurisdiction of, or regulation by, the CPUC or any other regulatory body in connection with the establishment of charges and fees related to the Water System.

The monthly charge for water service to a customer is calculated by adding (a) a fixed monthly charge based on the size of the customer’s water meter, (b) a consumption charge based on the amount of water consumed by the customer and (c) a “pass through” charge based on the amount of water consumed by the customer. The pass-through charge is the wholesale rate charged by Humboldt Bay Municipal Water District to the District, expressed on a per Hundred Cubic Feet (“hcf”) basis. Effective January 1, 2019, the pass-through charge is \$1.59 per hcf. The pass-through charge is automatically adjusted each time a change in the wholesale cost becomes effective. The current service charges recover the water district’s fixed costs and the current quantity charges recover the variable costs.

New customers must pay a connection fee at the time a building permit is issued, or when a developer's water construction plans for a housing tract are approved by the District. The fees vary depending on the size of meter needed to serve the property.

Table IV presents the historical and current schedule of water rates and charges of the District effective April 1 of the years shown. The water rates were initially increased in 2018 pursuant to a cost of water service analysis prepared by Willdan Financial Services in September 2018 and the District's water rates have increased each fiscal year thereafter. The water rate adjustments reflect cost of water increases due to water system maintenance and operation costs and other supply costs passed on by HBMWD, over which the District has no control.

**2018 Rate Study.** In 2018, the District commissioned Willdan Financial Services to prepare a rate study for the Water System. The rate study was provided in September 2018, and recommended rates for the Water System to provide adequate funding through Fiscal Year 2022–23. An additional rate study will be completed and finalized in 2023.

Pursuant to Board of Directors action taken on November 7, 2018, the District adopted the following water rates:

**TABLE IV**  
**McKinleyville Community Services District**  
**Water System**  
**Rates and Charges**  
**(Fiscal Years 2018–19 through 2022–23)**

Meter Size	Monthly Readiness-To-Serve Charge*				
	2018–19 Minimum Charge	2019–20 Minimum Charge	2020–21 Minimum Charge	2021–22 Minimum Charge	2022–23 Minimum Charge
5/8"	\$ 16.47	\$ 17.62	\$ 18.68	\$ 19.80	\$ 20.39
3/4"	22.23	24.49	26.71	29.11	30.59
1"	33.60	38.06	42.59	47.52	50.98
1½"	62.09	71.89	82.01	93.06	101.95
2"	96.35	112.59	129.45	147.91	163.12
3"	1,79.52	214.61	251.43	291.85	326.24
4"	2,90.53	343.59	399.00	459.76	509.75
6"	5,75.46	682.07	793.53	915.75	1,019.50
8"	9,17.71	1,088.92	1,268.00	1,464.41	1,631.20
	Quantity Rates (Per 100 cubic feet)				
	2018–19	2019–20	2020–21	2021–22	2022–23
Quantity Rate (0-8 CF)	\$1.57	\$1.68	\$1.78	\$1.89	\$1.95
Quantity Rate (8+ CF)	3.93	4.20	4.45	4.73	4.88
	Pass-Through Charge				
Pass-Through Charge (per 100 CF)	1.58	1.64	1.71	1.78	1.85

\* Monthly readiness-to-serve charge is applied to all services and any quantity of water used is an additional charge computed at the quantity rate.  
Source: McKinleyville Community Services District

**District Policy Regarding Water Rates.** The District typically conducts a review of user charges in the water funds at least every five years. The purpose of the periodic water rate reviews is to set these

charges at a level that fully supports the total direct and indirect cost of the service the District is providing to its residents. The fee policy assures the enterprise continues to be financially self-sufficient, maintains adequate reserves, and adequately funds capital replacement and improvement projects. The District plans to update its capital improvement and capital replacement program every five years. The District expects to commence a review of its water rates in Fiscal Year 2022 to determine if a water rate increase is necessary. No assurances can be given that such review will result in an increase in existing water rates.

The following table set forth the comparison of Water System rates to other neighboring utility systems.

**Water System  
Rate Comparison With Neighboring Utility Systems**

<b>Utility System<sup>2</sup></b>	<b>Water Rates<sup>1</sup></b>
City of Arcata	\$66.56
Humboldt CSD	59.02
City of Eureka	51.05
Manila CSD	49.42
City of Redding	34.83
<b>McKinleyville CSD</b>	<b>33.01</b>
Crescent City	30.40
City of Red Bluff	21.38

<sup>1</sup> Assumes an inside-City single-family residential customer with a 5/8 x 3/4-inch water meter using 6,000 gallons of combined service per month.

<sup>2</sup> Based on rate information reported by the respective utility systems or as provided by the South Carolina Budget and Control Board, Office of Local Government.

Source: McKinleyville Community Services District.

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## Historic Delinquent Collections

Table V shows the District's delinquent collections for the Water System for Fiscal Year ended 2015 through 2021 (unaudited).

**TABLE V**  
**McKinleyville Community Services District**  
**[Water System Delinquent Collections]**  
**(Fiscal Year 2012–22)**

<b>Fiscal Year (as of June 30)</b>	<b>[Delinquent Collections]<sup>2</sup></b>	<b>Percentage of Water Sales</b>
2015	\$ 4,939	0.17%
2016	5,963	0.20
2017	5,601	0.17
2018	5,152	0.16
2019	4,637	0.14
2020	12,497	0.34
2021 <sup>1</sup>	12,589	0.31

<sup>1</sup> Unaudited

<sup>2</sup> Delinquent Collections consists of customer balances that have been sent to collections and have not yet been collected by the District.

Source: McKinleyville Community Services District.

## Historic Water Sales Gross Revenues

Table VI shows the District's annual Water System Gross Revenues for the six most recent Fiscal Years, excerpted from the District's audited financial statements.

**TABLE VI**  
**McKinleyville Community Services District**  
**Water System Historic Water Sales Gross Revenues**  
**(as of June 30)**

<b>Fiscal Year (Ended June 30)</b>	<b>Water Revenue</b>	<b>% Change</b>
2016	\$3,648,905	(11.4)%
2017	3,601,020	(1.31)
2018	3,618,085	0.47
2019	3,893,989	8.82
2020	4,318,467	1.39
2021*	4,626,454	7.13

\* Unaudited.

Source: McKinleyville Community Services District

**Service Connections**

Service connections in the Water System range in diameter from five-eighths inch to eight inches. All water production and consumption is metered. Table VII presents a summary of service connections for the Fiscal Years ended 2017 through 2021. The District estimates that connections will increase by approximately 4% each year for the next four years.

**TABLE VII  
McKinleyville Community Services District  
Water System  
Water Service Connections**

<b>Fiscal Year Ending June 30</b>	<b>Residential Connections</b>	<b>Commercial Connections</b>
2017	5,349	250
2018	5,400	244
2019	5,428	247
2020	5,457	248
2021	5,505	248

Source: McKinleyville Community Services District

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## Principal Customers

The following customers set forth in Table VIII are the 10 largest potable water customers of the Water System based on estimated consumption as of June 30, 2021. The top 10 potable water users accounted for approximately 6.22% of total water consumption in Fiscal Year 2020–21 and 2.25% of total water revenues in Fiscal Year 2020-21.

**TABLE VIII**  
**McKinleyville Community Services District**  
**Water System**  
**Ten Largest Customers**  
**(as of June 30, 2021)**

Customer	Customer Class	Fiscal Year 2020–21 Consumption <sup>1</sup>	Percent of Total <sup>2</sup>	Fiscal Year 2020–21 Revenues	Percent of Total <sup>3</sup>
CUSTOMER NO. 1	RESIDENTIAL	9,299	1.71%	\$34,926.21	0.75%
CUSTOMER NO. 2	RESIDENTIAL	6,129	1.13	22,525.98	0.04
CUSTOMER NO. 3	RESIDENTIAL	3,355	0.62	12,270.48	0.26
CUSTOMER NO. 4	REDISIDENTIAL	2,985	0.55	11,108.46	0.24
CUSTOMER NO. 5	RESIDENTIAL	2,366	0.43	\$8,671.83	0.19
CUSTOMER NO. 6	RESIDENTIAL	2,146	0.39	\$7,904.64	0.17
CUSTOMER NO. 7	COMMERCIAL	2,052	0.37	\$7,407.00	0.16
CUSTOMER NO. 8	RESIDENTIAL	1,920	0.35	\$6,821.43	0.15
CUSTOMER NO. 9	COMMERCIAL	1,892	0.34	\$6,745.50	0.15
CUSTOMER NO. 10	COMMERCIAL	<u>1,864</u>	<u>0.33</u>	<u>\$6,686.52</u>	<u>0.14</u>
Totals		34,008	6.22%	\$125,128.05	2.25%

<sup>1</sup> In centum cubic feet (100 cubic feet).

<sup>2</sup> Based on total of approximately 556,929 centum cubic feet delivered in Fiscal Year 2020–21 (estimated).

<sup>3</sup> Based on total Fiscal Year 2020–21 water sale revenues of approximately \$4,626,454.

Source: McKinleyville Community Services District

## Outstanding Water System Indebtedness

**ARRA Loan.** In 2011, the District entered into a loan agreement with the California Energy Resources Conservation and Development Commission for the purpose of financing water system improvements. The loan amount totaled \$165,100 and bears an interest rate of 1.00% per annum. Semi-annual principal and interest payments are \$6,225 and are due June and December of each year. Such loan matures in 2028.

**Davis-Grunsky Act Loan.** In 1971, the District entered into a loan agreement with the State of California for a construction loan to finance improvements to the District’s Water System. The loan amount was not to exceed \$3,673,000 and bears an interest rate of 2.50% per annum. Annual payment of principal is due January of each year and semi-annual payments of interest are due January and July of each year. The terms of the loan agreement defers payment of interest for the first 10 years with such interest to be repaid over the remaining 50 years of the loan. The District was required to establish a reserve fund in an amount specified by the State. The District is subject to levy taxes or special assessments to repay the loan should it not have sufficient resources available to make the scheduled payments. Such loan maturity in 2033.

***I-Bank Loan.*** In 2012, the District entered into a loan agreement with the California Infrastructure and Economic Development Bank for the purpose of financing improvements to its water system. The loan amount totaled \$956,034 and bears interest at a rate of 3.37% per annum. Annual payments of principal are due August of each year and semi-annual payments of interest are due February and August of each year. Repayment is to continue through August 2030. The loan is secured by a pledge of and lien on the Water System Net Revenues, subject and subordinate to any lien securing senior debt.

**Capital Improvement Plan**

***General.*** The District is continually making improvements to the Water System to maintain operations, accommodate new connections, and maintain compliance with all currently known federal and State mandates. In addition, the District has been progressing its plans related to systematically replacing its 50-year old water and sewer infrastructure. The current rate structure has been established to set aside \$1 million in water fees and \$1 million in sewer fees to go toward this systematic replacement. The District has also been aggressively pursuing grant funds to replace specific components of the system including the existing mainline connection to HBMWD and the water storage tanks.

Additionally, the District is in the process of completing a master planning effort for the water distribution system. The master planning effort includes an analysis of all of the pipelines, service laterals, blow-off assemblies, and valves (including isolation, air release, and pressure reducing valves) in the District’s water distribution system. The majority of the system was installed in 1973 and the master planning effort is geared toward the assessment of the existing system pipes and pump stations, identifying areas of near-term concern, and plan for the replacement of the identified sections of the mains and pump stations. The initial assessment phases, Phase 1 & 2 of the master plan have been completed. The final Phase 3 master plan containing all the prioritization and final recommendations is due to be completed in early 2022. The District has begun putting away funds dedicated to the water system upgrades starting in 2019. The water main replacements in Central Avenue were identified as a priority in Phase 1 of the Master Planning effort.

***Current CIP.*** The District anticipates funding the Water System CIP through connection fees received for new connections to the Water System and through water system revenues. The following are major Water System improvements anticipated over the next 10 years. As discussed in the previous paragraph, a water master plan is currently being finalized for the District and such plan may identify additional improvements needed for the District’s Water System.

<b>Proposed Improvement</b>	<b>Estimated Cost</b>
New 4.5MG Storage Tank	\$12,300,00
Replacement of Central Ave Water Mains	2,000,000
Painting of Existing Water Storage Tanks	1,000,000
Ramey Pump Station Upgrades	230,000
Install Redundant Connection to HMWD	3,000,000
Digital Control & Telemetry Upgrades	1,000,000
McCluski Tank Replacement	1,000,000

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## Water System Historical Debt Service Coverage

The following table shows revenues, expenses and debt service coverage for the Water System for the prior four fiscal years, based on the District's audited financial statements for 2016-17 through 2019-20 and unaudited for 2020-21. **[DISTRICT UPDATE 2016-17 and CONFIRM OTHER NUMBERS]**

	<b>Audited 2016-17</b>	<b>Audited 2017-18</b>	<b>Audited 2018-19</b>	<b>Audited 2019-20</b>	<b>Unaudited 2020-21</b>
<b>OPERATING REVENUES:</b>					
Water Sales		\$ 3,201,667	\$3,333,250	\$3,689,722	\$4,101,709
Other Water Revenues		<u>416,418</u>	<u>560,739</u>	<u>628,746</u>	<u>524,745</u>
Total Operating Revenues		\$ 3,618,085	\$3,893,989	\$4,318,467	\$4,626,454
<b>OPERATING EXPENSES<sup>1</sup></b>					
Salaries & Benefits		\$ 873,905	\$ 793,755	\$ 884,086	\$ 892,037
Water Cost		867,122	1,056,472	1,094,722	1,155,738
Other Expenses		562,998	610,340	700,340	728,367
Total Operating Expenses		<u>2,304,025</u>	<u>2,460,567</u>	<u>2,679,148</u>	<u>2,776,142</u>
<b>NET REVENUES:</b>		<b>\$ 1,314,060</b>	<b>\$1,433,422</b>	<b>\$1,639,320</b>	<b>\$1,850,312</b>
<b>DEBT SERVICE:</b>					
ARRA Loan		\$ 12,451	\$ 12,451	\$ 12,390	\$ 12,390
Davis Grunsky Loan		141,278	141,278	141,278	141,278
I-Bank Loan		<u>70,498</u>	<u>70,343</u>	<u>70,183</u>	<u>70,018</u>
Total Debt Service		\$ 224,227	\$ 224,072	\$ 223,912	\$ 223,686
<b>DEBT SERVICE COVERAGE</b>		5.86x	6.40x	7.32x	8.27x

Source: District Audited Financial Statements for fiscal years 2016-17 through 2019-20. The District for unaudited fiscal year 2020-21 figures.

1. Excludes non-cash items (such as depreciation) and capital expenses.

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## Water System Projected Debt Service Coverage

The following table shows revenues, expenses and debt service coverage for the Water System projected for the next five years.

	Projected <sup>2</sup> 2021–22	Projected 2022–23	Projected 2023–24	Projected 2024–25	Projected 2025–26
<b>OPERATING REVENUES<sup>1</sup></b>					
Water Sales	\$4,190,549				
Other Water Revenues	<u>1,934,719</u>				
Total Operating Revenues	\$6,125,268				
<b>OPERATING EXPENSES<sup>3</sup></b>					
Salaries & Benefits	\$1,105,152				
Water Cost	1,154,476				
Other Expenses	<u>865,196</u>				
Total Operating Expenses	<u>\$3,124,824</u>				
<b>NET REVENUES:</b>	<b>\$3,000,444</b>				
<b>DEBT SERVICE:</b>					
ARRA Loan	\$ 12,390				
Davis Grunsky Loan	141,278				
I-Bank Loan	69,848				
2021 Installment Payments	<u>17,828</u>				
Total Debt Service	\$ 241,344				
<b>DEBT SERVICE COVERAGE</b>	12.43x				

1. Projected Operating Revenues assume no growth.

2. Source: Budget for Fiscal Year Ending June 30, 2022.

3. Projected Operating Expenses are assumed to increase at 3.0% per year.

## THE WASTEWATER SYSTEM

### Overview

In 1978, the District worked with the County to form an assessment district to fund the construction of a sewer collection system for a four-thousand-acre area running from McCluski Hill on the south to Airport Road on the North. Initially, the District collected wastewater from 1,600 customers and pumped it to Arcata, California for treatment. In 1983, the District secured grant funding and a low interest loan to construct the District’s own treatment facility for wastewater treatment (the “Wastewater Management Facility”). The Wastewater System collects wastewater throughout the service area, which is primarily residential and as of October 22, 2021 provided approximately 6,600 wastewater connections all of which are treated at the Wastewater Management Facility.

All wastewater for the District’s customers is treated at the Wastewater Management Facility at Hiller Park. The District maintains approximately 73 miles of sewer mains, five sewer lift stations and treats and recycles an annual flow of just over 1 MG. The recycled wastewater is used for agricultural irrigation at the Fischer and Pialorsi Irrigation Sites. With a major upgrade of the Wastewater Management Facility completed in 2019, the District is committed to maintaining its sewage collection, treatment and disposal systems as a model for other communities. The upgrade is detailed below and was designed to allow for treatment of projected flows through 2030.

The Wastewater System sets uniform requirements for the discharge into the wastewater collection and treatment system and enables the District to comply with the administrative provisions of the Clean

Water Grant Regulations, the water quality requirements set by the Regional Water Quality Control Board and the applicable effluent limitations, national standards of performance, toxic and pre-treatment effluent standards and other discharge criteria which are required or authorized by State or Federal law and to derive the maximum public benefit by regulating the quality and quantity of the wastewater discharge. The District meets or exceeds all permit requirements established in its existing National Pollution Discharge Elimination System. The permit was adopted on November 1, 2018 and is anticipated to be renewed by November 1, 2023.

### **Wastewater Management Facility**

The District's Wastewater Management Facilities are located on a 68.4 acre parcel, with approximately 34 acres presently being used for the treatment facilities, an 18-acre wooded buffer, and 16 acre open parcel to the south. In addition, there is a public access nature trail contained within the wooded buffer zone that is 1.5 miles long.

Treated wastewater is discharged to the Mad River during winter months when the river flow rate surpasses 200 cfs (cubic feet per second). During summer months (May 15 through September 30) and low flow periods of the Mad River, treated wastewater is discharged into two percolation ponds located adjacent to the river and is irrigated on dairy pastures in southwest McKinleyville. The irrigated areas include 80 acres of the Fischer Irrigation Site (at the corner of Fischer Road and School Road) and 93 acres at the East and West Pialorsi Ranch site (east and west of Fischer Road).

### **Wastewater System Rates and Charges**

**General.** The District's rates and charges are established by the Board and are not subject to review or approval by any other agency. The District's rates and are adopted consistent with Proposition 218 and all other applicable law. See "CERTAIN RISK FACTORS—Articles XIIC and XIID of the California Constitution" herein for a discussion of the treatment of the District's rates and charges in light of Proposition 218, Proposition 26 and other applicable law.

**2018 Rate Study.** In 2018, the District commissioned Willdan Financial Services to prepare a rate study for the Wastewater System. The rate study was provided in September 2018, and recommended rates for the Wastewater System to provide adequate funding through Fiscal Year 2022–23.

**Current and Projected Sewer Service Rates.** Each connection to the Wastewater System pays a monthly fixed fee and a variable rate based upon volume of water consumed. No residential customer is charged for in excess of 12 HCF of water consumption in a month, regardless of the actual amount of water consumed.

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The current rates adopted by the Board for the Wastewater System, [which include annual rate increases effective through July 1, 2024], are set forth in the following table

**TABLE IX**  
**McKinleyville Community Services District**  
**Current and Projected Monthly Sewer Service Rates**  
**(fiscal years 2020–21 through 2025–26)**

Effective date:	7/1/2021	7/1/2022	7/1/2023	7/1/2024	7/1/2025	7/1/2026
<b>Monthly Base Charge</b>						
All Customers	\$34.59	\$35.63				
<b>Volumetric Per 100 CF</b>						
For Single-Family Dwelling Equivalent	\$2.89	\$2.98				

Source: McKinleyville Community Services District

**Connection Fees.** New development in the District’s service area that connects to the Wastewater System is responsible for water and wastewater connection charges. The connection charge is based upon what the share of the cost of said sewer main and facilities of the connecting property would have been had it been assessed in said proceedings, using the same formula as used in the assessment district for determining the assessment.

The following table set forth the comparison of Wastewater System rates to other neighboring utility systems.

**Wastewater System**  
**Rate Comparison With Neighboring Utility Systems**

Utility System <sup>2</sup>	Wastewater Rates <sup>1</sup>
City of Eureka	\$97.72
City of Arcata	96.03
Crescent City	72.21
Humboldt CSD	71.01
City of Redding	59.33
<b>McKinleyville CSD</b>	<b>56.12</b>
Manila CSD	44.13
City of Red Bluff	34.00

<sup>1</sup> Assumes an inside-City single-family residential customer with a 5/8 x 3/4-inch water meter using 6,000 gallons of combined service per month.

<sup>2</sup> Based on rate information reported by the respective utility systems or as provided by the South Carolina Budget and Control Board, Office of Local Government.

Source: McKinleyville Community Services District.

**Collection Procedures**

The District bills each customer for wastewater service on the same bill as for the Water System. In the event of collecting delinquencies, the District may provide for the collection of all such delinquent charges that have not been paid and collected at the time of establishing its tax rate, upon the tax rule which District taxes are collected and in the same manner provided by law therefore. See “THE DISTRICT—Billing and Collection Procedures,” above, for more details.

**Historic Delinquent Collections**

Table X shows the District’s delinquent collections for the Wastewater System for Fiscal Year ended 2015 through 2021 (unaudited).

**TABLE X**  
**McKinleyville Community Services District**  
**[Wastewater System Delinquent Collections]**  
**(Fiscal Year 2012–22)**

Fiscal Year (as of June 30)	[Delinquent Collections]	Percentage of Wastewater Sales
2015	\$ 4,765	0.23%
2016	5,892	0.23
2017	5,593	0.18
2018	5,291	0.16
2019	4,573	0.12
2020	12,300	0.33
2021 <sup>1</sup>	16,956	0.43

<sup>1</sup> Unaudited

Source: McKinleyville Community Services District.

**Historic Wastewater Sales Revenues**

Table XI shows the District’s annual Water System Gross Revenues for the six most recent Fiscal Years, excerpted from the District’s audited financial statements.

**[DISTRICT PLS UPDATE TABLE BELOW]**

**TABLE XI**  
**McKinleyville Community Services District**  
**Wastewater System Historic Wastewater Sales Gross Revenues**  
**(as of June 30)**

Fiscal Year (Ended June 30)	Wastewater Revenue	% Change
2016	\$	
2017		
2018		
2019		
2020		
2021*		

\* Unaudited.

Source: McKinleyville Community Services District

**Service Connections**

The following table shows the number of connections to the Wastewater System for the most recent five years.

**TABLE XII  
McKinleyville Community Services District  
Wastewater System  
Wastewater Connections**

<b>Fiscal Year Ending June 30</b>	<b>Connections</b>
2017	5,470
2018	5,535
2019	5,484
2020	5,529
2021	5,553

Source: McKinleyville Community Services District  
SFD Eq. = Single-Family Dwelling Equivalent

**Principal Customers**

The District’s wastewater customer base is comprised of approximately 6,363 residential customers and approximately 238 non-residential customers. Most customers pay similar bill amounts. The following tables show the top ten wastewater customers by amounts charged for Fiscal Year 2020-21.

**TABLE XIII  
McKinleyville Community Services District  
Wastewater System  
Ten Largest Customers**

<b>Customer</b>	<b>Customer Class</b>	<b>Annual Charge Fiscal Year 2020- 2021</b>	<b>Percent of Total<sup>1</sup></b>
CUSTOMER NO. 1	RESIDENTIAL	\$48,191.31	1.15%
CUSTOMER NO. 2	COMMERCIAL	33,881.99	0.81
CUSTOMER NO. 3	RESIDENTIAL	22,868.98	0.55
CUSTOMER NO. 4	RESIDENTIAL	21,298.03	0.50
CUSTOMER NO. 5	COMMERCIAL	18,823.02	0.45
CUSTOMER NO. 6	RESIDENTIAL	15,679.46	0.37
CUSTOMER NO. 7	RESIDENTIAL	14,918.70	0.35
CUSTOMER NO. 8	RESIDENTIAL	13,783.90	0.35
CUSTOMER NO. 9	RESIDENTIAL	13,696.94	0.33
CUSTOMER NO. 10	RESIDENTIAL	<u>12,036.00</u>	<u>0.28</u>
<b>TOTALS</b>		\$215,178.33	5.14%

<sup>1</sup>Based on total Fiscal Year 2020–21 wastewater revenues of approximately \$4,180,674.  
Source: McKinleyville Community Services District

## **Outstanding Wastewater System Indebtedness**

**USDA Revenue Bonds.** In 1982, the District issued the 1982 Sewer Revenue Bonds which were purchased by the Rural Development Division of the United States Department of Agriculture. Proceeds of the bonds were used to construct the District's wastewater system improvements. The bond amount totaled \$1,575,000 and bears an interest rate of 5.000% per annum. Semi-annual payments of principal and interest are due August and February of each year through August 2022, when the bond matures. The bond is payable from Wastewater System Net Revenues.

**State Revolving Fund Loans No. 3.** In 2015, the District entered into a loan agreement with the State Water Resources Control Board for the purpose of financing a wastewater management facility improvement project. The loan amount totaled \$15,569,506 and bears an interest rate of 1.60% per annum. Annual payment of principal and interest are due September of each year and continues through September 2048. The District is subject to levy taxes and assessments to repay the loan should it not have sufficient resources to make the scheduled payments.

**Pialorsi Property Loan.** On March 2020, the District entered into a loan agreement with JPMorgan Chase Bank, NA for the purpose of financing the acquisition of property to expand the District's ability to recycle reclaimed wastewater. The loan amount totaled \$1,508,500 and bears an interest rate of 1.90% per annum. Semiannual payments of principal and interest are payable from Wastewater System Net Revenues due March 8 and September 8 of each year and continues through March 8, 2035.

## **Capital Improvement Plan**

The District is continually making improvements to the Wastewater System to maintain operations, accommodate new connections, and maintain compliance with all currently known federal and State mandates. In addition, the District has been progressing its plans related to improvements and replacement of infrastructure through its CIP and Master Planning efforts.

**Master Planning.** The District completed a 20-year Wastewater Facilities Plan in January 2012 (the "Wastewater Facilities Plan"). The Wastewater Facilities Plan identified a series of upgrades to the District's existing wastewater treatment plant including portion of the effluent disposal system. The improvements will address the needs for the facility through the year 2030.

The District's Wastewater Facilities Plan finalized in January 2012, presented several treatment alternatives and recommended replacing the existing facultative lagoon system with an in-basin extended aeration system. The design for the extended aeration system and other systems was completed in 2015 and construction was completed in 2019. The major improvements include a new headworks facility; aeration basins; a blower/electrical/maintenance building; two new secondary clarifiers, including return activated sludge/waste activated sludge (RAS/WAS) pumping; and a biosolids storage basin. The treatment plant is designed to handle an average dry weather flow of 1.53 MGD and a Peak Daily flow of 3.08 MGD, which should be more than sufficient to handle District growth through 2030.

The District is also in the process of completing a master planning effort for the wastewater collection system. District maintains approximately 73 miles of sewer mains (including 1.7 miles of force mains) that convey water to the Wastewater Management Facility. The District also operates and maintains five sewer lift stations (Fischer Rd, B St, Letz Ln, Kelly Ave, and Hiller Rd lift stations). The Wastewater System was installed in 1978 and the master planning effort is geared toward the assessment of the existing system pipes and pump stations, identifying areas of near-term concern, and plan for the replacement of the identified sections of the sewer collection mains and pump stations. The initial assessment phases, Phase 1 & 2 of the master plan have been completed. The final Phase 3 master plan containing all the prioritization

and final recommendations is due to be completed in early 2022. The District has begun putting away funds dedicated to the sewer upgrades starting in 2019. The sewer main replacements in Central Avenue were identified as a priority in Phase 1 of the master planning effort.

**Current CIP.** The District anticipates funding the Wastewater System CIP through connection fees received for new connections to the Wastewater System and through Wastewater System revenues.

The following are major Wastewater System improvements anticipated over the next 10 years. A wastewater master plan is currently being developed for the District and such plan may identify additional improvements needed for the District’s Wastewater System.

<b>Proposed Improvement</b>	<b>Estimated Cost</b>
Replacement of Highway Sewer Crossings	\$8,800,000
Central Ave. Sewer Main Replacement	2,000,000
Alternative Disinfection Study	300,000
Sludge Disposal	240,000/year
B-Street Lift Station Upgrade	600,000
Fischer Lift Station Upgrade	1,000,000

### **Wastewater System Historical Debt Service Coverage**

The following table shows revenues, expenses and debt service coverage for the Wastewater System for the prior four fiscal years, based on the District’s audited financial statements for 2016-17 through 2019-20 and unaudited for 2020-21. **[DISTRICT UPDATE 2016-17 and CONFIRM OTHER NUMBERS]**

	<b>Audited 2016-17</b>	<b>Audited 2017-18</b>	<b>Audited 2018-19</b>	<b>Audited 2019-20</b>	<b>Unaudited 2020-21</b>
<b>OPERATING REVENUES:</b>					
Wastewater Service Charges		\$3,333,752	\$3,705,348	\$3,716,614	\$3,954,854
Other Wastewater Revenues		<u>667,985</u>	<u>1,095,942</u>	<u>1,024,698</u>	<u>1,185,726</u>
Total Operating Revenues		\$4,001,736	\$4,801,290	\$4,741,312	\$4,741,312
<b>OPERATING EXPENSES<sup>1</sup></b>					
Salaries & Benefits		\$1,040,516	\$991,199	\$1,040,090	\$1,168,414
Other Expenses		838,285	822,444	949,667	1,014,748
Total Operating Expenses		<u>1,878,801</u>	<u>1,813,643</u>	<u>1,989,757</u>	<u>2,049,450</u>
<b>NET REVENUES:</b>		<b>\$2,112,936</b>	<b>\$2,987,647</b>	<b>\$2,751,555</b>	<b>\$2,691,862</b>
<b>DEBT SERVICE:</b>					
State Revolving Fund Loan #2 (1998)		\$27,882	--	--	--
USDA Revenue Bonds (1982)		92,250	\$87,000	\$ 93,250	\$ 89,250
State Revolving Fund Loan #3 (2015)		--	435,807	663,032	663,032
2020 Installment Sale Agreement		--	--	--	110,553
2021 Installment Payments		--	--	--	--
Total Debt Service		<u>\$ 120,132</u>	<u>\$522,807</u>	<u>\$756,282</u>	<u>\$862,835</u>
<b>DEBT SERVICE COVERAGE</b>		17.58x	5.71x	3.64x	3.12x

Source: District Audited Financial Statements for fiscal years 2016-17 through 2019-20. The District for unaudited fiscal year 2020-21 figures.  
1. Excludes non-cash items (such as depreciation) and capital expenses.

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## Wastewater System Projected Debt Service Coverage

The following table shows revenues, expenses and debt service coverage for the Wastewater System projected for the next four years.

	Projected <sup>1</sup> 2021–22	Projected 2022–23	Projected 2023–24	Projected 2024–25	Projected 2025–26
<b>OPERATING REVENUES:</b>					
Wastewater Service Charges	\$4,181,750				
Other Wastewater Revenues	<u>2,226,119</u>				
Total Operating Revenues	\$4,741,312	\$4,741,312	\$4,741,312	\$4,741,312	\$4,741,312
<b>OPERATING EXPENSES<sup>2</sup></b>					
Salaries & Benefits	\$1,165,152				
Other Expenses	<u>1,124,806</u>				
Total Operating Expenses	\$2,110,933	\$2,174,261	\$2,239,489	\$2,306,674	
<b>NET REVENUES:</b>	<b>\$2,630,379</b>	<b>\$2,567,051</b>	<b>\$2,501,823</b>	<b>\$2,434,638</b>	
<b>DEBT SERVICE:</b>					
USDA Revenue Bonds (1982)	85,250	66,625			
State Revolving Fund Loan #3 (2015)	663,032	663,032	663,032		
2020 Installment Sale Agreement	116,447	116,333	116,388		
2021 Installment Payments	<u>\$ 151,409</u>	<u>\$ 251,200</u>	<u>\$ 251,400</u>		
Total Debt Service	1,016,137	1,097,190	\$1,030,820		
<b>DEBT SERVICE COVERAGE</b>	2.59	2.34	2.43		

1. Source: Budget for Fiscal Year Ending June 30, 2022.

2. Projected Operating Expenses from FY 2023-25 are assumed to increase at 3.0% per year.

## CERTAIN RISK FACTORS FOR THE CERTIFICATES

The following factors, along with all other information in this Official Statement, should be considered by potential investors in evaluating the Certificates. The discussion below does not purport to be, nor should it be construed to be, complete nor a summary of all factors which may affect the financial condition of the District, the District's ability to make the Installment Payments in the future or the effectiveness of any remedies that the Trustee may have. In addition, the order in which the following factors are presented is not intended to reflect the relative importance of any such risks.

No representation is made as to the future financial condition of the District. The ability of the District to make the Installment Payments may be adversely affected by its financial condition as of any particular time.

### Decreased Demand and Revenues

There can be no assurance that the local demand for water and wastewater service provided by the Enterprise, will be maintained at levels described in this Official Statement. Reduction in the level of demand could require an increase in rates or charges in order to produce Net Revenues sufficient to comply with the District's rate covenant in the Installment Purchase Contract. Such rate increases could increase the likelihood of nonpayment under the Installment Purchase Contract, and could also further decrease demand. Demand for water services could be reduced as a result of hydrological conditions, conservation efforts (including in response to drought), an economic downturn (including as a result of the COVID-19 pandemic). Furthermore, there can be no assurance that any other entity with regulatory authority over the Enterprise will not adopt further restrictions on operation of the Enterprise.

## **Increased Expenses and Costs**

There can be no assurance that Maintenance and Operation Costs of the Water System or Wastewater System will be consistent with the levels described in this Official Statement. Changes in technology, increases in the cost of energy or other expenses would reduce Net Revenues, and could require substantial increases in rates or charges in order to comply with the rate covenant in the Installment Purchase Contract. Such rate increases could increase the likelihood of nonpayment under the Installment Purchase Contract and could also decrease demand for the services provided by each system. In addition, each of the Water System and the Wastewater System is subject to significant regulatory provisions, and costs associated with complying with federal and State requirements may materially increase Maintenance and Operation Costs in the future.

## **Future Parity Obligations**

Although the District has covenanted in the Installment Purchase Contract not to issue additional obligations payable from Net Revenues senior to the Certificates, the Installment Purchase Contract permits the issuance by the District of certain indebtedness which may have a lien upon the Net Revenues which is on a parity basis to the lien which secures the Certificates, if certain coverage tests are met (see “SECURITY FOR THE CERTIFICATES – Parity Obligations” herein). These coverage tests involve, to some extent, projections of Net Revenues. If such indebtedness is issued, the debt service coverage for the Certificates will be diluted below what it otherwise would be subject to under the coverage tests. Moreover, there is no assurance that the assumptions which form the basis of such projections, if any, will be actually realized subsequent to the date of such projections. If such assumptions are not realized, the amount of future Net Revenues may be less than projected, and the actual amount of Net Revenues may be insufficient to provide for the payment of principal of and interest with respect to the Certificates, and such additional Parity Obligations.

## **Articles XIIC and XIID of the California Constitution**

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

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

With respect to local government “taxes,” Proposition 26 expressly excludes a variety of levies, charges and exactions from the definition of “tax,” including a “charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which

does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.”

Proposition 26 amended Article XIIC to provide that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor’s burdens on, or benefits received from, the governmental activity.

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

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

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

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

In *Richmond v. Shasta Community Services District*, (2004) 32 Cal. 4th 409, the California Supreme Court addressed the applicability of the notice, hearing and protest provisions of Article XIID to certain charges related to water service. In *Richmond*, the Court held that capacity charges are not subject to Proposition 218. The Court also indicated in dictum that a fee for ongoing water service through an existing connection could, under certain circumstances, constitute a property-related fee and charge, with the result that a local government imposing such a fee and charge must comply with the notice, hearing and protest requirements of Article XIID.

In *Howard Jarvis Taxpayers Association v. City of Fresno* (2005) 127 Cal.App.4th 914, the California Court of Appeal, Fifth District, concluded that water, sewer and trash fees are property-related fees subject to Proposition 218 and a municipality must comply with Article XIID before imposing or increasing such fees. The California Supreme Court denied the District of Fresno’s petition for review of the Court of Appeal’s decision on June 15, 2005.

In July 2006, the California Supreme Court, in *Bighorn-Desert View Water Agency v. Verjil* (2006) 39 Cal.4th 205, addressed the validity of a local voter initiative measure that would have (a) reduced a water agency's rates for water consumption (and other water charges), and (b) required the water agency to obtain voter approval before increasing any existing water rate, fee, or charge, or imposing any new water rate, fee, or charge. The court adopted the position indicated by its statement in *Richmond* that a public water agency's charges for ongoing water delivery are "fees and charges" within the meaning of Article XIID, and went on to hold that charges for ongoing water delivery are also "fees" within the meaning of Article XIIC's mandate that the initiative power of the electorate cannot be prohibited or limited in matters of reducing or repealing any local tax, assessment, fee or charge. Therefore, the court held, Article XIIC authorizes local voters to adopt an initiative measure that would reduce or repeal a public agency's water rates and other water delivery charges. (However, the court ultimately ruled in favor of the water agency and held that the entire initiative measure was invalid on the grounds that the second part of the initiative measure, which would have subjected future water rate increases to prior voter approval, was not supported by Article XIIC and was therefore invalid.)

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

***Current Practice Regarding Rates and Charges.*** The District's practice in implementing increases in water and wastewater rates and charges has been to comply with the requirements of Article XIID, including the practice of providing property owners with a 45-day mailed notice and public hearing before the District Board approves rate increases.

***Conclusion.*** It is not possible to predict how courts will further interpret Article XIIC and Article XIID in future judicial decisions, and what, if any, further implementing legislation will be enacted. Under the *Bighorn* case, local voters could adopt an initiative measure that reduces or repeals the District's rates and charges, though it is not clear whether (and California courts have not decided whether) any such reduction or repeal by initiative would be enforceable in a situation in which such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the Certificates ***There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIIC and Article XIID to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for wastewater or water, or to call into question previously adopted rate increases described in this Official Statement.***

### **Limited Recourse on Default**

If the District defaults on its obligation to pay principal of and interest with respect to the Certificates, the Trustee has the right to accelerate the total unpaid principal amounts of such Certificates. However, in the event of a default and such acceleration there can be no assurance that the District will have sufficient Net Revenues to pay the accelerated debt service on the Certificates.

### **Limitations on Remedies Available; Bankruptcy**

The enforceability of the rights and remedies of the Owners and the obligations of the District may become subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; equitable principles which may limit the specific enforcement under

State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of servicing a significant and legitimate public purpose. Bankruptcy proceedings, or the exercising of powers by the federal or State government, if initiated, could subject the Owners to judicial discretion and interpretation of their rights in bankruptcy or otherwise and consequently may entail risks of delay, limitation, or modification of their rights.

### **Statutory and Regulatory Impact**

Laws and regulations governing the operations of the Water System and Wastewater System are enacted and promulgated by government agencies on the federal, State and local levels. Compliance with these laws and regulations may be costly and, as more stringent standards are developed, these costs will likely increase. In addition, claims against the District for violations of regulations with respect to its facilities and services could be significant. Such claims are payable from Revenues or from other legally available sources.

In addition, the District is subject to various other laws and regulations that could adversely impact Net Revenues of the Enterprise. For example, SB 998, enacted in 2018, will impose certain restrictions on the District's ability to turn off water connections to customers for non-payment of water charges. Because the District bills customers for water and sewer services on the same bill, restrictions on the ability of the District to turn off water connections may increase delinquencies for both the District's Water System and the Wastewater System in the future.

Although the District has covenanted to fix, prescribe and collect rates and charges for the Water System and Wastewater System during each Fiscal Year sufficient to yield the debt service coverage required by the Installment Purchase Contract, no assurance can be given that the cost of compliance with such laws and regulations will not materially adversely affect the ability of the District to generate Net Revenues in the amounts required by the Installment Purchase Contract and to pay debt service on the Certificates.

### **Greenhouse Gas Emissions**

The Governor signed Assembly Bill 32, the Global Warming Solutions Act of 2006 (the "GWSA"), which became effective as law on January 1, 2007. The GWSA prescribed a statewide cap on global warming pollution with a goal of reaching 1990 greenhouse gas ("GHG") emission levels by 2020 and a reduction to 80% below 1990 levels by 2050. In addition, the GWSA establishes a mandatory reporting program to the California Air Resources Board ("CARB") for significant GHG emissions and requires the CARB to adopt regulations for significant greenhouse gas emission sources (allowing CARB to design a cap and trade program) and gave CARB the authority to enforce such regulations beginning in 2012.

On April 2, 2007, the U.S. Supreme Court ruled that GHGs qualify as air pollutants under the Clean Air Act. While the rule was specific to the authority of the U.S. Environmental Protection Agency to regulate emissions from new motor vehicles, it may also impact federal and statewide regulation regarding GHG emissions from other sources, including publicly-owned treatment works, such as those owned by the District.

The District believes that it is in material compliance with all federal, state and local emissions regulations.

## **Natural Calamities; Drought**

From time to time, the District is subject to natural calamities, including, but not limited to, earthquake, flood, fire and drought, that may adversely affect economic activity in the District, and which could have a negative impact on the Net Revenues of the Wastewater System and/or the Water System. There can be no assurance that the occurrence of any natural calamity would not cause substantial interference to the Water System and the Net Revenues. See also “–Climate Change” below.

***Drought.*** California recently emerged from six years of drought (2011 - 2017), resulting in severe impacts to California’s water supplies and its ability to meet all the demands for water in the State. Beginning on January 17, 2014, the Governor issued a number of executive orders regarding a drought state of emergency. In response to these orders, the State Water Resources Control Board (“SWRCB”) issued and revised emergency regulations mandating water conservation efforts by the District and other water agencies throughout the State. This resulted in decreased revenues for the Enterprise. On May 9, 2016, Governor Brown issued Executive Order B-37-16, which called for extending the emergency regulations through January 2017 and authorizing the SWRCB to make further changes based upon lessons learned from the drought response to date. The SWRCB revised the mandatory emergency water conservation regulations at its February 18, 2016 meeting. The revised regulations allowed water supply agencies to review their own supply and demand under drought conditions and certify that they have adequate supply to adopt a conservation standard equal to any projected shortfall. An official end to the drought was declared thereafter.

On April 21, 2021, the Governor directed State agencies to take immediate action to bolster drought resilience and prepare for impacts on communities, businesses and ecosystems should dry conditions which have existed since 2019 continue. In addition, on July 8, 2021, the Governor declared a drought state of emergency in 50 counties in northern and central California (including the County) and requested that all water users voluntarily reduce water use by 15%. The District does not believe its water sources have been materially impacted to-date by this latest drought and that the District and ID4 have significant access to water storage and banking systems to mitigate water supply access caused by drought; however, the District cannot predict what effect ongoing drought conditions, or future drought conditions, may have on the revenues and operations of the Water System and/or Wastewater System.

***Seismic.*** Areas throughout the State, including the areas around the District, are subject to seismic events from time-to-time. If a seismic event were to occur in or around the District, the facilities of the Enterprise could be damaged, which damage could result in decreased revenues and/or increased costs. In addition, the customers of the Enterprise could be adversely impacted, resulting in lowered revenues.

***Wildfire.*** In recent years, much of the State has suffered from wildfires due to dry conditions and other factors. Even in places not directly impacted by fire, adverse impacts have been felt due to wildfire smoke. No assurance can be given that future wildfires will not have adverse impacts on the District and its operations.

## **COVID-19 Pandemic**

The ongoing COVID-19 coronavirus pandemic, and responses intended to slow its spread, may result in material adverse impacts to the District and its finances. There can be no assurances that the spread of the virus and the related shelter in place orders and social distancing requirements imposed by the State of California, or other State or local mandates and/or other responses intended to slow its spread will not materially adversely impact the revenues received by the Enterprise, particularly connection fees and other amounts tied to economic activity in the service area.

The District has been monitoring the COVID-19 pandemic and taken appropriate responses to ensure the safety of its staff and customers. To date, the Enterprise has not experienced a material adverse impact from COVID-19.

The District cannot predict (i) the duration or ultimate extent of the COVID-19 pandemic; (ii) to what extent the COVID-19 pandemic may affect the operations and revenues of the District in the future; (iii) to what extent the COVID-19 pandemic may ultimately disrupt the local, State, national or global economy, manufacturing or supply chain, or whether any such disruption will adversely impact the cost, sources of funds, schedule or implementation of any capital improvements, or other System operations; (iv) to what extent the District may desire to, or need to, provide customer assistance measures or deferrals, forbearances, adjustments or other changes to its customers or its billing and collection procedures; or (v) whether any of the foregoing may have a material adverse effect on the finances and operations of the Enterprise. Prospective investors should consider that the restrictions and limitations instituted related to COVID-19 may increase (even after they are decreased), and the upheaval to the national and global economies may continue and/or be exacerbated, at least over the near term, and the recovery may be prolonged, and therefore, COVID-19 may adversely impact Enterprise revenues.

The spread of COVID-19 is having significant negative impacts throughout the world, including in California. The World Health Organization has declared the COVID-19 outbreak to be a pandemic, and states of emergency have been declared by the United States, the State, and numerous counties throughout the State, including the County. The purposes behind these declarations are to coordinate and formalize emergency actions and across federal, state and local governmental agencies, and to proactively prepare for a wider spread of the virus.

### **Climate Change**

Net Revenues may be negatively impacted by impacts resulting from climate change. Local impacts of climate change are not definitive, but parcels in the District could experience changes to local and regional weather patterns; increased risk of flooding or drought; changes in groundwater levels; and other events which are beyond the control of the District.

### **Cybersecurity Risks**

The District, like many other public and private entities relies on a complex technology environment to conduct its operations. As recipient and provider of personal, private, or sensitive information, the District is subject to multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computer and other sensitive digital networks and systems. Entities or individuals may attempt to gain unauthorized access to the District's digital systems for the purposes of misappropriating assets or information or causing operational disruption and damage. No assurances can be given that the District's efforts to manage cyber threats and attacks will be successful or that an such attack will not materially impact the operations or finances of the District or the Enterprise.

### **No Obligation to Tax**

The obligation of the District to pay the principal of and interest with respect to the Certificates does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to pay the principal of and interest with respect to the Certificates does not constitute a debt or indebtedness of the District, the County, the State of California or any of its political subdivisions in violation of any constitutional or statutory debt limitation or restriction and is not secured by a pledge of any revenues other than the Net Revenues of the Enterprise, as described herein.

## **Change in Law**

In addition to the other limitations described herein, the California electorate or Legislature could adopt a constitutional or legislative property tax decrease or an initiative with the effect of reducing revenues payable to or collected by the District. There is no assurance that the California electorate or Legislature will not at some future time approve additional limitations that could have the effect of reducing the Net Revenues of the Enterprise, and adversely affecting the security of the Certificates.

## **Loss of Tax Exemption**

As discussed in this Official Statement under the caption “TAX MATTERS,” interest with respect to the Certificates could become includable in gross income for purposes of federal income taxation retroactive to the date the Certificates were executed and delivered, as a result of future acts or omissions of the District in violation of its covenants in the Installment Purchase Contract and Trust Agreement. Should such an event of taxability occur, the Certificates are not subject to a special prepayment and will remain outstanding until maturity or until redeemed under one of the other redemption provisions contained in the Installment Purchase Contract or Trust Agreement.

## **LITIGATION**

There is no action, suit or proceeding known to be now pending or threatened against the Corporation or the District restraining or enjoining the sale, execution or delivery of the Certificates, the Installment Purchase Contract, or in any way contesting or affecting the validity of the foregoing or any proceedings of the Corporation or the District taken with respect to any of the foregoing.

## **THE CORPORATION**

The Corporation was incorporated under the Nonprofit Public Benefit Corporation Law of the State of California. The Corporation was organized as a nonprofit corporation for the purpose, among others, of assisting entities, such as the District, in the acquisition, construction and financing of public improvements which are determined to be of public benefit to such entities. The Corporation’s articles of incorporation and bylaws empower it to participate in the financing of the Project.

## **RATING**

S&P Global Ratings, a Standard & Poor’s Financial Services LLC business (“S&P”) is anticipated to assign its municipal bond rating of “[ ]” on the Certificates based upon the expectation that the Certificate Insurer will issue its Insurance Policy for the Certificates at the time of their execution and delivery. S&P has also assigned an underlying municipal bond rating of “[ ]” to the Certificates. Such rating reflects only the current views of S&P (which could change at any time), and an explanation of the significance of such rating may be obtained from S&P. Generally, S&P bases its ratings on information and materials furnished to them and on investigations, studies and assumptions by S&P.

[INSURER]’s financial strength is rated “[RATING/(OUTLOOK)]” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of [INSURER] should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of [INSURER] and its ability to pay claims on its policies of insurance.

There is no assurance that the rating described above will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by such rating agencies, if in their

judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

## **TAX EXEMPTION**

**General Matters.** In the opinion of Kutak Rock LLP, Irvine, California, Special Counsel, under existing laws, regulations, rulings and judicial decisions, the portion of each Installment Payment designated as and representing interest and received by the Owners of the Certificates (the “Interest Portion”) is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinion described above assumes the accuracy of certain representations and compliance by the District with covenants designed to satisfy the requirements of the Internal Revenue Code of 1986 (the “Code”) that must be met subsequent to the issuance of the Certificates. Failure to comply with such requirements could cause the Interest Portion to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Certificates. The District has covenanted to comply with such requirements. Special Counsel has expressed no opinion regarding other federal tax consequences arising with respect to the Certificates.

The accrual or receipt of interest on the Certificates (including the Interest Portion) may otherwise affect the federal income tax liability of the owners of the Certificates. The extent of these other tax consequences will depend on such owners’ particular tax status and other items of income or deduction. Special Counsel has expressed no opinion regarding any such consequences. Purchasers of the Certificates, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States of America), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of social security or railroad retirement benefits, taxpayers entitled to claim the earned income credit, taxpayers entitled to claim the refundable credit in Section 36B of the Code for coverage under a qualified health plan or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, should consult their tax advisors as to the tax consequences of purchasing or owning the Certificates.

Special Counsel is also of the opinion that the Interest Portion is exempt from State of California personal income taxes. Special Counsel has expressed no opinion regarding other tax consequences arising with respect to the Certificates under the laws of the State of California or any other state or jurisdiction.

A copy of the form of opinion of Special Counsel is attached hereto as Appendix B.

**Original Issue Premium.** The Certificates that have an original yield below their respective interest rates, as shown on the inside cover of this Official Statement (collectively, the “Premium Certificates”), are being sold at a premium. An amount equal to the excess of the issue price of a Premium Certificate over its stated prepayment price at maturity constitutes premium on such Premium Certificate. A purchaser of a Premium Certificate must amortize any premium over such Premium Certificate’s term using constant yield principles, based on the purchaser’s yield to maturity (or, in the case of Premium Certificates callable prior to their maturity, generally by amortizing the premium to the call date, based on the purchaser’s yield to the call date and giving effect to any call premium). As premium is amortized, the amount of the amortization offsets a corresponding amount of interest (including the Interest Portion) for the period, and the purchaser’s basis in such Premium Certificate is reduced by a corresponding amount resulting in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes upon a sale or disposition of such Premium Certificate prior to its maturity. Even though the purchaser’s basis may be reduced, no federal income tax deduction is allowed. Purchasers of the Premium Certificates should consult their tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to the state and local tax consequences of owning a Premium Certificate.

***Backup Withholding.*** As a result of the enactment of the Tax Increase Prevention and Reconciliation Act of 2005, interest on tax-exempt obligations such as the Certificates is subject to information reporting in a manner similar to interest paid on taxable obligations. Backup withholding may be imposed on payments to any owner of the Certificates that fails to provide certain required information including an accurate taxpayer identification number to any person required to collect such information pursuant to Section 6049 of the Code. The reporting requirement does not in and of itself affect or alter the excludability of the Interest Portion from gross income for federal income tax purposes or any other federal tax consequence of purchasing, holding or selling tax-exempt obligations.

***Changes in Federal and State Tax Law.*** From time to time, there are legislative proposals in the Congress and in the states that, if enacted, could alter or amend the federal and state tax matters referred to under this heading "TAX EXEMPTION" or adversely affect the market value of the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value of the Certificates. It cannot be predicted whether any such regulatory action will be implemented, how any particular litigation or judicial action will be resolved, or whether the Certificates or the market value thereof would be impacted thereby. Purchasers of the Certificates should consult their tax advisors regarding any pending or proposed legislation, regulatory initiatives or litigation. The opinions expressed by Special Counsel are based on existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Certificates, and Special Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

PROSPECTIVE PURCHASERS OF THE CERTIFICATES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS PRIOR TO ANY PURCHASE OF THE CERTIFICATES AS TO THE IMPACT OF THE CODE UPON THEIR ACQUISITION, HOLDING OR DISPOSITION OF THE CERTIFICATES.

#### **APPROVAL OF LEGALITY**

Legal matters incident to the execution and delivery of the Certificates are subject to the approving opinion of Kutak Rock LLP, Irvine, California, Special Counsel. A form of such opinion for the Certificates is attached hereto as Appendix B and copies of such opinion with respect to the Certificates will be available at the time of delivery of the Certificates. Certain matters will be passed upon for the District by its counsel, The Mitchell Law Firm, LLP, Bakersfield, California, District Counsel. Certain matters will be passed upon for the Underwriter by Stradling Yocca Carlson & Rauth, a Professional Corporation, Newport Beach, California, Underwriter's Counsel. Certain compensation of Special Counsel and Underwriter's Counsel is contingent upon the issuance of the Certificates.

The opinion of Special Counsel provides that, subject to the qualifications contained therein, the Trust Agreement and the Installment Purchase Contract, have been duly and validly authorized, executed and delivered by the Corporation and constitute the legally valid and binding obligations of the Corporation enforceable in accordance with their respective terms. Counsel for the District will deliver an opinion which provides that, subject to the qualifications contained therein, the District has the lawful authority to execute and deliver the Trust Agreement and the Installment Purchase Contract under the laws of the State of California and that such documents have been duly approved, executed and delivered by the District and constitute legal, valid and binding obligations of the District enforceable in accordance with their respective terms.

## **FORWARD-LOOKING STATEMENTS**

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

## **CONTINUING DISCLOSURE OBLIGATION**

The District will enter into an undertaking for the benefit of the Owners of the Certificates to provide certain financial information and operating data to certain information repositories annually and to provide notice to the Municipal Securities Rulemaking Board or to certain information repositories of certain events, all pursuant to the requirements of Section (b)(5)(i) of Rule 15c2-12, as amended (the "Rule"). See "APPENDIX D—FORM OF CONTINUING DISCLOSURE CERTIFICATE" herein for a description of the District's continuing disclosure obligation. The District has not had a continuing disclosure undertaking pursuant to the Rule in the previous five years.

A failure by the District to comply with its undertaking will not constitute an Event of Default under the Trust Agreements or the Installment Purchase Contracts. Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the applicable Certificates in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Certificates and their market price. The Corporation is not responsible for the undertaking of the District.

## **UNDERWRITING**

The Water System Certificates are being purchased by Oppenheimer & Co. Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Water System Certificates at a price equal to \$\_\_\_\_\_ (which represents the par amount of the Water System Certificates plus a net original issue premium of \$\_\_\_\_\_ minus an underwriting discount of \$\_\_\_\_\_). The purchase agreement relating to the Water System Certificates provides that the Underwriter will purchase all of the Water System Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said purchase agreements, the approval of certain legal matters by counsel and certain other conditions.

The Wastewater System Certificates are being purchased by the Underwriter. The Underwriter has agreed to purchase the Wastewater System Certificates at a price equal to \$\_\_\_\_\_ (which represents the par amount of the Wastewater System Certificates plus a net original issue premium of \$\_\_\_\_\_ minus an underwriting discount of \$\_\_\_\_\_). The purchase agreement relating to the Wastewater System Certificates provides that the Underwriter will purchase all of the Wastewater System Certificates if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said purchase agreements, the approval of certain legal matters by counsel and certain other conditions.

The Certificates may be offered and sold to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time.

**MISCELLANEOUS**

The foregoing summaries do not purport to be complete and are expressly made subject to the provisions of the documents, copies of which may be obtained from the Trustee, or during the period of the offering, the Underwriter.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement does not constitute an agreement between the Corporation, the District or the Underwriter and the purchasers or owners of any of the Certificates.

This Official Statement, and its distribution and use by the Underwriter, has been duly authorized and approved by the District.

**MCKINLEYVILLE COMMUNITY SERVICES  
DISTRICT**

By: \_\_\_\_\_  
Patrick Kaspari, P.E.  
General Manager

## **APPENDIX A**

### **DEFINITIONS OF CERTAIN TERMS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS**

The following are summaries of certain provisions of the Trust Agreements, Installment Purchase Contracts and Assignment Agreements. These summaries do not purport to be complete or definitive and are qualified in their entireties by reference to the full terms of such documents.

Terms defined in the Official Statement, but not herein, shall have the same meanings as set forth in the Official Statement when used herein. The following are definitions of certain terms used in the Trust Agreements, Installment Purchase Contracts and Assignment Agreements and this Official Statement:

**[TO BE UPDATED AS TRANSACTION DOCUMENTS ARE FINALIZED]**

## APPENDIX B

### FORM OF OPINION OF SPECIAL COUNSEL

[Closing Date]

McKinleyville Community Services District  
1656 Sutter Road  
McKinleyville, California 95519

Re:     \$[\_\_\_\_\_] McKinleyville Community Services District Revenue Certificates of Participation Series 2021A (Water Project) [\$\_] McKinleyville Community Services District Revenue Certificates of Participation Series 2021B (Wastewater Project)]

Ladies and Gentlemen:

We have reviewed the Constitution and the laws of the State of California and certain proceedings taken by McKinleyville Community Services District (the “District”) in connection with the authorization, execution and delivery by the District of that certain Installment Purchase Contract, dated as of December 1, 2021 (the “Installment Purchase Contract”), by and between the District and the CSDA Finance Corporation (the “Corporation”). We have also reviewed that certain Trust Agreement, dated as of December 1, 2021 (the “Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), the Corporation and the District. In rendering this opinion, we also have relied upon certain representations of fact and certifications made by the Corporation and the District, the initial purchaser of the Certificates (defined below) and others. We have not undertaken to verify through independent investigation the accuracy of the representations and certifications relied upon by us. All capitalized terms used herein shall have the meaning given them in the Trust Agreement unless otherwise defined.

Pursuant to the Trust Agreement, the Trustee has agreed to execute and deliver the \$[\_\_\_\_\_] McKinleyville Community Services District Revenue Certificates of Participation, Series 2021A (Water Project) [\$\_] McKinleyville Community Services District Revenue Certificates of Participation Series 2021B (Wastewater Project)] (the “Certificates”) evidencing undivided proportionate interests of the owners of the Certificates in certain installment payments (the “Installment Payments”) to be made by the District pursuant to the Installment Purchase Contract. Pursuant to that certain Assignment Agreement, dated as of December 1, 2021 (the “Assignment Agreement”), the Corporation has assigned to the Trustee the Corporation’s right to receive Installment Payments from the District under the Installment Purchase Contract.

Based upon our examination of the foregoing, and in reliance thereon and on all matters of fact as we deem relevant under the circumstances, and upon consideration of applicable laws, we are of the opinion that:

1.     The obligation of the District to pay Installment Payments in accordance with the terms of the Installment Purchase Contract is a valid and binding obligation payable from the funds of the District lawfully available therefore, except as the same may be limited by bankruptcy, insolvency, reorganization,

fraudulent conveyance, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against municipalities in the State of California. The obligation of the District to make Installment Payments under the Installment Purchase Contract does not constitute a debt of the District, the State of California or any political subdivision thereof within the meaning of any statutory or constitutional debt limitation or restriction and does not constitute a pledge of the faith and credit or taxing power of the District, the State of California or any political subdivision thereof.

2. The Installment Purchase Contract and the Trust Agreement have been duly authorized, executed and delivered by the District and constitute valid and legally binding agreements of the District enforceable against the District in accordance with their terms, except as the same may be limited by bankruptcy, insolvency, reorganization, fraudulent conveyance, moratorium or other laws relating to or affecting generally the enforcement of creditors' rights, by equitable principles, by the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against municipalities in the State of California, except that we express no opinion as to any provisions in the Installment Purchase Contract or the Trust Agreement with respect to indemnification, penalty, contribution, choice of law, choice of forum or waiver.

3. Under existing laws, regulations, rulings and judicial decisions, the portion of each Installment Payment designated as and representing interest and received by the owners of the Certificates (the "Interest Portion") is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax. The opinions set forth in the preceding sentence assume the accuracy of certain representations of the District and continuing compliance by the District with certain covenants designed to satisfy the requirements of the Internal Revenue Code of 1986 (the "Code") that must be met subsequent to the execution and delivery of the Installment Purchase Contract. Failure to comply with such requirements could cause the Interest Portion to be included in gross income for federal income tax purposes or could otherwise adversely affect such opinions retroactive to the date of execution and delivery of the Installment Purchase Contract. The District has covenanted to comply with such requirements. We express no opinion regarding other federal tax consequences arising with respect to the Installment Purchase Contract and the Certificates.

4. We are further of the opinion that the Interest Portion is exempt from current State of California personal income taxes. We express no opinion regarding other tax consequences arising with respect to the Certificates under the laws of the State of California or any other state or jurisdiction.

Certain agreements, requirements and procedures contained or referred to in the Trust Agreement, the Tax Compliance Certificate executed by the District and other documents related to the Certificates may be changed and certain actions may be taken or omitted, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the effect on the tax consequences on and after the date on which any such change occurs or action is taken or omitted upon advice or approval of counsel other than Kutak Rock LLP.

We have not made or undertaken to make an investigation of the state of title to any of the real property described in the Installment Purchase Contract, the Trust Agreement or the Assignment Agreement or of the accuracy or sufficiency of the description of such property contained therein, and we express no opinion with respect to such matters.

We are admitted to the practice of law only in the State of California and our opinion is limited to matters governed by the laws of the State of California and federal law. We assume no responsibility with respect to the applicability or the effect of the laws of any other jurisdiction.

The opinions expressed herein are based upon our analysis and interpretation of existing statutes, regulations, rulings and judicial decisions and cover certain matters not directly addressed by such authorities. The opinions expressed herein may be affected by actions taken (or not taken) or events occurring (or not occurring) after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the Certificates terminates on the date of their execution and delivery.

We express no opinion herein as to the accuracy, completeness or sufficiency of the Official Statement or other offering material relating to the Certificates and expressly disclaim any duty to advise the owners of the Certificates with respect to matters contained in the Official Statement.

Respectfully submitted,

## APPENDIX C

### ECONOMIC AND DEMOGRAPHIC INFORMATION ABOUT HUMBOLDT COUNTY

The economic and demographic data contained in this Appendix are the latest available, but are generally as of dates and for periods before the economic impact of the COVID-19 pandemic and the measures instituted to slow it. Accordingly, they are not necessarily indicative of the current financial condition or future economic prospects of the District, the County or the region.

#### General Information

Humboldt County (the “County”) is the largest and most populous of the north coast counties. The County was created from the western portion of Trinity County in 1853. The County’s name is derived from Humboldt Bay. Originally discovered in 1806 by a hunting party, the bay was not rediscovered until 1849 and then named in honor of the naturalist and explorer Baron Alexander Von Humboldt. The County’s 3,600 square miles are known for their rural beauty, roughly 80% of which is designated recreation areas and timber land. The County is home to the biggest and oldest redwood trees in the world. Natural resources also make the County a primary tourist destination. Popular sites include: Six Rivers National Forest, King Range National Conservation Area, Humboldt Redwoods State Park, Redwoods National Park, and Richardson Grove State Park.

#### Population

The County’s population at January 1, 2021, the most recent estimate, was 130,851 according to the State Department of Finance. The table below shows population estimates for certain cities within the County and for the County for the last five years.

**Humboldt County  
Population Estimates  
Calendar Years 2017 Through 2021 As of May 2021**

Area	2017	2018	2019	2020	2021
Arcata	18,161	18,187	18,169	17,891	16,909
Blue Lake	1,291	1,290	1,280	1,271	1,262
Eureka	27,132	27,015	26,731	26,582	26,113
Ferndale	1,385	1,384	1,373	1,376	1,368
Fortuna	12,064	12,105	12,010	12,006	11,926
Rio Dell	3,357	3,335	3,297	3,270	3,299
Trinidad	<u>357</u>	<u>353</u>	<u>348</u>	<u>345</u>	<u>342</u>
Balance Of County	71,702	71,263	70,509	70,083	69,632
Incorporated	<u>63,747</u>	<u>63,669</u>	<u>63,208</u>	<u>62,741</u>	<u>61,219</u>
County Total	<u>135,449</u>	<u>134,932</u>	<u>133,717</u>	<u>132,824</u>	<u>130,851</u>

Source: State of California, Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2011-2021, with 2010 Census Benchmark. Sacramento, California, May 2021.

## Employment and Industry

The table below provides information about employment rates and employment by industry type for the County for calendar years 2017 through August 2021.

### Humboldt County Annual Averages of Civilian Labor Force, Employment and Unemployment and Employment by Industry Calendar Years 2017 Through 2021

	2017	2018	2019	2020	2021 <sup>1</sup>
Civilian Labor Force	62,500	62,500	62,100	59,400	59,900
Civilian Employment	59,900	60,300	59,800	54,400	56,200
Civilian Unemployment	2,600	2,300	2,300	5,000	3,700
Civilian Unemployment Rate	4.2%	3.6%	3.7%	8.4%	6.1%
Total, All Industries	50,700	51,400	51,900	47,700	48,700
Total Farm	900	900	1,000	1,200	1,200
Total Nonfarm	49,800	50,500	50,800	46,500	47,500
Total Private	35,500	36,200	36,400	33,100	34,900
Goods Producing	4,400	4,600	4,700	4,600	5,300
Mining, Logging, and Construction	2,300	2,500	2,600	2,500	3,000
Mining and Logging	400	400	400	400	500
Construction	2,000	2,100	2,200	2,200	2,500
Manufacturing	2,000	2,100	2,200	2,100	2,300
Durable Goods	1,000	1,100	1,100	1,100	1,100
Nondurable Goods	1,000	1,100	1,100	1,000	1,100
Service Providing	45,500	45,900	46,100	41,900	42,200
Private Service Providing	31,100	31,600	31,600	28,500	29,700
Trade, Transportation & Utilities	9,600	9,400	9,300	8,700	8,800
Wholesale Trade	1,000	1,100	1,100	1,100	1,100
Retail Trade	7,500	7,200	7,200	6,500	6,600
Transportation, Warehousing & Utilities	1,200	1,100	1,000	1,000	1,100
Information	400	400	400	300	300
Financial Activities	1,700	1,800	1,800	1,700	1,700
Professional & Business Services	2,900	3,300	3,600	3,400	3,700
Educational & Health Services	8,800	8,900	8,900	8,300	8,400
Leisure & Hospitality	5,800	5,800	5,600	4,300	4,700
Other Services	1,900	2,000	2,000	1,900	2,100
Government	14,300	14,400	14,500	13,400	12,600
Federal Government	800	700	800	800	900
State & Local Government	13,500	13,600	13,700	12,600	11,700
State Government	3,400	3,500	3,500	3,300	2,800
State Government Education	2,200	2,200	2,200	2,000	1,300
State Government Excluding Education	1,300	1,300	1,400	1,400	1,500
Local Government	10,100	10,200	10,200	9,200	8,900

<sup>1</sup> Estimates through August 31, 2021.

<sup>2</sup> Civilian labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

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

<sup>3</sup> Totals may not add due to rounding.

Source: Labor Market Information division of the California Employment Development Department

## Largest Employers

The table below lists the major employers in the County as of October 2021, listed alphabetically.

### Humboldt County Major Employers As of March 2021

<b>Employer Name</b>	<b>Location</b>	<b>Industry</b>
Bettendorf Trucking	Arcata	Trucking
Blue Lake Casino & Hotel	Blue Lake	Casinos
Costco Wholesale	Eureka	Wholesale Clubs
County of Humboldt	Eureka	Government Offices-County
Danco Property Management	Arcata	Construction Companies
Eureka City Clerk	Eureka	Government Offices-City/Village & Twp
Eureka High School	Eureka	Schools
Hospice of Humboldt	Eureka	Health Services
Humboldt County Dept-Health	Eureka	Clinics
Humboldt County Mental Health	Eureka	Hospitals
Humboldt County Sheriff Dept	Eureka	Government Offices-County
Humboldt County Social Svc	Eureka	Government Offices-County
Mad River Community Hospital	Arcata	Hospitals
Newmarket International Inc	Eureka	Hospitality Training
North Coast Co-op Arcata	Arcata	Grocers-Wholesale
Pacific Seafood Co	Eureka	Prepared Fish & Seafood Products (mfrs)
Redwood Memorial Hospital	Fortuna	Hospitals
Schmidbauer Lumber Inc.	Eureka	Loggins Manufactures
St Joseph Hospital Eureka	Eureka	Hospitals
St Joseph Hospital-Admin	Eureka	Health Services
Sun Valley Group	Arcata	Greenhouses
Target	Eureka	Department Stores
Umpqua Bank	Eureka	Banks
US Post Office	Eureka	Post Offices
Winco Foods	Eureka	Grocers-Retail

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

## Commercial Activity

The following table summarizes the annual volume of taxable sales within the County from 2016 through the fourth quarter of 2020.

<b>Humboldt County Taxable Sales</b> (in thousands of dollars) <sup>1</sup>					
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020 <sup>2</sup></b>
Motor Vehicle and Parts Dealers	\$ 433,632	\$ 391,030	\$ 891,373	\$ 2,467,593	\$ 4,730,602
Home Furnishings and Appliance Stores	7,557,245	5,707,195	5,715,449	7,675,934	12,579,202
Building Material and Garden Equipment and Supplies Dealers	5,832,117	5,621,225	6,508,228	5,741,648	7,315,430
Food and Beverage Stores	100,007	123,291	2,108,981	179,098	265,512
Gasoline Stations	423,003	598,380	553,609	777,413	347,312
Clothing and Clothing Accessories Stores	9,792,916	9,342,007	10,701,652	11,412,227	14,616,322
General Merchandise Stores	5,645,552	6,100,610	6,736,726	8,230,311	12,378,404
Food Services and Drinking Places	788,119	699,566	427,756	174,196	38,560
Other Retail Group	<u>44,586,300</u>	<u>49,391,903</u>	<u>52,843,709</u>	<u>70,434,000</u>	<u>182,137,259</u>
Total Retail and Food Services	75,158,891	77,975,207	86,487,483	107,092,420	234,408,603
All Other Outlets	<u>158,970,575</u>	<u>163,218,614</u>	<u>117,254,440</u>	<u>128,616,207</u>	<u>192,910,757</u>
Total All Outlets	<u>\$234,129,466</u>	<u>\$241,193,821</u>	<u>\$203,741,923</u>	<u>\$235,708,627</u>	<u>\$427,319,360</u>

<sup>1</sup> Totals may not calculate due to rounding.

<sup>2</sup> Taxable sales through 4<sup>th</sup> Quarter, 2020.

Source: State of California Department of Tax and Fee Administration

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## Construction Trends

Provided below are the building permits and valuations for the County for calendar years 2015 through 2019.

**Humboldt County  
Total Building Permit Valuations  
Calendar Years 2015 Through 2019  
(dollars in thousands)**

	2015	2016	2017	2018	2019
Permit Valuation:					
New Single-family	\$25,200.1	\$29,123.3	\$32,530.7	\$32,487.9	\$35,200.9
New Multi-family	3,255.8	2,435.3	4,786.7	5,897.3	40,752.6
Res. Alterations/Additions	<u>11,341.3</u>	<u>15,845.1</u>	<u>9,875.0</u>	<u>12,986.8</u>	<u>12,327.8</u>
Total Residential	39,797.2	47,403.7	47,192.4	51,372.0	88,281.3
New Commercial	8,002.5	18,732.4	13,628.3	17,416.5	14,981.2
New Industrial	2,534.1	2,302.2	211.7	2,129.2	39.4
New Other	1,911.2	1,275.5	2,042.7	3,906.4	5,193.1
Com. Alterations/Additions	<u>48,406.3</u>	<u>10,807.6</u>	<u>17,727.2</u>	<u>20,991.8</u>	<u>12,381.3</u>
Total Nonresidential	60,854.1	33,117.7	33,609.9	44,443.9	35,595.0
New Dwelling Units:					
Single Family	133	155	151	153	170
Multiple Family	<u>22</u>	<u>52</u>	<u>76</u>	<u>127</u>	<u>311</u>
Total	155	207	227	280	481

Source: Construction Industry Research Board, Building Permit Summary.

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## Effective Buying Income

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

The following table summarizes the total household effective buying income for the County, the State and the United States for the period 2017 through 2020, and projected for 2021.

### Humboldt County, State of California and United States Effective Buying Income 2017 Through 2021

Year	Area	Total Effective Buying Income (000s Omitted)	Median Household Effective Buying Income
2017	Humboldt County	2,782,122	38,408
	California	1,036,142,723	55,681
	United States	8,132,748,136	48,043
2018	Humboldt County	3,035,162	39,991
	California	1,113,648,181	59,646
	United States	8,640,770,229	50,735
2019	Humboldt County	3,158,777	42,028
	California	1,183,264,399	62,637
	United States	9,017,967,563	52,841
2020	Humboldt County	3,520,677	44,787
	California	1,243,564,816	65,870
	United States	9,487,165,436	55,303
2021	Humboldt County	3,321,481	45,517
	California	1,290,894,604	67,956
	United States	9,809,944,764	56,790

Source: The Nielsen Company (US), Inc. for years 2017 and 2018; Claritas, LLC for 2019 through 2021

## Transportation

**The County.** Humboldt Transit Authority (“HTA”) operates two fixed route transit bus systems: Redwood Transit System and Eureka Transit Service. The Redwood Transit System provides intercity service to and within communities between Trinidad and Scotia, including Manila, King Salmon, Field’s Landing, Loleta, Fernbridge and Fortuna. HTA also offers service between McKinleyville or Arcata and

Willow Creek and an express bus between Arcata and College of the Redwoods when classes are in session. The Eureka Transit Service operates in the City of Eureka, it provides local service on four scheduled routes in Eureka and its adjacent unincorporated communities. Connections can be made to the Redwood Transit System at several places in Eureka. Some other local public transit systems are: Arcata and Mad River Transit System, Blue Lake Rancheria Transit Authority and Del Norte County's Redwood Coast Transit.

Amtrak Thruway bus has stops in many towns in the region, including Eureka, Arcata, and Fortuna. These stops are not managed by Amtrak and therefore have no services beyond serving passengers. Full service is only provided at the train station in Martinez, near San Francisco.

Arcata-Eureka Airport is located in McKinleyville. Commercial flights are available. Other general aviation airports are located at Dinsmore, Garberville, Kneeland, Murray Field (Eureka), Samoa Field and Rohnerville (Fortuna).

California's second largest natural bay, Port of Humboldt Bay is located in the County.

## APPENDIX D

### FORM OF CONTINUING DISCLOSURE CERTIFICATE

Upon the execution and delivery of the Certificates, the District proposes to enter into a Continuing Disclosure Certificate in substantially the following form:

**THIS CONTINUING DISCLOSURE CERTIFICATE** (the “Disclosure Certificate”) is executed and delivered by the McKinleyville Community Services District (the “District”) in connection with the execution and delivery of its \$[\_\_\_\_\_] Revenue Certificates of Participation, Series 2021A (Water Project) and \$[\_\_\_\_\_] McKinleyville Community Services District Revenue Certificates of Participation Series 2021B (Wastewater Project) (collectively, the “Certificates”). The Certificates are being executed and delivered pursuant to a Trust Agreement, dated as of December 1, 2021 (the “Trust Agreement”), by and among The Bank of New York Mellon Trust Company, N.A., as trustee, CSDA Finance Corporation and the District. The District covenants and agrees as follows:

**Section 1. Purpose of This Disclosure Certificate.** This Disclosure Certificate is being executed and delivered by the District for the benefit of the Holders and Beneficial Owners of the Certificates and in order to assist the Participating Underwriter in complying with the Rule.

**Section 2. Definitions.** In addition to the definitions set forth in the Trust Agreement, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

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

“*Annual Report Date*” means the date that is nine months after the end of the District’s Fiscal Year (currently March 31 based on the District’s Fiscal Year end of June 30).

“*Dissemination Agent*” means the District or any dissemination agent designed in writing by the District to act as such.

“*Financial Obligation*” means a: (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of clause (a) or (b). The term “Financial Obligation” does not include municipal securities as to which a final official statement has been provided to the Municipal Securities Rulemaking Board consistent with the Rule.

“*Fiscal Year*” means any twelve-month period beginning on July 1 in any year and extending to the next succeeding June 30, both dates inclusive, or any other twelve-month period selected and designated by the District as its official Fiscal Year period under a certificate of the District filed with the Trustee.

“*Holder*” means a registered owner of the Certificates.

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

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

“*Official Statement*” means the Official Statement dated December [\_\_\_], 2021 relating to the Certificates.

“*Participating Underwriter*” means the original underwriter of the Certificates required to comply with the Rule in connection with offering of the Certificates.

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

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

### **Section 3. Provision of Annual Reports.**

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing March 31, 2022, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District’s Fiscal Year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(b). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) in a timely manner to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall:

(i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

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

(a) The District’s audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District’s audited financial statements

are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District for the preceding Fiscal Year:

(i) Adopted rates and charges of the Water System for the prior Fiscal Year, substantially in the form of Table IV.

(ii) A table showing the number of connections of the Water System for the prior Fiscal Year, substantially in the form of Table VII.

(ii) A table showing the Water System and Wastewater System Net Revenues, Operating and Maintenance Costs and debt service coverage ratio for the Certificates and any Parity Obligations for the prior Fiscal Year, substantially in the form of the Table under the heading “Water System Historical Debt Service Coverage” and “Wastewater System Historical Debt Service Coverage.”

(iv) A table showing the Ten Largest Commercial Water Customers of the Water System for the prior Fiscal Year, substantially in the form of Table VIII.

(v) Adopted rates and charges of the Wastewater System for the prior Fiscal Year, substantially in the form of Table IX.

(vi) A table showing the number of connections of the Wastewater System for the prior Fiscal Year, substantially in the form of Table XII.

(vii) A table showing the Ten Largest Customers of the Wastewater System for the prior Fiscal Year, substantially in the form of Table XIII.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB’s Internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

## **Section 5. Reporting of Significant Events.**

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

(1) Principal and interest payment delinquencies.

- (2) Non payment related defaults, if material.
  - (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
  - (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
  - (5) Substitution of credit or liquidity providers, or their failure to perform.
  - (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
  - (7) Modifications to rights of security holders, if material.
  - (8) Bond calls, if material, and tender offers.
  - (9) Defeasances.
  - (10) Release, substitution, or sale of property securing repayment of the securities, if material.
  - (11) Rating changes.
  - (12) Bankruptcy, insolvency, receivership or similar event of the District.
  - (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
  - (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
  - (15) Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material (for the definition of “financial obligation,” see clause (e)).
  - (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties (for the definition of “financial obligation,” see clause (e)).
- (b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (a)(ix) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Certificates under the Trust Agreement or Installment Purchase Contract.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier “if material.” The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the District determines the event’s occurrence is material for purposes of U.S. federal securities law.

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

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

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

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

**Section 8. Dissemination Agent.** The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days’ written notice to the District.

**Section 9. Amendment; Waiver.** Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

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

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Certificates, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Certificates in the manner provided in the Trust Agreement and Installment Purchase Contract for amendments to the Trust Agreement and Installment Purchase Contract, respectively, with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Certificates.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section shall be filed in the same manner as for a Listed Event under Section 5(b).

**Section 9. Additional Information.** Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

**Section 10. Default.** If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriters or any holder or beneficial owner of the Certificates may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

No Holder or Beneficial Owner of the Certificates may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the District satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the District shall have refused to comply therewith within a reasonable time.

**Section 11. Duties, Immunities and Liabilities of Dissemination Agent.** (a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees)

of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Note holders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Certificates.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

**Section 12. Beneficiaries.** This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and the holders and beneficial owners from time to time of the Certificates, and shall create no rights in any other person or entity.

**Section 14. Counterparts.** This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

**Section 15. Certificate Insurer Provisions.** The District will provide [INSURER] (“[INSURER]”) with all notices and other information it is obligated to provide under this Disclosure Certificate. The notice address of [INSURER] is: The notice address of [INSURER] is: [INSURER], 200 Liberty Street, 27th Floor, New York, NY 10281, Attention: Surveillance, Re: Policy No. 2021B0946, Telephone: (212) 235-2500, Telecopier: (212) 235-1542, Email: notices@buildamerica.com. In each case in which notice or other communication refers to an event of default or a claim on the Policy, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel at the same address and at claims@buildamerica.com or at Telecopier: (212) 235-5214 and shall be marked to indicate “URGENT MATERIAL ENCLOSED.”

**SECTION 16. Notices.** Notices should be sent in writing to the following addresses. The following information may be conclusively relied upon until changed in writing. McKinleyville Community Services District 1656 Sutter Road, McKinleyville, CA 95519 Attention: General Manager

Dated: December \_\_, 2021

MCKINLEYVILLE COMMUNITY SERVICES  
DISTRICT

By \_\_\_\_\_

## APPENDIX E

### BOOK-ENTRY-ONLY SYSTEM

#### Introduction

Unless otherwise noted, the information contained under the caption “—General” below has been provided by DTC. The District makes no representation as to the accuracy or the completeness of such information. The Beneficial Owners of the Certificates should confirm the following information with DTC or the DTC Participants.

NEITHER THE DISTRICT NOR THE TRUSTEE WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (a) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC PARTICIPANT OR ANY INDIRECT PARTICIPANT; (b) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE CERTIFICATES UNDER THE TRUST AGREEMENT; (c) THE SELECTION BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL PREPAYMENT OF THE CERTIFICATES; (d) THE PAYMENT BY DTC OR ANY DTC PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR PREPAYMENT PREMIUM, IF ANY, OR INTEREST DUE WITH RESPECT TO THE OWNER OF THE CERTIFICATES; (e) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF CERTIFICATES; OR (f) ANY OTHER MATTER.

#### General

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

DTC is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The rules applicable to DTC and its Direct Participants are on file with the Securities and Exchange Commission.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC’s records. The ownership interest of each actual purchaser of each Certificate (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect

Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase, but Beneficial Owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Prepayment notices shall be sent to DTC. If less than all of the Certificates within a maturity are being prepaid, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be prepaid.

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation, the District and the Underwriter believes to be reliable, but the Corporation, the District and the Underwriter take no responsibility for the accuracy thereof. Additional information concerning DTC can be found at DTC's website at [www.dtc.org](http://www.dtc.org). The District, the Corporation nor the Underwriter, undertake any responsibility for and make no representation as to the accuracy or the completeness of the content of such material contained on the World Wide Web as described in the preceding sentence including, but not limited to, updates of such information or links to other World Wide Web sites accessed through the aforementioned website.

**APPENDIX F**

**AUDITED FINANCIAL STATEMENTS OF THE DISTRICT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**APPENDIX G**

**[SPECIMEN MUNICIPAL BOND INSURANCE POLICY]**