

**A RESOLUTION OF THE BOARD OF DIRECTORS
OF THE
ORLAND-ARTOIS WATER DISTRICT**

RESOLUTION NO. 2020-11

**AUTHORIZING THE EXECUTION AND DELIVERY OF
INSTALLMENT PURCHASE AGREEMENTS IN THE MAXIMUM
PRINCIPAL AMOUNTS OF \$7,500,000 AND \$7,250,000 TO
FINANCE AMOUNTS OWED TO THE UNITED STATES OF
AMERICA, BUREAU OF RECLAMATION WITH RESPECT TO
THE DISTRICT'S 9(E) CONTRACT AND 9(D) CONTRACT,
RESPECTIVELY, AND APPROVING RELATED DOCUMENTS
AND ACTIONS**

WHEREAS, the Orland-Artois Water District (the "District") owns and operates a system for the supply and distribution of water within its service area (the "Water System");

WHEREAS, the District desires to (1) repay amounts owed to the Bureau of Reclamation for CVP construction costs under its existing 9(e) Contract and (2) repay amounts owed to the Bureau of Reclamation for conveyance construction costs under its existing 9(d) Contract (together, the "2020 Project");

WHEREAS, Public Property Financing Corporation of California, a non-profit public benefit corporation organized and existing under the laws of the State of California (the "Corporation"), is authorized to assist California local agencies to finance projects such as the 2020 Project;

WHEREAS, in order to finance the 2020 Project, the District desires to sell to the Corporation, and the Corporation desires to purchase from the District, the 2020 Project in two components (one relating to the 9(d) Contract and one relating to the 9(e) Contract) pursuant to two Installment Purchase Agreements between the District and the Corporation (each, an "Installment Purchase Agreement");

WHEREAS, in exchange for an upfront payment to be paid to the District under each Installment Purchase Agreement, the Corporation desires to assign its rights in each Installment Purchase Agreement to a bank or other financial institution selected by an Authorized Officer (defined herein) following a request-for-proposals process (with respect to each Installment Purchase Agreement, the "Bank"), pursuant to an Assignment Agreement between the Corporation and the Bank (the "Assignment Agreement");

WHEREAS, the Board of Directors wishes to authorize and approve the execution and delivery of two Installment Purchase Agreements (one relating to the 9(d) Contract and one relating to the 9(e) Contract) and the related financing documents to which the District is a party; and

WHEREAS, the staff report accompanying this resolution contains the information the Board of Directors is required to obtain and disclose pursuant to Section 5852.1 of the Government Code in a meeting open to the public prior to authorizing the execution and delivery of the Installment Purchase Agreements to provide funding for the 2020 Project.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Orland-Artois Water District as follows:

Section 1. Approval of Financing Plan and Installment Purchase Agreements. The Board of Directors hereby approves the execution and delivery of an Installment Purchase Agreement in the maximum principal amount of \$7,500,000 for the purpose of providing funds to finance the component of the 2020 Project related to the 9(e) Contract, with the understanding that the rights of the Corporation thereunder, including the right to receive installment payments, are being simultaneously assigned to the Bank under the Assignment Agreement.

In addition, the Board of Directors hereby approves the execution and delivery of an Installment Purchase Agreement in the maximum principal amount of \$7,250,000 for the purpose of providing funds to finance the component of the 2020 Project related to the 9(d) Contract, with the understanding that the rights of the Corporation thereunder, including the right to receive installment payments, are being simultaneously assigned to the Bank under the Assignment Agreement.

The Board of Directors hereby approves the form of the Installment Purchase Agreement in substantially the form on file with the Secretary, together with any changes therein or additions thereto approved by the President of the Board, the General Manager or a designee (each, an "Authorized Officer"), including to have the Bank serve as counterparty thereto, and the execution of each such Installment Purchase Agreement by an Authorized Officer shall be conclusive evidence of such approval. Execution of each Installment Purchase Agreement is hereby separately authorized and in no way is one dependent on the other.

Section 2. Hiring of Financing Team and Selection of Bank(s). The Board of Directors hereby authorizes, approves and ratifies the selection of Backstrom, McCarley Berry & Co., LLC, as municipal advisor to the District, and Jones Hall, as special counsel to the District, in connection with the execution and delivery of the Installment Purchase Agreements and related documents.

Each Authorized Officer is hereby authorized and directed to select the winning bank(s) or other financial institution(s) to provide the financing for the two components of the 2020 Project following a request-for-proposals process undertaken by the District with the assistance of the District's municipal advisor, subject to the not-to-exceed par

amounts set forth in Section 1. For clarity, one bank or other financial institution may provide financing for the repayment of amounts owed with respect to the 9(e) Contract and another bank or other financial institution may provide financing for the repayment of amounts owed with respect to the 9(d) Contract.

Section 3. Official Actions. The President, the General Manager, and all other officers of the District are each authorized and directed in the name and on behalf of the District to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate the execution and delivery of the Installment Purchase Agreements and the financing transactions contemplated thereby. Whenever in this Resolution any officer of the District is directed to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

Section 4. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption

The foregoing Resolution was duly and regularly introduced, passed, and adopted by the Board of Directors of the Orland-Artois Water District at a regular meeting thereof held on the 20th day of October, 2020.

AYES: *Vereschagin, Pieper, Erickson, Jones, Schonauer*

NOES:

ABSENT:

ABSTAIN:



Mike Vereschagin
President of the Board

ATTEST:



Emil Cavagnolo
Secretary of the Board

Orland-Artois Water District Staff Report

Date: October 20, 2020
To: Board of Directors
From: General Manager
Subject: **Private Placement Financing Transaction**

BACKGROUND

The District is in the process of acquiring a permanent contractual right to purchase water in accordance with a contract between the District and the United States of America, Bureau of Reclamation pursuant to the Water Infrastructure Improvement for the Nation (WIIN) Act. This is accomplished with a pay-off of amounts due by the District for CVP construction costs under its existing 9(e) Contract. At the same time, the District desires to pay-off amounts due for its water conveyance system under its existing 9(d) Contract. In order to generate sufficient funds to pay-off amounts due with respect both to the 9(d) Contract and the 9(e) Contract, the District wishes to undertake a private placement financing transaction.

The District anticipates that it will need to borrow an amount not to exceed \$7,500,000 to pay-off the amounts owed to the Bureau of Reclamation as part of the District's 9(e) Contract and to pay transaction costs related thereto.

In addition, the District anticipates that it will need to borrow an amount not to exceed \$7,250,000 to pay-off the amounts owed to the Bureau of Reclamation as part of the District's 9(d) Contract and to pay transaction costs related thereto.

Authorization to refinance amounts owed with respect to the 9(d) Contract and 9(e) Contract in the maximum amounts described above is accomplished via passage of the resolution. One bank or other financial institution may provide financing for the full amount, or two separate banks or financial institutions may provide the financing, depending on the interest rate bids received.

STAFF RECOMMENDATION

Staff recommends that the Board approve the private placement financing transaction pursuant to the provided resolution.

DISCUSSION

In order to refinance amounts owed with respect to the 9(d) Contract and 9(e) Contract, the District and Public Property Financing Corporation of California, a nonprofit benefit corporation formed to assist local agencies with long-term financings (the "Corporation"), will enter into two Installment Purchase Agreements under which the Corporation will provide funds to the District in an amount sufficient to refinance amounts owed with respect to the 9(d) Contract or the 9(e) Contract, as applicable. In return, the District will make semiannual installment payments secured by a pledge and lien on the "Pledged Revenues" of the water system owned and operated by the District. The semiannual installment payments will be assigned by the

Corporation to the winning bank(s) or other financial institution(s) in exchange for an upfront amount sufficient to finance the repayment of the 9(d) Contract and 9(e) Contract.

- For the 9(d) Contract repayment, the “Pledged Revenues” will consist of amounts levied and collected by the District pursuant to its existing assessment that is authorized for such purpose.
- For the 9(e) Contract repayment, the “Pledged Revenues” will consist of amounts levied and collected by the District pursuant to the new Proposition 218 land-based charge being implemented for such purpose. Previously, amounts owed under the 9(e) Contract were payable from water rates.
- In either case, if the “Pledged Revenues” are insufficient to pay amounts due in any year, the District, at its sole discretion, may use net revenues of the District (i.e., revenues available after the payment of operation and maintenance costs) and other legally available funds to make up any deficit. But the net revenues will not be part of the pledge or security for repayment.

In addition, in the event any landowner becomes delinquent in the payment of the land charge, the District has the authority to, and in each Installment Purchase Agreement, the District will covenant to, terminate service and/or record liens against the delinquent parcels, and to collect delinquencies.

In connection with the financing transaction, Backstrom McCarley Berry & Co. LLC is serving as municipal advisor to the District and Jones Hall, APLC is serving as special legal counsel to the District. The municipal advisor has provided the preliminary fiscal impact analysis for the financing and is currently undertaking a “request for proposals” process to solicit bids from banks and other financial institutions that may be interested in the financing. Special legal counsel has prepared the draft resolution and the form of the Installment Purchase Agreement being considered for approval.

The “request for proposals” process is anticipated to be completed by late October. At that time, the winning lender can be selected and the legal documents can be finalized, executed and delivered by all parties. The closing date for the private placement transaction is anticipated to occur in mid to late November, which will ensure proceeds are delivered by the Bureau of Reclamation within the required 60-day window. As noted above, one bank or other financial institution may provide financing for both the 9(d) Contract repayment and the 9(e) Contract repayment, or two separate banks or financial institutions may provide the financing, depending on the bids received.

FISCAL IMPACT

Good faith estimates regarding the financing transaction are set forth below. These good faith estimates have been provided by the District’s municipal advisor in order to meet the requirements of Government Code Section 5852.1 (enacted by Senate Bill 450 in 2017). The following estimates and the final costs will depend on market conditions and can be expected to vary from the estimated amounts set forth below.

Estimates for Repayment of 9(d) Contract

- The true interest cost of the financing is estimated at 3.1249%.
- The finance charge for the financing, including all fees and charges paid to third parties, is estimated at \$60,000.

- Proceeds of the financing expected to be received by the District, net of proceeds for finance charges (described above), capitalized interest and reserves (if any) is \$7,250,000.
- The total payment amount is estimated at \$10,677,658, assuming a 20-year repayment period.

Estimates for Repayment of 9(e) Contract

- The true interest cost of the financing is estimated at 3.1249%.
- The finance charge for the financing, including all fees and charges paid to third parties, is estimated at \$60,000.
- Proceeds of the financing expected to be received by the District, net of proceeds for finance charges (described above), capitalized interest and reserves (if any) is \$7,500,000.
- The total payment amount is estimated at \$11,042,832, assuming a 20-year repayment period.

ATTACHMENTS

1. Resolution No. 2020-11
2. Form of Installment Purchase Agreement

INSTALLMENT PURCHASE AGREEMENT

by and between

ORLAND-ARTOIS WATER DISTRICT

and

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA

Dated as of November 1, 2020

TABLE OF CONTENTS

ARTICLE I

DEFINITIONS

Section 1.01. Definitions 1

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.01. Representations by the District..... 6
Section 2.02. Representations and Warranties by the Corporation 7

ARTICLE III

SALE AND PURCHASE OF THE 2020 Project

Section 3.01. Sale of the 2020 Project to Corporation 8
Section 3.02. Purchase and Sale of the 2020 Project 8
Section 3.03. Title 8

ARTICLE IV

INSTALLMENT PAYMENTS

Section 4.01. Purchase Price 8
Section 4.02. Installment Payments 8

ARTICLE V

SECURITY

Section 5.01. Pledge of Revenues; Pledged Revenues 9
Section 5.02. Allocation of Revenues 9
Section 5.03. Incurrence of Parity Obligations 10
Section 5.04. Rate Stabilization Fund 10
Section 5.05. Investments 10
Section 5.06. Additional Obligations – Pledged Revenues ... **Error! Bookmark not defined.**

ARTICLE VI

COVENANTS OF THE DISTRICT

Section 6.01. Compliance with Installment Purchase Agreement 10
Section 6.02. Against Encumbrances 11
Section 6.03. Against Sale or Other Disposition of Property 11
Section 6.04. Against Competitive Facilities 11

Section 6.05.	Tax Covenants	11
Section 6.06.	Maintenance and Operation of the Water System.....	12
Section 6.07.	Payment of Claims	12
Section 6.08.	Compliance with Contracts.....	12
Section 6.09.	Insurance.....	12
Section 6.10.	Accounting Records; Financial Statements and Other Reports	13
Section 6.11.	Protection of Security and Rights of the Corporation	13
Section 6.12.	Payment of Taxes and Compliance with Governmental Regulations.....	13
Section 6.13.	Amount of Rates and Charges	13
Section 6.14.	Collection of Rates and Charges.....	14
Section 6.15.	Further Assurances	14
Section 6.16.	Enforcement of Contracts.....	14
Section 6.17.	Deposit of Pledged Revenues Proceeds.....	Error! Bookmark not defined.
Section 6.18.	Covenant to Prorate Assessments and Standby Charges	14
Section 6.19.	Budgets	Error! Bookmark not defined.
Section 6.20.	Observance of Laws and Regulations.....	14
Section 6.21.	Compliance with Contracts.....	15
Section 6.22.	Prosecution and Defense of Suits	15

ARTICLE VII

PREPAYMENT OF INSTALLMENT PAYMENTS

Section 7.01.	Prepayment	15
Section 7.02.	Method of Prepayment	15

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE CORPORATION

Section 8.01.	Events of Default and Acceleration of Installment Payments	16
Section 8.02.	Application of Funds Upon Acceleration.....	17
Section 8.03.	Other Remedies of the Corporation.....	17
Section 8.04.	Non-Waiver.....	17
Section 8.05.	Remedies Not Exclusive.....	18

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.01.	Discharge of Obligations	18
---------------	--------------------------------	----

ARTICLE X

MISCELLANEOUS

Section 10.01.	Liability of District Limited	18
Section 10.02.	Benefits of Installment Purchase Agreement Limited to Parties.....	19
Section 10.03.	Successor Is Deemed Included in all References to Predecessor.....	19
Section 10.04.	Waiver of Personal Liability	19
Section 10.05.	Article and Section Headings, Gender and References	19

Section 10.06.	Partial Invalidity	19
Section 10.07.	Assignment.....	19
Section 10.08.	Net Contract	19
Section 10.09.	California Law.....	20
Section 10.10.	Notices.....	20
Section 10.11.	Effective Date	20
Section 10.12.	Execution in Counterparts	20
Section 10.13.	Indemnification of Corporation and Bank	20
Section 10.14.	Amendments Permitted	20
EXHIBIT A	PURCHASE PRICE	A-1
EXHIBIT B	THE 2020 PROJECT	B-1

INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, made and entered into as of November 1, 2020 by and between ORLAND-ARTOIS WATER DISTRICT, a water district duly organized and existing under the laws of the State of California (the "District"), and PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation").

WITNESSETH:

WHEREAS, the District is acquiring a permanent contractual right to purchase water in accordance with a contract with the United States of America, Bureau of Reclamation (the "Bureau"), and in connection therewith desires to (1) repay amounts owed to the Bureau for CVP construction costs under its existing 9(e) Contract and (2) repay amounts owed to the Bureau for conveyance construction costs under its existing 9(d) Contract (together, the "2020 Project");

WHEREAS, the Corporation has agreed to assist the District in financing the acquisition of the 2020 Project for the District on the terms and conditions set forth in this Agreement;

WHEREAS, the District and the Corporation have duly authorized the execution and delivery of this Agreement; 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 delivery of this Agreement 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 Agreement;

NOW, THEREFORE, IN CONSIDERATION OF THESE 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 shall for all purposes hereof and of any amendment hereof or supplement hereto and of any 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.

Accountant's Report. The term "Accountant's Report" means a report signed by an Independent Certified Public Accountant.

Additional Revenues. "Additional Revenues" means, with respect to the issuance of any Parity Obligations, any or all of the following amounts:

- (i) An allowance for Pledged Revenues from any additions or improvements to or extensions of the Water System to be financed from the proceeds of such

Parity Obligations or from any other source but in any case which, during all or any part of the most recent completed Fiscal Year for which audited financial statements are available or for any more recent 12-month period selected by the District, were not in service, all in an amount equal to the estimated additional average annual Pledged Revenues to be derived from such additions, improvements and extensions during the first full Fiscal Year in which each addition, improvement or extension is respectively to be in operation, all as shown by a certificate of the Manager.

- (ii) An allowance for Pledged Revenues arising from any increase in the Pledged Revenues which has become adopted by the Board of Directors of the District prior to the incurring of such Parity Obligations but which, during all or any part of such Fiscal Year or such 12-month period, was not in effect, in an amount equal to the total amount by which the Pledged Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or such 12-month period, all as shown by a certificate of the Manager.

Agreement. The term "Agreement" means this Installment Purchase Agreement, dated as of November 1, 2020, by and between the District and the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

Assignment Agreement. The term "Assignment Agreement" means the Assignment Agreement, dated as of November 1, 2020, by and between the Corporation and the Bank, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

Bank. The term "Bank" means _____, solely in its capacity as assignee under the Assignment Agreement, and its successors and assigns.

Bureau. The term "Bureau" means the United States of America acting through the Bureau of Reclamation.

Business Day. The term "Business Day" means a day other than: a Saturday or Sunday or a day on which: (a) banks located in San Francisco are not required or authorized to remain closed; and (b) the New York Stock Exchange is not closed.

Corporation. The term "Corporation" means the Public Property Financing Corporation of California, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California.

Debt Service. The term "Debt Service" means, for any period of calculation, the sum of:

(1) the interest payable with respect to the Installment Payments and all outstanding Parity Obligations in such period, assuming that all payments are made as scheduled (except to the extent the interest evidenced and represented thereby is capitalized); and

(2) the principal payable with respect to the Installment Payments and all outstanding Parity Obligations in such period, assuming that all payments are made as scheduled;

provided, that, as to any such Parity Obligations bearing or comprising interest at other than a

fixed rate, the rate of interest used to calculate Debt Service shall, for all purposes, be assumed to bear interest at a fixed rate equal to the higher of:

(i) the actual rate on the date of calculation, or if such Parity Obligation is not yet outstanding, the initial rate (if established and binding), and

(ii) if such Parity Obligation has been outstanding for at least 12 months, the average rate over the 12 months immediately preceding the date of calculation, or if such Parity Obligation is outstanding for the 12 prior months, the average rate borne by reference to an index comparable to that to be utilized in determining the interest rate for the Parity Obligations to be executed;

provided, further, that if any such Parity Obligations have 25% or more of the aggregate principal amount due in any one year, Debt Service shall be calculated as if the principal of, and interest on, such Parity Obligations were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of 30 years from the date of calculation; and

provided, further, that the amount on deposit in a debt service reserve fund on any date of calculation shall be deducted from the amount of principal due at the final maturity of the Parity Obligations for which such debt service reserve fund was established and to the extent the amount in such debt service reserve fund is in excess of such amount of principal, such excess shall be applied to the full amount of principal due, in each preceding year, in descending order, until such amount is exhausted.

District. The term "District" means Orland-Artois Water District, a water district duly organized and existing under and by virtue of the laws of the State of California.

Event of Default. The term "Event of Default" means an event described in Section 8.01.

Federal Securities. The term "Federal Securities" means: (a) non-callable direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America; (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America; and (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America.

Fiscal Year. The term "Fiscal Year" means the period beginning on July 1 of each year and ending on the following June 30, or any other twelve-month period selected and designated as the official Fiscal Year of the District.

Generally Accepted Accounting Principles. The term "Generally Accepted Accounting Principles" means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

Independent Certified Public Accountant. The term "Independent Certified Public Accountant" means any firm of certified public accountants appointed by the District, each of whom is independent of the District and the Corporation pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

Installment Payment Date. The term "Installment Payment Date" means: (a) June 15, 2021 and each December 15 and June 15 thereafter, or if said date is not a Business Day, then the following Business Day; or (b) any other date upon which Installment Payments become due and payable, whether by acceleration, prepayment or otherwise.

Installment Payments. The term "Installment Payments" means the installment payments of interest and principal scheduled to be paid by the District under and pursuant hereto.

Law. The term "Law" means the California Water District Law.

Manager. The term "Manager" means the General Manager of the District, or any other person designated by the General Manager to act on behalf of the General Manager.

Parity Obligations. The term "Parity Obligations" means (a) this Agreement, including any amendments and supplements hereto; and (b) all contracts, notes, bonds or other obligations of the District payable from the Pledged Revenues on a parity with the Installment Payments payable hereunder.

Permitted Investments. The term "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:

- (a) Federal Securities;
- (b) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P and Moody's.
- (c) Interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P and Moody's; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation.
- (d) Commercial paper rated in the highest short-term rating category by S&P and Moody's.
- (e) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating in the highest rating category of S&P and Moody's.
- (f) 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 at least AAAM-G, AAAM or AAM (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services).
- (g) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by

S&P and Moody's, or (b) fully secured as to the payment of principal and interest by Federal Securities.

- (h) Obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by S&P and Moody's.
- (i) Bonds or notes issued by any state or municipality which are rated by S&P and Moody's in one of the two highest rating categories assigned by such rating agencies.
- (j) Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P and Moody's at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee in the event such rating at any time falls below A.
- (k) The Local Agency Investment Fund of the State of California, 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.

Pledged Revenues. The term "Pledged Revenues" means [for the 9(e) Contract Repayment: the land-based charge to be levied and collected by the District upon all irrigable lands within the District in accordance with Resolution/Ordinance No. _____, adopted on _____, 20__] [for the 9(d) Contract Repayment: the assessment levied and collected by the District on irrigable lands that access the local conveyance system within the District's service area, in accordance with Resolution/Ordinance No. _____, adopted on _____, 20__].

Purchase Price. The term "Purchase Price" means the principal amount plus interest thereon owed by the District to the Corporation under the terms hereof as provided in Section 4.01.

Rate Stabilization Fund. The term "Rate Stabilization Fund" means any account or fund designated by the District as such pursuant to Section 5.04.

Revenue Fund. The term "Revenue Fund" means the fund or account of such name into which the District shall deposit all of the Pledged Revenues upon receipt pursuant to Section 5.02.

2020 Project. The term "2020 Project" means the project described in Exhibit B hereto, together with any additions, modifications or changes thereto as authorized by the Board of Directors of the District.

USBR Contract. The term "USBR Contract" means the Contract between the United States and Orland-Artois Water District Providing for Project Water Service for Facilities Repayment, dated _____, 2020, as such contract may be amended or supplemented from time to time in accordance with its terms.

Water System. The term "Water System" means the whole and each and every part of the water system of the District, including facilities for irrigation service, municipal and industrial water service, any other water service and electric generation or transmission service, and including the portion thereof existing on the date hereof, and including all additions, betterments,

extensions and improvements to such water system or any part thereof hereafter acquired or constructed.

Written Consent of the Corporation or District, Written Order of the Corporation or District, Written Request of the Corporation or District, Written Requisition of the Corporation or District. The terms "Written Consent of the Corporation or District," "Written Order of the Corporation or District," "Written Request of the Corporation or District," and "Written Requisition of the Corporation or District" mean, respectively, a written consent, order, request or requisition signed by or on behalf of: (a) the Corporation by its President or Vice President; or (b) the District by the President of its Board of Directors or its Manager.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.01. Representations by the District. The District makes the following representations:

(a) The District is a water district duly organized and existing under and pursuant to the Constitution and laws of the State of California, including the Law.

(b) The District has full legal right, power and authority to enter into this Agreement and carry out its obligations hereunder, to carry out and consummate all other transactions contemplated by this Agreement, and the District has complied with the provisions of all applicable law in all matters relating to such transactions.

(c) By proper action, the District has duly authorized the execution, delivery and due performance of this Agreement.

(d) The District will not take or, to the extent within its power, permit any action to be taken which results in the interest paid for the installment purchase of the 2020 Project under the terms of this Agreement being included in the gross income for purposes of federal or State of California income taxation.

(e) The District has determined that it is necessary and proper for District uses and purposes that the District finance the 2020 Project in the manner provided for in this Agreement.

(f) The District is empowered to levy and collect the Pledged Revenues without review or approval by any State or local government agency, and all proceedings related to the imposition of the charges that comprise the Pledged Revenues were conducted in accordance with applicable law, including all notice and public hearing provisions.

(g) The execution and delivery of this Agreement and the consummation of the transactions herein contemplated will not violate any provision of any law, order of any court or other agency of government, or any indenture, material agreement or other instrument to which the District is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the District.

(h) All approvals, consents, authorization, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the ability of the District to perform its obligations under this Agreement, have been obtained or made, as the case may be, and are in full force and effect.

(i) There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the District after reasonable investigation, threatened against or affecting the District or the assets, properties or operations of the District which, if determined adversely to the District or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Agreement or upon the financial condition, assets, properties or operations of the District, and the District is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Agreement, or the financial condition, assets, properties or operations of the District.

Section 2.02. Representations and Warranties by the Corporation. The Corporation makes the following representations and warranties:

(a) The Corporation is a nonprofit public benefit corporation duly organized and in good standing under the laws of the State of California, has full legal right, power and authority to enter into this Agreement and to carry out and consummate all transactions contemplated by this Agreement and by proper action has duly authorized the execution and delivery and due performance of this Agreement.

(b) The execution and delivery of this Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the Corporation is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Corporation.

(c) The Corporation will not take or permit any action to be taken which results in interest paid for the installment purchase of the 2020 Project under the terms of this Agreement being included in the gross income for purposes of federal or State of California income taxation.

(d) There is no action, suit, proceeding, inquiry or investigation before or by any court or federal, state, municipal or other governmental authority pending or, to the knowledge of the Corporation after reasonable investigation, threatened against or affecting the Corporation or the assets, properties or operations of the Corporation which, if determined adversely to the Corporation or its interests, would have a material and adverse effect upon the consummation of the transactions contemplated by or the validity of this Agreement or upon the financial condition, assets, properties or operations of the Corporation, and the Corporation is not in default with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Agreement, or the financial condition, assets, properties or operations of the Corporation.

ARTICLE III

SALE AND PURCHASE OF THE 2020 PROJECT

Section 3.01. Sale of the 2020 Project to Corporation. In consideration for an upfront payment to be paid by the Corporation from funds received from the Bank for the financing of the 2020 Project, the District agrees to sell, and hereby sells, to the Corporation and the Corporation agrees to purchase, and hereby purchases from the District, the 2020 Project.

Section 3.02. Purchase and Sale of the 2020 Project. In consideration for the Installment Payments to be paid by the District to the Corporation under this agreement, the Corporation agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Corporation, the 2020 Project at the Purchase Price specified in Section 4.01 in the manner and in accordance with the provisions of this Agreement.

Section 3.03. Title. All right, title and interest in the 2020 Project shall vest in the District immediately. Such vesting shall occur without further action by the Corporation or the District and the Corporation shall, if requested by the District or if necessary to assure such automatic vesting deliver any and all documents required to assure such vesting.

ARTICLE IV

INSTALLMENT PAYMENTS

Section 4.01. Purchase Price.

(a) The Purchase Price with respect to the 2020 Project to be paid by the District hereunder to the Corporation is the sum of the principal amount of the District's obligations hereunder plus the interest to accrue on the unpaid balance of such principal amount from the effective date hereof over the term hereof, subject to prepayment as provided in Article VII.

(b) The principal amount of the payments to be made by the District hereunder is set forth in Exhibit A hereto.

(c) The interest to accrue on the unpaid balance of such principal amount is as specified in Section 4.02 and Exhibit A hereto, and shall be paid by the District as and constitute interest paid with respect to the principal amount of the District's obligations hereunder.

Section 4.02. Installment Payments. The District shall, subject to any rights of prepayment provided in Article VII, pay the Corporation the Purchase Price of the 2020 Project in installment payments of interest and principal in the amounts and on the Installment Payment Dates as set forth in Exhibit A hereto.

Each Installment Payment shall be paid to the Corporation 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, 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 interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the Installment Payments if paid in accordance with their terms.

Subject to Section 10.01 hereof, the obligation of the District to make the Installment Payments is absolute and unconditional, and until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the District will not discontinue or suspend any Installment Payments required to be made by it under this section when due, whether or not the Water System or any part thereof is operating or operable, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and whether or not the 2020 Project has been completed, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

ARTICLE V

SECURITY

Section 5.01. Pledge of the Pledged Revenues. The Pledged Revenues and all amounts in the Revenue Fund are hereby irrevocably pledged to the payment of the Installment Payments as provided herein, and, except to the extent permitted by Section 5.02 and Section 5.03, such proceeds shall not be used for any other purpose while any of the Installment Payments remain unpaid. This pledge shall constitute a first lien on proceeds of the Pledged Revenues for the payment of the Installment Payments in accordance with the terms hereof, and shall be on a parity with the pledge of Pledged Revenues made for any Parity Obligations issued or incurred by the District pursuant to Section 5.03.

Section 5.02. Deposit and Allocation of Pledged Revenues. In order to carry out and effectuate the pledge and lien contained in Section 5.01, the District agrees and covenants that all Pledged Revenues shall be received by the District in trust for the payment of the Installment Payments and the Parity Obligations (if any), and shall be deposited when and as received in a special fund designated as the "Revenue Fund," which fund the District hereby agrees and covenants to maintain and to hold separate and apart from other funds so long as any Installment Payments remain unpaid.

All moneys in the Revenue Fund shall be applied by the District at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth in this Section.

(a) Installment Payments and Parity Obligations. Not later than each Installment Payment Date, the District shall, from the moneys in the Revenue Fund, transfer to (i) the Corporation, or its assignee, the portion of each Installment Payment due and payable on that Installment Payment Date and (ii) on a parity basis, the payee(s) under any Parity Obligation(s) the Debt Service due with respect to such Parity Obligation(s). In the event of any insufficiency of amounts payable under this clause (a), amounts shall be transferred ratably without any discrimination or preference between the Installment Payments and the Debt Service due on any Parity Obligations.

(b) Debt Service Reserve Funds. On or before each Installment Payment Date, the District shall, from the remaining moneys in the Revenue Fund, thereafter, without preference or priority and, in the event of any insufficiency of such moneys, ratably without any discrimination or preference, transfer for deposit in debt service reserve funds and/or accounts, if any, as may have been established in connection with any Parity Obligations, that sum, if any, necessary to restore such reserve funds to the required amount.

(c) Surplus. On the Business Day following each [June 15], moneys on deposit in the Revenue Fund not necessary to make any of the payments required above may be expended by the District at any time for any purpose permitted by law, including but not limited to transfers to the Rate Stabilization Fund, to prepay the Installment Payments or any Parity Obligations, or to pay amounts due on obligations subordinate hereto.

Section 5.03. Incurrence of Parity Obligations. The District may at any time execute, issue or incur a Parity Obligation, provided that:

- (a) No Event of Default has occurred and is continuing; and
- (b) Debt Service on the Parity Obligation shall be payable on Installment Payment Dates; and
- (c) Pledged Revenues, calculated in accordance with sound accounting principles, as shown by the books of the District for the latest Fiscal Year or as shown by the books of the District for any other 12-month period selected by the District ending not more than 90 days prior to the date of issuance of such Parity Obligations, plus (at the option of the District) Additional Revenues, are at least equal to 125% of the amount of Debt Service in any future Fiscal Year with respect to the Installment Payments and all Parity Obligations then outstanding (including the Parity Obligations then proposed to be issued).

Notwithstanding the foregoing, Parity Obligations may be issued or incurred to refund the Installment Payments or any Parity Obligations if, after giving effect to the application of the proceeds thereof, Debt Service resulting from the issuance or incurrence of such refunding Parity Obligations will be lower in each future Fiscal Year in which any Installment Payments are due.

Section 5.04. Rate Stabilization Fund. The District may establish during the term of this Agreement a "Rate Stabilization Fund." Amounts in the Rate Stabilization Fund shall be disbursed, allocated and applied by the District solely to the uses and purposes hereinafter described in this Agreement, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the District.

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 the payment of the Installment Payments and Debt Service on Parity Obligations. Amounts transferred from the Rate Stabilization Fund into the Revenue Fund pursuant to this Section 5.04 during, or within 270 days after the end of, a Fiscal Year, may be taken into account as Pledged Revenues for purposes of the calculation in Section 6.13 in such Fiscal Year, as and to the extent permitted by Section 6.13.

Section 5.05. Investments. All moneys held by the District in the Revenue Fund and Rate Stabilization Fund shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein.

ARTICLE VI

COVENANTS OF THE DISTRICT

Section 6.01. Compliance with Installment Purchase Agreement. 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 Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the 2020 Project, 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 contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Corporation or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

It is expressly understood and agreed by and among the parties to this Agreement that, subject to Section 10.6 hereof, each of the agreements, conditions, covenants and terms contained in this Agreement is an essential and material term of the purchase of and payment for the 2020 Project by the District pursuant to, and in accordance with, and as authorized under applicable law.

Section 6.02. Against Encumbrances. The District will not make any pledge of or place any lien on the Pledged Revenues except as provided in Sections 5.01 and 5.03. The District may at any time, or from time to time, incur evidences of indebtedness or incur other obligations for any lawful purpose which (i) are payable from and secured by a pledge of or lien on revenues of the District that do not constitute Pledged Revenues or for which the pledge of Pledged Revenues is subordinate to the pledge and lien created by this Agreement or (ii) constitute Parity Obligation incurred in conformity with Section 5.03.

Section 6.03. Against Sale or Other Disposition of Property. The District will not enter into any agreement or lease which materially impairs the operation of the Water System or any part thereof necessary to secure adequate Pledged Revenues for the payment of the Installment Payments, or which would otherwise impair the rights of the Corporation (or its assignee) hereunder or the operation of the Water System.

Section 6.04. Against Competitive Facilities. To the extent permitted by law, the District covenants that it will not acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any Water System competitive with the Water System.

Section 6.05. Tax Covenants. Notwithstanding any other provision of this Agreement, absent an opinion of Special Counsel that the exclusion from gross income of the interest component of the Installment Payments will not be adversely affected for federal income tax purposes, the District and the Corporation covenant to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income and specifically covenant, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District and the Corporation will not take or omit to take any action or make any use of any proceeds of this Agreement or of any other moneys or property which would cause the Installment Payments to be "private activity bonds" within the meaning of Section 141 of the Code.

(b) Arbitrage. The District and the Corporation will make no use of any proceeds of this Agreement or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the Installment Payments to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(c) Federal Guarantee. The District and the Corporation will make no use of any proceeds of this Agreement or take or omit to take any action that would cause the Installment Payments to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The District and the Corporation will take or cause to be taken all necessary action to comply with the informational reporting requirements of Section 149(e) of the Code.

(e) Hedge Bonds. The District and the Corporation will make no use of any proceeds of this Agreement or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the Installment Payments to be considered "hedge bonds" within the meaning of Section 149(g) of the Code unless the District takes all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of the interest component of the Installment Payments for federal income tax purposes.

(f) Miscellaneous. The District and the Corporation will take no action, or omit to take any action, inconsistent with the expectations stated in any tax certificate executed in connection with the Installment Payments and will comply with the covenants and requirements stated therein and incorporated by reference herein.

Section 6.06. Maintenance and Operation of the Water System. The District will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all operation and maintenance costs as they become due and payable.

Section 6.07. Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies in order to properly maintain the Water System.

Section 6.08. Compliance with Contracts. The District will neither take nor omit to take any action under any contract, including but not limited to the USBR Contract, if the effect of such act or failure to act would in any manner materially adversely impair the ability of the District to pay Installment Payments; and the District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all other contracts affecting or involving the Water System, including but not limited to the USBR Contract, to the extent that the District is a party thereto.

Section 6.09. Insurance.

(a) The District will procure and maintain or cause to be procured and maintained insurance on the Water System with responsible insurers in such amounts and against such risks (including damage to or destruction of the Water System) as are usually covered in connection with water systems similar to the Water System so long as such insurance is available from reputable insurance companies. In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the net proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System.

The District shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such net proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and liens.

(b) The District will procure and maintain such other insurance as it shall deem advisable or necessary to protect its interests and the interests of the Corporation, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with water systems similar to the Water System.

(c) Any insurance required to be maintained by paragraph (a) above and, if the District determines to procure and maintain insurance pursuant to paragraph (b) above, such insurance, may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with water systems similar to the Water System and is, in the opinion of an accredited actuary, actuarially sound.

Section 6.10. Accounting Records; Financial Statements and Other Reports.

(a) The District will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the District, which records shall be available for inspection by the Corporation at reasonable hours and under reasonable conditions.

(b) The District will prepare and file with the Corporation annually within 270 days after the close of each Fiscal Year, financial statements of the District for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon.

(c) The District will provide the Corporation with copies of its annual budget within 30 days following the adoption thereof and any interim updates of the budget.

Section 6.11. Protection of Security and Rights of the Corporation. The District will preserve and protect the security hereof 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.

Section 6.12. Payment of Taxes and Compliance with Governmental Regulations. The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System or any part thereof or upon the Pledged 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 Water System 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 6.13. Levy and Collection of Pledged Revenues.

(a) To the fullest extent permitted by law, for each Fiscal Year, the District shall fix, prescribe and levy the Pledged Revenues in an amount that is reasonably expected to yield during such Fiscal Year an amount of Pledged Revenues that is equal to 125% of Debt Service for such Fiscal Year. For purposes of this calculation, any amounts transferred by the District from the

Rate Stabilization Fund into the Revenue Fund for such Fiscal Year shall constitute "Pledged Revenues" for such Fiscal Year (so long as such amounts were not already counted as Pledged Revenues for such Fiscal Year).

(b) The District may make adjustments from time to time in its rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Pledged Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this section.

(c) For avoidance of doubt, so long as the District has complied with its obligations set forth in Section 6.13(a) above, the failure of the Pledged Revenues to meet the threshold set forth in Section 6.13(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 6.13(a) at the commencement of the applicable Fiscal Year.

Section 6.14. Collection of Rates and Charges; Foreclosure.

(a) The District will have in effect at all times by-laws, rules and regulations requiring each customer to pay the Pledged Revenues and all other rates and charges applicable to the Water System, and providing for the billing thereof and for a due date and a delinquency date for each bill.

(b) To the fullest extent permitted by law, the District shall enforce the collection of delinquencies with respect to the Pledged Revenues, including by initiating any foreclosure actions or other remedies available to the District.

Section 6.15. Covenant to Prorate Pledged Revenues and Other Rates and Charges. In the event that the District levies and collects the Pledged Revenues and other rates and charges on a single invoice, and the District receives only partial payment with respect to such invoice, the District shall allocate such partial payment among the Pledged Revenues and such other rates and charges on a pro rata basis.

Section 6.16. 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 6.17. Enforcement of Contracts. The District will not voluntarily consent to or permit any rescission of, nor will it consent to any amendment to or otherwise take any action under or in connection with any contracts previously or hereafter entered into, including but not limited to the USBR Contract, if such rescission or amendment would result in a default by the District in the payment of Installment Payments.

Section 6.18. Observance of Laws and Regulations. To the extent necessary to assure its performance hereunder, the District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District, respectively, including its right to exist and carry on its business, to the end that such contracts, rights and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 6.19. Compliance with Contracts. The District shall comply with the terms, covenants and provisions, express or implied, of all contracts for the use of the 2020 Project by the District, and all other contracts and agreements affecting or involving the 2020 Project to the extent that the District is a party thereto.

Section 6.20. Prosecution and Defense of Suits. The District shall promptly, upon request of the Corporation (or its assignee), from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Water System or any part thereof, whether now existing or hereafter developing, shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Corporation (or its assignee) harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

The District shall defend against every suit, action or proceeding at any time brought against the Corporation upon any claim arising out of the receipt, application or disbursement of any of the Installment Payments or involving the rights of the Corporation under this Agreement; provided that the Corporation at its election may appear in and defend any such suit, action or proceeding. The District shall indemnify and hold harmless the Corporation against any and all liability claimed or asserted by any person, arising out of such receipt, application or disbursement. The District shall promptly reimburse the Corporation in the full amount of any attorneys' fees or other expenses which the Corporation may incur in litigation or otherwise in order to enforce such party's rights under this Agreement.

ARTICLE VII

PREPAYMENT OF INSTALLMENT PAYMENTS

Section 7.01. Prepayment. The District may prepay the principal component of the Installment Payments as a whole or in part, on any date from and after _____, 20__, at a prepayment price equal to the principal amount of the Installment Payments to be prepaid plus accrued interest thereon to the date of prepayment, without premium.

In addition, no more than once per Fiscal Year, the District may prepay the principal component of the Installment Payments, in part, in a maximum principal amount of up to 10% of the principal components then remaining unpaid, at a prepayment price equal to the principal amount of the Installment Payments to be prepaid plus accrued interest thereon to the date of prepayment, without premium.

Section 7.02. Notice of Prepayment. Before making any prepayment pursuant to Section 7.01, the District shall give written notice to the Corporation and the Bank specifying the date on which the Installment Payments will be paid, which date shall be not less than 10 days from the date such notice is given.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE CORPORATION

Section 8.01. Events of Default and Acceleration of Installment Payments. If one or more of the following Events of Default shall happen:

(a) if default shall be made by the District in the due and punctual payment of any Installment Payment or Debt Service for any Parity Obligation when and as the same shall become due and payable;

(b) if default shall be made by the District in the performance of any of the other agreements or covenants required herein or in any Parity Obligation 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; provided, however, that if in the reasonable opinion of the District the default stated in the notice can be corrected, but not within such 30-day period, and corrective action is instituted by the District within such 30-day period and diligently pursued in good faith until the default is corrected, such default shall not be an Event of Default hereunder;

(c) if the District shall file a petition or answer 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 a court of competent jurisdiction shall approve a petition filed with or without 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) if payment of the principal of any Parity Obligation is accelerated in accordance with its terms; or

then and in each and every such case during the continuance of such Event of Default specified above, the Corporation may, by notice in writing to the District, declare the entire 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 subsection however, is subject to the condition that if at any time after the entire principal amount of the unpaid Installment Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered the District shall deposit with the Corporation a sum sufficient to pay the unpaid principal amount of the Installment Payments and/or the unpaid payment of any other Parity Obligation referred to in clause (a) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the remaining unpaid principal balance of the Installment Payments or such Parity Obligation, if paid in accordance with their terms, and the reasonable expenses of the Corporation, and any and all other defaults known to the Corporation (other than in the payment of the entire 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 8.02. Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 8.01, all Pledged Revenues thereafter received shall be applied in the following order of priority:

First, to the payment of the fees, costs and expenses of the Bank (as assignee of the Corporation), if any, including reasonable compensation to its accountants and counsel;

Second, to payment of the fees, costs and expenses of the Corporation, if any, including reasonable compensation to its accountants and counsel;

Third, to the payment of the entire principal amount of the unpaid Installment Payments and the unpaid principal amount of all Parity Obligation and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to the Installment Payments and such Parity Obligation, if paid in accordance with their respective terms.

Section 8.03. Other Remedies of the Corporation. The Corporation shall have the right:

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

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

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

Notwithstanding anything contained herein, neither the Corporation or the Bank shall have a security interest in or mortgage on the 2020 Project, the Water System or other assets of the District, and no default hereunder shall result in the loss of the 2020 Project, the Water System or other assets of the District.

Section 8.04. Non-Waiver. Nothing in this article 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 Pledged Revenues and the other amounts herein pledged for such payment, or 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 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, 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 8.05. 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 the Law or any other applicable law.

If any remedial action is discontinued or abandoned, the Corporation and the Bank shall be restored to their former positions.

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.01. Security Deposit. Notwithstanding any other provision of this Agreement, the District may on any date secure the payment of the Installment Payments, in whole or in part, by irrevocably depositing with the Bank or other fiduciary an amount of cash which, together with other available amounts, is either (a) sufficient to pay all such Installment Payments, including the principal and interest components thereof, when due under Section 4.01, or (b) invested in whole or in part in cash or Federal Securities in such amount as will, in the opinion of an Independent Certified Public Accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Installment Payments when due under Section 4.01.

If a security deposit is posted under this Section 9.01 for the payment of all remaining Installment Payments, all obligations of the District hereunder, and the pledge of Pledged Revenues and all other security provided by this Agreement for said obligations, shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all Installment Payments from such security deposit. Said security deposit shall be deemed to be and shall constitute a special fund for the payment of such Installment Payments in accordance with the provisions hereof.

ARTICLE X

MISCELLANEOUS

Section 10.01. Liability of District Limited. The obligation of the District to make the Installment Payments is a special obligation of the District payable solely from the Pledged Revenues and amounts on deposit in the Revenue Fund, and does not constitute a debt of the District or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction. Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Pledged Revenues and amounts in the Revenue Fund for the payment of amounts due hereunder or for the performance of any agreements or covenants required to be performed by it contained herein. The District may, however, 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.

Section 10.02. Benefits of Installment Purchase Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the District, the Corporation and the Bank (as assignee of the Corporation pursuant to the terms of the Assignment Agreement), 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 10.03. Successor Is Deemed Included in all References to Predecessor. Whenever either 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.

Section 10.04. Waiver of Personal Liability. No director, 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 director, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 10.05. 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" and other words of similar import refer to this Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.06. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District or the Corporation shall be contrary to 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 Agreement, 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 10.07. Assignment. This Agreement and any rights hereunder may be assigned by the Corporation, as a whole or in part, without the necessity of obtaining the prior consent of the District. The District hereby acknowledges that the Corporation has assigned its rights hereunder, including, without limitation, the right to receive Installment Payments, to exercise any remedies and grant any consents hereunder, to the Bank and references herein to the Corporation shall mean the Bank.

Section 10.08. Net Contract. This Agreement shall be deemed and construed to be a 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 set-off whatsoever.

Section 10.09. California Law. THIS INSTALLMENT PURCHASE AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

Section 10.10. Notices. All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the District: Orland-Artois Water District
 P.O. Box 218
 Orland, CA 95963
 Attention: General Manager

If to the Corporation: Public Property Financing Corporation of California
 2945 Townsgate Road, Suite 200
 Westlake Village, California 91361
 Attention: President

If to the Bank: _____

 Attention: _____

Section 10.11. Effective Date. This Agreement shall become effective upon its execution and delivery, and shall terminate when the Purchase Price shall have been fully paid (or provision for the payment thereof shall have been made in accordance with Section 9.01).

Section 10.12. Execution in Counterparts. This 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.

Section 10.13. Indemnification of Corporation. The District hereby agrees to indemnify and hold harmless the Corporation and its owners, officers, directors, and assigns, if and to the extent permitted by law, from and against all claims, advances, damages and losses, including legal fees and expenses, arising out of or in connection with the acceptance or the performance of its duties hereunder; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder by the Corporation (or any assignee of the Corporation).

Section 10.14. Amendments Permitted. This Agreement and the rights and obligations of the Corporation and the District may be modified or amended at any time by an amendment hereto which shall become binding only with the prior written consent of the Bank.

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

ORLAND-ARTOIS WATER DISTRICT

President of the Board of Directors

ATTEST:

Secretary of the Board

**PUBLIC PROPERTY FINANCING
CORPORATION OF CALIFORNIA**

President

EXHIBIT A
PURCHASE PRICE

1. The principal amount of payments to be made by the District hereunder is
\$ _____.

2. The installment payments of principal and interest are payable in the amounts and on the Installment Payment Dates as follows:

Installment Payment Date	Amount Attributable to Principal	Amount Attributable to Interest	Total
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EXHIBIT B
THE 2020 PROJECT

The 2020 Project consists of the following:

[For 9(e) Contract Repayment: A permanent contractual right to purchase water in accordance with the Contract between the United States and Orland-Artois Water District Providing for Project Water Service and for Facilities Repayment, dated _____, 2020.]

[For 9(d) Contract Repayment: The right to use local conveyance facilities constructed by the Bureau for the conveyance of water within the service area of the District pursuant to the Contract between the United States and Orland-Artois Water District, dated February 26, 1976.]