
INSTALLMENT SALE AGREEMENT

Dated as of December 1, 2016

by and between the

PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, as Seller

and the

MID-PENINSULA WATER DISTRICT, as Purchaser

(2016 Financing Project)

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INSTALLMENT SALE AGREEMENT

THIS INSTALLMENT SALE AGREEMENT, dated as of December 1, 2016, by and between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit, public benefit corporation organized and existing under the laws of the State of California, as seller (the "Corporation"), and the MID-PENINSULA WATER DISTRICT, a water district, organized and existing under the Constitution and laws of the State of California, as purchaser (the "District");

W I T N E S S E T H :

WHEREAS, the District has determined that, due to prevailing financial market conditions, it is in the best interests of the District to finance the acquisition and construction of certain improvements and facilities (the "Project") which constitute part of the District's municipal water system (the "Water System");

WHEREAS, the Board of Directors of the District has determined that in order to accomplish such financing it is necessary and desirable to purchase the Project from the Corporation pursuant to this Installment Sale Agreement; and

WHEREAS, the District will agree to make installment payments pursuant to this Installment Sale Agreement in order to purchase the Project from the Corporation;

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in Exhibit A attached hereto shall, for all purposes of this Installment Sale Agreement, have the meanings specified therein.

Section 1.02. Content of Written Certificates. Every certificate provided for in this Installment Sale Agreement with respect to compliance with any provision hereof shall include (a) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the certificate is based; (c) a statement that, in the opinion of such person, he has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his signature is affixed; (d) a statement of the assumptions upon which such certificate is based, and that such assumptions are reasonable; and (e) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate made or given by a District Representative may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an accountant, unless such District Representative knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an accountant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the District, as the case may be) upon a certificate or opinion of or representation by a District Representative, unless such counsel or accountant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same District Representative, or the same counsel or accountant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Installment Sale Agreement, but different officers, counsel or accountants may certify to different matters, respectively.

Section 1.03. Exhibits. The following Exhibits are attached to, and by this reference are made a part of, this Installment Sale Agreement:

- Exhibit A: Definitions
- Exhibit B: Project Description
- Exhibit C: The schedule of Installment Payments to be paid by the District to the Corporation, showing the Installment Payment Date and amount of each Installment Payment.

ARTICLE II
REPRESENTATIONS, COVENANTS AND
WARRANTIES

Section 2.01. Representations, Covenants and Warranties of the District. The District represents, covenants and warrants to the Corporation as follows:

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

(b) The Constitution and the laws of the State authorize the District to enter into this Installment Sale Agreement and the Trust Agreement and to enter into the transactions contemplated by 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.

(c) Neither the execution and delivery of this Installment Sale 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 material 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 any of the foregoing.

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

Section 2.02. 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; has power to enter into this Installment Sale Agreement, 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 the Installment Payments or other amounts derived from its rights under this Installment Sale Agreement, and will not mortgage or encumber the Water System, except as provided under the terms of this Installment Sale Agreement, the Assignment Agreement and the Trust Agreement.

(c) Neither the execution and delivery of, this Installment Sale Agreement, 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 material breach of the terms, conditions or provisions of any restriction or any agreement, instrument, regulation or law to which the Corporation is now a party or by which the Corporation is bound, or constitutes a default under any of the foregoing.

(d) Except as provided herein, the Corporation will not assign this Installment Sale Agreement, its right to receive Installment Payments from the District or its duties and

obligations hereunder to any other person, firm or corporation so as to impair or violate the representations, covenants and warranties contained in this Section 2.02.

ARTICLE III

DEPOSIT OF MONEYS

Section 3.01. Deposit of Moneys. On the Closing Date, the Corporation shall cause to be deposited with the Trustee, the sum of \$_____, derived from Certificate proceeds, the Trustee shall deposit or transfer the following amounts: (a) an amount equal to \$_____ shall be deposited in the Delivery Costs Fund; and (b) an amount equal to \$_____ shall be deposited in the Project Fund.

Section 3.02. Acquisition and Construction of the Project. The Corporation hereby appoints the District its agent to acquire and construct the Project.

Section 3.03. Payment of Project Costs and Delivery Costs. Payment of the Project Costs shall be made from the moneys deposited with the Trustee in the Project Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with Section 3.02 of the Trust Agreement. Payment of Delivery Costs shall be made from the moneys deposited with the Trustee in the Delivery Costs Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with Section 3.04 of the Trust Agreement. The District hereby covenants to pay necessary Project Costs and Delivery Costs in excess of amounts available from Certificate proceeds from any legally available source of funds.

Section 3.04. Unexpended Proceeds. In accordance with Section 3.05 of the Trust Agreement, all excess moneys remaining in the Project Fund and not required for payment of Project Costs shall be transferred to the Installment Payment Fund for application to payment of the Installment Payments as the same become due and payable.

ARTICLE IV

SALE OF PROJECT; TITLE TO THE PROJECT; TERM OF THE INSTALLMENT SALE AGREEMENT; INSTALLMENT PAYMENTS

Section 4.01. Sale. The Corporation hereby sells, bargains and conveys the Project to the District, and the District hereby purchases the Project from the Corporation upon the terms and conditions set forth in this Installment Sale Agreement.

Section 4.02. Title. The District and the Corporation agree that title to the Project shall be deemed conveyed to and vested in the District on the Closing Date, subject only to Permitted Encumbrances. The Corporation and its officers shall take all actions necessary to vest in the District all of the Corporation's rights in and title to the Project.

Section 4.03. Term of the Installment Sale Agreement. The Term of the Installment Sale Agreement shall commence as of the date hereof and shall end on December 1, ____, unless such term is extended or sooner terminated as hereinafter provided. If on December 1, ____, the Trust Agreement shall not be discharged by its terms, then the Term of the Installment Sale Agreement shall be extended until the date on which the Trust Agreement shall be discharged by its terms. If prior to December 1, ____, the Trust Agreement shall be discharged by its terms, the Term of the Installment Sale Agreement shall thereupon end.

Section 4.04. Installment Payments.

(a) *Obligation to Pay*. The District agrees to pay to the Corporation, its successors and assigns, as the purchase price of the Project, the Installment Payments, consisting of components of principal and interest, on the Installment Payment Dates and in the amounts specified in Section 4.06(b) hereof, except such amounts shall be reduced by moneys on deposit in the Installment Payment Fund and credited to the payment of Installment Payments next due. The Installment Payments shall be payable solely from Net Revenues as hereinafter provided. The first Installment Payment shall be due on May 15, 2017.

(b) *Reduction Upon Partial Prepayment*. In the event the District prepays less than all of the remaining principal components of the Installment Payments pursuant to Sections 10.02 and 10.03 hereof, the amount of such prepayment shall be applied to reduce the principal component of the subsequent remaining Installment Payments in inverse order of Installment Payment Date and the interest component of each subsequent remaining Installment Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable with respect to the Certificates redeemed as a result of such prepayment. The District shall provide the Trustee with a revised Installment Payment schedule.

(c) *Rate on Overdue Payments*. In the event the District should fail to make any of the payments required in this Section 4.04 so that there are insufficient moneys on hand in the Installment Payment Fund to pay any Installment Payment in full on an Installment Payment Date, the Installment Payment in default shall continue as an obligation of the District until the amount in default shall have been fully paid and the District agrees to pay the same with interest thereon, to the extent permitted by law, from the date thereof at the rate of interest payable with respect to the Certificates. Such interest, if received, shall be deposited in the Installment Payment Fund if withdrawals were made therefrom as a result of the default.

(d) *Assignment*. The District understands and agrees that the Corporation has assigned its right, title and interest (but not its duties or obligations) in this Installment Sale Agreement to the Trustee pursuant to the Assignment Agreement for the benefit of the Owners and the District assents to such assignment. The Corporation hereby directs the District, and the District hereby agrees, to pay to the Trustee at the Trustee's principal corporate trust office or at such other place as the Trustee shall direct in writing, all payments payable by the District pursuant to this Section 4.04 and all amounts payable by the District pursuant to Article X hereof.

Section 4.05. Special Obligation of the District. The District's obligation to pay the Installment Payments shall be a special obligation limited solely to Net Revenues. Under no circumstances shall the District be required to advance any moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the payment of the Installment Payments, nor shall any other funds or property of the District be liable for the payment of the Installment Payments.

The obligations of the District to make the Installment Payments from Net Revenues and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach of the District, the Corporation or the Trustee of any obligation to the District or otherwise with respect to the Project, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the District by the Corporation or the Trustee. Until such time as all of the Installment Payments shall have been fully paid or prepaid, the District (a) will not suspend, abate, or discontinue any payments provided for in Section 4.04 hereof, (b) will perform and observe all other agreements contained in this Installment Sale Agreement, and (c) will not terminate the Term of the Installment Sale Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, the taking by eminent domain of title to or temporary use of any or all of the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof or any failure of the Corporation or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement, the Assignment Agreement or this Installment Sale Agreement.

Nothing contained in this Section 4.05 shall be construed to release the Corporation from the performance of any of the agreements on its part herein contained, and in the event the Corporation shall fail to perform any such agreements on its part, the District may institute such action against the Corporation as the District may deem necessary to compel performance so long as such action does not abrogate the obligations of the District contained in the first sentence of the preceding paragraph. The District may, however, at the District's own cost and expense and in the District's own name or in the name of the 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 secure or protect the District's right of possession, occupancy and use hereunder, and in such event the Corporation hereby agrees to cooperate fully with the District and to take such action necessary to effect the substitution of the District for the Corporation in such action or proceeding if the District shall so request.

Section 4.06. Pledge of Net Revenues; Deposits to Pay Installment Payments; Release from Lien.

(a) *Pledge of Net Revenues*. The District hereby agrees that the payment of the Installment Payments shall be secured by a pledge, charge and first and prior lien upon Net Revenues, and

Net Revenues sufficient to pay the Installment Payments as they become due and payable are hereby pledged, charged, assigned, transferred and set over by the District to the Corporation and its assigns for the purpose of securing payment of the Installment Payments. The Net Revenues shall constitute a trust fund for the security and payment of the Installment Payments.

(b) *Transfer to Pay Installment Payments.* In order to provide for the payment of Installment Payments when due, the District shall, on or before each Installment Payment Date, transfer to the Trustee for deposit into the Installment Payment Fund the amount indicated in Exhibit C attached hereto as required for the next occurring Installment Payment Date. Notwithstanding Exhibit C attached hereto, the District shall be obligated to make Installment Payments sufficient to pay all principal and interest due with respect to the Certificates.

(c) *Release from Lien.* Following the transfer described in paragraph (b) of this Section 4.06 with respect to the November 15 Installment Payment Date, Net Revenues in excess of amounts required for the payment of Installment Payments and any Parity Debt in that Fiscal Year shall be released from the lien of this Installment Sale Agreement and shall be available for any lawful purpose of the District.

(d) *Limitation on Use of Net Revenues for Capital Improvements.* The District hereby agrees that Net Revenues shall not be applied for the payment of capital improvements relating to the Water System until such Net Revenues have been released from the lien of this Installment Sale Agreement as described in paragraph (c) of this Section 4.06.

Section 4.07. Rate Covenant.

(a) The District hereby covenants that it shall prescribe, revise and collect such charges for the services and facilities of the Water System which, after allowances for contingencies and error in the estimates, shall produce Gross Water System Revenues sufficient in each Fiscal Year to provide Net Revenues equal to at least 1.30 times (i) the Installment Payments coming due and payable during such Fiscal Year, and (ii) all payments required with respect to Parity Debt.

(b) If, in any Fiscal Year, charges for the services and facilities of the Water System which, after allowances for contingencies and error in the estimates, shall produce Gross Water System Revenues insufficient in each Fiscal Year to provide Net Revenues equal to at least 1.30 times (i) the Installment Payments coming due and payable during such Fiscal Year, and (ii) all payments required with respect to Parity Debt, the District covenants and agrees notify the Trustee of such fact and to employ an independent consultant to make recommendations as to a revision of the rates, fees and charges of the Water System or the methods of operation of the Water System that will result in producing Net Revenues equal to at least 1.30 times (i) the Installment Payments coming due and payable during such Fiscal Year, and (ii) all payments required with respect to Parity Debt.

(c) The District covenants and agrees that it shall, promptly upon its receipt of such recommendations from such consultant, subject to applicable requirements or restrictions imposed by law, and subject to a good faith determination of the Board of Directors of the District that such recommendations, in whole or in part, are in the best interests of the District, revise its rates, fees and charges or its methods of operation or collections and shall take such other action as shall be in conformity with such recommendations. In the event that the District fails to comply with such recommendations, subject to the applicable requirements or restrictions imposed by law and to the determination of the Board of Directors of the District that such recommendations are in the best interests of the District, the Corporation, or its assignee, may, in addition to the rights and remedies elsewhere set forth in this Installment Sale Agreement, and shall, upon the written request of the Owners of a majority in principal amount

of the Certificates then Outstanding, and being indemnified to its satisfaction therefor, institute and prosecute an action or proceeding in a court of competent jurisdiction to compel the District to comply with the recommendations and requirements of this paragraph (c). If the District complies in all material respects with the reasonable recommendations of the consultant in respect to said rates, fees, charges and methods of operation or collection (as evidenced by an officer's certificate of such consultant or the District, upon which the Trustee may conclusively rely), the District will be deemed to have complied with the covenants described above notwithstanding that Net Revenues shall be less than the amount required under this Installment Sale Agreement for such Fiscal Year; provided, however, that such rates, fees, charges and methods of operation or collection shall produce Net Revenues equal to at least 100% of (i) the Installment Payments coming due and payable during such Fiscal Year, and (ii) all payments required with respect to Parity Debt; provided further, that this sentence shall not be construed as in any way excusing the District from taking any action or performing any duty required under this Installment Sale Agreement or be construed as constituting a waiver of any other Event of Default.

Section 4.08. Limitations on Future Obligations Secured by Net Revenues.

(a) *No Obligations Superior to Installment Payments.* In order to protect further the availability of the Net Revenues and the security for the Installment Payments and any Parity Debt, the District hereby agrees that the District shall not, so long as any Certificates are outstanding, issue or incur any obligations payable from Gross Water System Revenues or Net Revenues superior to the Installment Payments or such Parity Debt.

(b) *Parity Debt.* The District further covenants that, except for obligations issued or incurred to prepay the Installment Payments in full pursuant to Section 10.02 hereof, the District shall not issue or incur any Parity Debt unless:

(i) The District is not in default under the terms of this Installment Sale Agreement;

(ii) The Net Revenues for the most recent audited Fiscal Year preceding the date of the adoption by the Board of Directors of the District of the resolution authorizing the incurrence of such Parity Debt, as evidenced by both a calculation prepared by the District and the special report prepared by an Independent Certified Public Accountant on such calculation on file with the District, shall have produced a sum equal to at least one hundred twenty per cent (120%) of the Debt Service for such Fiscal Year, and

(iii) The estimated Net Revenues for the then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest date of operation of any uncompleted Project, as evidenced by an Engineer's Report on file with the District, plus (after giving effect to the completion of all uncompleted Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the rates, fees and charges estimated to be fixed and prescribed for the Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by such Engineer's Report on file with the District, shall produce a sum equal to at least one hundred twenty per cent (120%) of the estimated Debt Service for each of such Fiscal Years, after giving effect, in either case, to the execution of all Parity Debt estimated to be required to be executed or issued to pay the costs of completing all uncompleted Projects, assuming that all such Parity Debt have maturities, interest rates and proportionate principal repayment provisions similar to the Parity Debt that were first issued for the purpose of acquiring and constructing such uncompleted Project.

Either or both of the following items may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (b)(iii):

(A) An allowance for revenues from any additions to or improvements or extensions of the Water System to be constructed with the proceeds of such additional obligations, and also for net revenues from any such additions, improvements or extensions which have been from moneys from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 70% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following closing of the proposed Parity Debt, all as shown by the certificate or opinion of a qualified independent consultant employed by the District, may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (b)(iii).

(B) An allowance for earnings arising from any increase in the charges made for service from the Water System which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year and any period prior to the incurring of such additional obligations, as shown by the certificate or opinion of a qualified independent engineer employed by the District.

(iv) Interest with respect to such Parity Debt shall be paid on the Interest Payment Dates.

(v) Principal with respect to such Parity Debt shall be paid on December 1.

The District shall deliver to the Trustee a Certificate of the District certifying that the conditions precedent to the issuance of such Parity Debt have been satisfied.

(c) *Subordinate Debt.* The District further covenants that the District shall not issue or incur any Subordinate Debt unless:

(i) The District is not in default under the terms of this Installment Sale Agreement;

(ii) Net Revenues, calculated on sound accounting principles, as shown by the books of the District for the latest Fiscal Year or any more recent twelve (12) month period selected by the District ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Subordinate Debt is issued or incurred, plus, at the option of the District, the additional allowance described below, shall have amounted to at least 1.0 times the maximum Debt Service coming due and payable in any future Fiscal Year; and

Either or both of the following items may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (c)(ii):

(A) An allowance for revenues from any additions to or improvements or extensions of the Water System to be constructed with the proceeds of such additional obligations, and also for net revenues from any such additions,

improvements or extensions which have been from moneys from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 70% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36-month period following closing of the proposed Parity Debt, all as shown by the certificate or opinion of a qualified independent consultant employed by the District, may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (c)(ii).

(B) An allowance for earnings arising from any increase in the charges made for service from the Water System which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year, was not in effect, in an amount equal to 100% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year and any period prior to the incurring of such additional obligations, as shown by the certificate or opinion of a qualified independent engineer employed by the District.

(iii) Interest with respect to such Subordinate Debt shall be paid on the Interest Payment Dates.

(iv) Principal with respect to such Subordinate Debt shall be paid on December 1.

The District shall deliver to the Trustee a Certificate of the District certifying that the conditions precedent to the issuance of such Subordinate Debt have been satisfied.

(d) *State Loans.* The District may borrow money from the State to finance improvements to the Water System, without complying with the provisions of paragraphs (b)(iv) or (v) above, relating to the issuance of Parity Debt, and the obligation of the District to make payments to the State under the loan agreement memorializing said loan (the "State Loan") may be treated as Parity Debt for purposes of this Installment Sale Agreement; provided that the District shall not make a payment on such State Loan (except as hereinafter expressly provided) to the extent it would have the effect of causing the District to fail to pay Installment Payments on a timely basis. In the event the Water System does not produce sufficient funds to make the full Installment Payments and such State Loan, the District shall make Installment Payments and such State Loan on a pro rata basis

Section 4.09. Additional Payments. In addition to the Installment Payments, the District shall pay, from Net Revenues, when due the following Additional Payments:

(a) Any amounts due to the Trustee pursuant to the Trust Agreement for all services rendered under the Trust Agreement and for all reasonable expenses, charges, costs, liabilities, legal fees and other disbursements incurred in and about the performance of its powers and duties under the Trust Agreement.

(b) Any reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the District, the Corporation or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under this Installment Sale Agreement or the Trust Agreement.

(c) Any reasonable out-of-pocket expenses of the District in connection with the execution and delivery of this Installment Sale Agreement or the Trust Agreement, or in connection with the execution and delivery of the Certificates, including any and all expenses incurred in connection with the authorization, execution, sale and delivery of the Certificates, or incurred by the Corporation in connection with any litigation which may at any time be instituted involving this Installment Sale Agreement, the Trust Agreement, the Certificates or any of the other documents contemplated hereby or thereby, or incurred by the Corporation in connection with the Continuing Disclosure Certificate, or otherwise incurred in connection with the administration thereof.

ARTICLE V

MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

Section 5.01. Maintenance, Utilities, Taxes and Assessments. The District covenants to operate the Water System in an efficient and economical manner and operate, maintain and preserve the Water System in good repair and working order.

The District shall also pay or cause to be paid all taxes and assessments of any type or nature charged to the Corporation or the District or levied, assessed or charged against the Water System or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the Term of the Installment Sale Agreement as and when the same become due. The District shall not be required to pay any federal, state or local income, inheritance, estate, succession, transfer, gift, franchise, gross receipts, profit, excess profit, capital stock, corporate, or other similar tax payable by the Corporation, its successors or assigns, unless such tax is made in lieu of or as a substitute for any real estate or other tax upon property.

The District may, at the District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation shall notify the District that, in the opinion of Independent Counsel, by nonpayment of any such items, or the Project or any part thereof will be subject to loss or forfeiture, in which event the District shall promptly pay such taxes, assessments or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation. The District shall provide the Corporation with written notice of any such contest and shall provide such updates on the contest as the Corporation may reasonably request.

Section 5.02. Modification of Project. The District shall, at its own expense, have the right to remodel the Project or to make additions, modifications and improvements thereto. All such additions, modifications and improvements shall thereafter comprise part of the Project and be subject to the provisions of this Installment Sale Agreement. Such additions, modifications and improvements shall not in any way damage the Project or cause it to be used for purposes other than those authorized under the provisions of state and federal law; and the Project, upon completion of any additions, modifications and improvements made pursuant to this Section 5.02, shall be of a value which is not substantially less than the value of the Project immediately prior to the making of such additions, modifications and improvements.

Section 5.03. Public Liability and Property Damage Insurance. The District shall maintain or cause to be maintained, throughout the Term of the Installment Sale Agreement, insurance policies, including a standard comprehensive general insurance policy or policies in protection of the Corporation, the District and the Trustee, their members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the construction or operation of the Water System (but only if such insurance is available at reasonable cost on the open market from reputable insurance companies). Said policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and \$3,000,000 for personal injury or

deaths of two or more persons in each accident or event, and in a minimum amount of \$250,000 (subject to a deductible clause of not to exceed \$300,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$3,000,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the District, and may be maintained in the form of insurance maintained through a nonprofit, public benefit corporation created for such purpose or in the form of self-insurance by the District. If the District shall maintain self-insurance, it shall supply to the Trustee a statement of sufficiency by an independent insurance consultant or the District's risk General Manager on an annual basis as described in Section 5.05 hereof. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

Section 5.04. Fire and Extended Coverage Insurance. The District shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Installment Sale Agreement, insurance against loss or damage to any structures constituting any part of the Water System (excluding transmission and distribution pipelines and equipment in public and private rights-of-way) by fire and lightning, with extended coverage insurance. Such insurance shall be in an amount equal to the greater of 100% of the replacement cost of the Project or the then Outstanding principal amount of Certificates. Such insurance may be subject to a deductible clause of not to exceed ten percent of said replacement cost for any one loss. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the District, and may be maintained in the form of insurance maintained through a nonprofit, public benefit corporation created for such purpose or in the form of self-insurance by the District. If the District shall maintain self-insurance, it will supply to the Trustee a statement of sufficiency by an independent insurance consultant or the District's risk General Manager on an annual basis as described in Section 5.05 hereof. The Net Proceeds of such insurance shall be applied as provided in Section 6.01(a) hereof.

Section 5.05. Insurance Net Proceeds; Form of Policies. The insurance required by Section 5.04 hereof shall provide that all proceeds thereunder shall be payable to the Trustee for the benefit of the Certificate Owners and shall name the Trustee as an additional insured. The District shall pay or cause to be paid when due the premiums for all insurance policies required by this Installment Sale Agreement. All such policies shall provide that the Trustee shall be given thirty (30) days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trustee shall not be responsible for the sufficiency of any insurance herein required or for the obtaining of such insurance and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the District. The District shall cause to be delivered to the Trustee annually, no later than the end of each Fiscal Year, a Written Certificate signed by a District Representative stating that the District is in compliance with Sections 5.03 and 5.04 of this Agreement. The Trustee may conclusively rely on such certificate.

Section 5.06. Advances. If the District shall fail to perform any of its obligations under this Article V, the Corporation may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the District shall be obligated to repay all such advances as soon as possible, with interest at the rate of interest with respect to the Certificates from the date of the advance to the date of repayment.

Section 5.07. Installation of District's Equipment. The District may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Project. All such items shall

remain the sole property of the District, in which neither the Corporation nor the Trustee shall have any interest, and may be modified or removed by the District at any time provided that the District shall repair and restore any and all damage to the Project resulting from the installation, modification or removal of any such items. Nothing in this Installment Sale Agreement shall prevent the District from purchasing items to be installed pursuant to this Section 5.07 under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof.

Section 5.08. Operation of the Water System. The District covenants to operate, or cause to be operated, the Water System in accordance with customary standards and practices applicable to similar facilities.

Section 5.09. Private Activity Bond Limitation. The District shall assure that proceeds of the Certificates are not so used as to cause the Certificates or the Installment Sale Agreement to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(b) of the Code.

Section 5.10. Private Loan Financing Limitation. The District shall assure that proceeds of the Certificates are not so used as to cause the Certificates or the Installment Sale Agreement to satisfy the private loan financing test of section 141(c) of the Code.

Section 5.11. Federal Guarantee Prohibition. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Certificates or the Installment Sale Agreement to be "federally guaranteed" within the meaning of section 149(b) of the Code.

Section 5.12. Maintenance of Tax-Exemption. The District shall take all actions necessary to assure the exclusion of interest with respect to the Certificates from the gross income of the Owners of the Certificates to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

ARTICLE VI

APPLICATION OF NET PROCEEDS

Section 6.01. Application of Net Proceeds.

(a) *From Insurance Award.* The Net Proceeds of any insurance award resulting from any damage to or destruction of the Project by fire or other casualty shall be deposited in the Insurance and Condemnation Fund by the Trustee promptly upon receipt thereof and, if the District Representative notifies the Trustee in writing of the District's determination that the replacement, repair, restoration, modification or improvement of the Project is not economically feasible or in the best interest of the District, then such Net Proceeds shall be promptly transferred by the Trustee to the Installment Payment Fund to be applied as provided in Section 10.03 hereof. All Net Proceeds deposited in the Insurance and Condemnation Fund and not so transferred shall be applied to the prompt replacement, repair, restoration, modification or improvement of the Project by the District, upon receipt of a requisition, signed by the District Representative stating with respect to each payment to be made (i) the requisition number, (ii) the name and address of the person, firm or corporation to whom payment is due, (iii) the amount to be paid and (iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation. Each such requisition of the District 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. Any balance of the Net Proceeds remaining after such work has been completed shall be transferred to the Installment Payment Fund. The District covenants that it will commence such replacement, repair, restoration, modification or improvement or indicate that such replacement, repair, restoration, modification or improvement is not economically feasible within 180 days of receipt of such Net Proceeds.

(b) *From Eminent Domain Award.* The Net Proceeds of any eminent domain award shall be deposited in the Insurance and Condemnation Fund to be held and applied by the Trustee pursuant to Section 7.02 of the Trust Agreement.

ARTICLE VII

DISCLAIMER OF WARRANTIES; ACCESS

Section 7.01. Disclaimer of Warranties. THE CORPORATION MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OR FITNESS FOR THE USE CONTEMPLATED BY THE DISTRICT FOR THE PROJECT OR ANY ITEM THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT TO THE PROJECT OR ANY ITEM THEREOF. IN NO EVENT SHALL THE CORPORATION AND IT'S ASSIGNS BE LIABLE FOR INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGES, IN CONNECTION WITH OR ARISING OUT OF THIS INSTALLMENT SALE AGREEMENT OR THE TRUST AGREEMENT FOR THE EXISTENCE, FURNISHING, FUNCTIONING OR DISTRICT'S USE OF THE PROJECT.

Section 7.02. Access to the Project and Records. To the extent permitted by law, the District agrees that the Corporation, any Corporation Representative and the Corporation's successors or assigns, shall have the right at all reasonable times to enter upon and to examine and inspect the Project. The District further agrees that the Corporation, any Corporation Representative, and the Corporation's successors or assigns, shall have such rights of access to the Project as may be reasonably necessary to cause the proper maintenance of the Project in the event of failure by the District to perform its obligations hereunder. In addition, the District agrees that the Corporation, any Corporation Representative and the Corporation's successors or assigns, shall have the right at all reasonable times to inspect and examine all books, papers and records of the Corporation and the District pertaining to the Project and the Certificates, to make copies thereof and to take non-privileged memoranda therefrom or with respect thereto as may be desired.

Section 7.03. Release and Indemnification Covenants. The District shall and hereby agrees to indemnify and save the Corporation and its successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of (a) the use, maintenance, condition or management of, or from any work or thing done on the Project by the District, (b) any breach or default on the part of the District in the performance of any of its obligations under this Installment Sale Agreement, (c) any act or negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Project, or (d) any act or negligence of any assignee or sublessee of the District with respect to the Project. No indemnification is made under this Section 7.03, in Section 9.04 or elsewhere in this Installment Sale Agreement for willful misconduct, negligence, or breach of duty under this Installment Sale Agreement by the Corporation, its officers, agents, employees, successors or assigns.

ARTICLE VIII

ASSIGNMENT, SALE AND AMENDMENT

Section 8.01. Assignment by the Corporation. The Corporation's right, title and interest in this Installment Sale Agreement, including the right to receive and enforce payment of the Installment Payments to be made by the District under this Installment Sale Agreement, have been assigned to the Trustee, subject to certain exceptions, pursuant to the Assignment Agreement, to which assignment the District hereby consents.

Section 8.02. Assignment, Sale and Disposition by the District. This Installment Sale Agreement may not be assigned by the District, and the Water System may not be sold by the District during the Term of this Installment Sale Agreement.

The District may lease the Project, or any portion thereof, subject to all of the following conditions:

(a) This Installment Sale Agreement and the obligation of the District to make Installment Payments hereunder shall remain obligations of the District;

(b) The District shall, within thirty (30) days after the delivery thereof, furnish or cause to be furnished to the Corporation and the Trustee a true and complete copy of the documents accomplishing such lease;

(c) No such lease by the District shall cause the Project to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State; and

(d) No such lease shall cause the interest component of the Installment Payments to become subject to federal or State personal income taxes.

Section 8.03. Amendment of Installment Sale Agreement. The Corporation and the District may at any time amend or modify any of the provisions of this Installment Sale Agreement, but only (i) with the prior written consent of the Owners of a majority in aggregate principal amount of the Outstanding Certificates, or (ii) without the consent of any of the Owners, but only if such amendment or modification is for any one or more of the following purposes:

(i) to add to the covenants and agreements of the District contained in this Installment Sale Agreement, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the District;

(ii) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained herein, or in any other respect whatsoever as the Corporation and the District may deem necessary or desirable, provided that, in the opinion of Bond Counsel, such modifications or amendments will not materially adversely affect the interests of the Owners; or

(iii) to amend any provision thereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the

exclusion from gross income of interest with respect to the Certificates under the Code, in the opinion of Bond Counsel.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES

Section 9.01. Events of Default Defined. The following shall be “events of default” under this Installment Sale Agreement and the terms “events of default” and “default” shall mean, whenever they are used in this Installment Sale Agreement, any one or more of the following events:

(a) Failure by the District to pay any Installment Payment by the Installment Payment Date or failure to make any other payment required to be paid hereunder at the time specified herein; or

(b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed in this Installment Sale Agreement or the Trust Agreement, other than as referred to in clause (a) of this Section 9.01, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation, the Trustee or the Owners of not less than twenty-five percent (25%) in aggregate principal amount of Certificates then Outstanding; provided, however, if the failure stated in the notice can be corrected, but not within the applicable period, the Corporation, the Trustee and such Owners shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected or

(c) The filing by the District of 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 the approval by a court of competent jurisdiction of 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, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes 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 and be continuing with respect to any Parity Debt.

Section 9.02. Remedies on Default. Whenever any event of default referred to in Section 9.01 hereof shall have happened and be continuing, the Corporation shall have the right, at its option and without any further demand or notice, to:

(a) declare all principal components of the unpaid Installment Payments, together with accrued interest at the rate or rates specified in the respective Outstanding Certificates from the immediately preceding Installment Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall become due and payable; and

(b) take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the Term of the Installment Sale Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under this Installment Sale Agreement.

Section 9.03. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Installment Sale Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in this Article IX it shall not be necessary to give any notice, other than such notice as may be required in this Article IX or by law.

Section 9.04. Prosecution and Defense of Suits. The District shall promptly, upon request of the Corporation or its assignee, from time to time take or cause to be taken such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Project whether now existing or hereafter developing and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and, to the extent permitted by law, shall indemnify or cause to be indemnified the Corporation and its assignee for 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 proceedings.

To the extent permitted by law, the District shall defend, or cause to be defended, against every suit, action or proceeding at any time brought against the Corporation or its assignee upon any claim arising out of the receipt, application or disbursement of any of the Net Revenues or involving the rights or duties of the Corporation or its assignee under this Installment Sale Agreement or the Trust Agreement; provided, that the Corporation and its assignee at their election may appear in and defend any such suit, action or proceeding. The District shall indemnify or cause to be indemnified the Corporation and its assignee against any and all liability claimed or asserted by any person, arising out of such receipt, application or disbursement. Notwithstanding any contrary provision hereof, this covenant shall remain in full force and effect, even though all Installment Payments have been fully paid and satisfied, until a date which is three (3) years following the payment of the last of said Installment Payments.

Section 9.05. No Additional Waiver Implied by One Waiver. In the event any agreement contained in this Installment Sale Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 9.06. Application of the Proceeds. The Trustee, as assignee of the Corporation, shall apply all amounts received under this Article IX as set forth in Section 12.03 of the Trust Agreement.

Section 9.07. Liability Limited to Net Revenues. Notwithstanding any provision of this Installment Sale Agreement, the District's liability to pay the Installment Payments and other amounts hereunder shall be limited solely to Net Revenues as provided in Sections 4.05 and 4.06 hereof. In the event that Net Revenues shall be insufficient at any time to pay an Installment Payment in full, the District shall not be liable to pay or prepay such Installment Payment other than from Net Revenues.

Section 9.08. Trustee and Certificate Owners to Exercise Rights. Such rights and remedies as are given to the Corporation under this Article IX have been assigned by the Corporation to the Trustee under the Assignment Agreement, to which assignment the District hereby consents. Such rights and remedies shall be exercised by the Trustee and the Owners of the Certificates as provided in the Trust Agreement and herein.

Section 9.09. Pro Rata Application of Net Revenues. If, at any time, there is a deficiency in Net Revenues available to pay the Installment Payments, any amounts due with respect to Parity Debt, available Net Revenues shall be applied on a *pro rata* basis to the payment of such Installment Payments and to the payment of amounts due with respect to such Parity Debt.

ARTICLE X

PREPAYMENT OF INSTALLMENT PAYMENTS

Section 10.01. Prepayment. The District shall have the right to prepay the Installment Payments, but only in the manner, at the times and in all respects in accordance with the provisions of this Article X.

Section 10.02. Optional Prepayment. Subject to the terms and conditions of this Section 10.02, the Corporation hereby grants an option to the District to prepay the Installment Payments in full, by paying the total unpaid principal component of the Installment Payments as set forth in Exhibit C or in part, but not in an amount of less than \$5,000 or any integral multiple thereof, at any one time. Said option may be exercised with respect to Installment Payments due on and after November 15, ____, in whole or in part on any date on or after November 15, ____, without a prepayment premium. Said option shall be exercised by the District by giving written notice to the Corporation and the Trustee of the exercise of such option at least sixty (60) days prior to said Installment Payment Date. Such option shall be exercised in the event of prepayment in full, by depositing by the applicable date of prepayment listed below cash in the amount sufficient to pay the total unpaid principal component of the Installment Payments as set forth in Exhibit C on said Installment Payment Date, together with any Installment Payments then due but unpaid, or, in the event of prepayment in part, by depositing by the applicable date of prepayment listed below, an amount divisible by \$5,000 equal to the amount desired to be prepaid together with any Installment Payments then due but unpaid.

Section 10.03. Mandatory Prepayment From Net Proceeds of Insurance or Condemnation. The District shall be obligated to prepay the Installment Payments in whole or in part on any Installment Payment Date, from and to the extent of any Net Proceeds of any insurance or condemnation award theretofore deposited in the Installment Payment Fund for such purpose pursuant to Section 6.01 hereof or pursuant to Section 7.02 of the Trust Agreement. The District and the Corporation hereby agree that such Net Proceeds shall be credited towards the District's obligations under this Section 10.03. Except in the case of such prepayment of the Installment Payments in full, such payment shall be in addition to the Installment Payment required to be paid by the District on such date.

Section 10.04. Credit for Amounts on Deposit. In the event the District elects or is required to prepay the Installment Payments in full under this Article X, such that the Trust Agreement shall be discharged by its terms as a result of such prepayment, all amounts then on deposit in the Installment Payment Fund shall be credited towards the amounts required to be so prepaid.

Section 10.05. Security Deposit. Notwithstanding any other provision of this Installment Sale Agreement, the District may, on any date, secure the payment of all or a portion of the Installment Payments remaining due by an irrevocable deposit with the Trustee or an escrow holder under an escrow deposit and trust agreement as referenced in Section 15.01 of the Trust Agreement, of: (a) in the case of a security deposit relating to all Installment Payments, either (i) cash in an amount which, together with amounts on deposit in the Installment Payment Fund, is sufficient to pay all unpaid Installment Payments, including the principal and interest components thereof, in accordance with the Installment Payment schedule set forth in Exhibit C, or (ii) Defeasance Obligations in such amount as will, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters, together with

interest to accrue thereon and, if required, all or a portion of moneys or Defeasance Obligations or cash then on deposit and interest earnings thereon in the Installment Payment Fund, be fully sufficient to pay all unpaid Installment Payments on their respective Installment Payment Dates; or (b) in the case of a security deposit relating to a portion of the Installment Payments, a certificate executed by a District Representative designating the portion of the Installment Payments to which the deposit pertains, and either (i) cash in an amount which is sufficient to pay the portion of the Installment Payments designated in such District Representative's certificate, including the principal and interest components thereof, or (ii) defeasance obligations in such amount as will, together with interest to be received thereon, if any, in the written opinion of an independent certified public accountant or other firm of recognized experts in such matters, be fully sufficient to pay the portion of the Installment Payments designated in the aforesaid District Representative's certificate.

In the event of a deposit pursuant to this Section 10.05 as to all Installment Payments and the payment of all fees, expenses and indemnifications owed to the Trustee, all obligations of the District under this Installment Sale Agreement shall cease and terminate, excepting only the obligation of the District to make, or cause to be made, all payments from the deposit made by the District pursuant to this Section 10.1 and the obligations of the District pursuant to Section 6.02 hereof.

Project hereby sold or intended so to be or for carrying out the expressed intention of this Installment Sale Agreement.

Section 11.07. Execution in Counterparts. This Installment Sale Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 11.08. Applicable Law. This Installment Sale Agreement shall be governed by and construed in accordance with the laws of the State.

Section 11.09. Corporation and District Representatives. Whenever under the provisions of this Installment Sale Agreement the approval of the Corporation or the District is required, or the Corporation or the District is required to take some action at the request of the other, such approval or such request shall be given for the Corporation by an Corporation Representative and for the District by a District Representative, and any party hereto shall be authorized to rely upon any such approval or request.

Section 11.10. Captions. The captions or headings in this Installment Sale Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provision, Article or Section of this Installment Sale Agreement.

IN WITNESS WHEREOF, the Corporation has caused this Installment Sale Agreement to be executed in its corporate name by its duly authorized officers; and the District has caused this Installment Sale Agreement to be executed in its name by its duly authorized officers, as of the date first above written.

PUBLIC PROPERTY FINANCING
CORPORATION OF CALIFORNIA

By _____
William A. Morton
Secretary/Treasurer

MID-PENINSULA WATER DISTRICT

By _____
Tammy A. Rudock
General Manager

EXHIBIT B

DESCRIPTION OF THE PROJECT

EXHIBIT C

SCHEDULE OF INSTALLMENT PAYMENTS

Installment Payment Date	Principal Component	Interest Component	Total Installment Payment
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