

INSTALLMENT PURCHASE AGREEMENT

by and between

NAPA SANITATION DISTRICT

and

NAPA SANITATION DISTRICT PUBLIC FINANCING CORPORATION

Dated as of February 1, 2021

Relating to

\$ _____

NAPA SANITATION DISTRICT
REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021A

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INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT is made and entered into and dated as of February 1, 2021, by and between NAPA SANITATION DISTRICT, a county sanitation district that is duly organized and existing under and by virtue of the laws of the State of California (the “**District**”), and NAPA SANITATION DISTRICT PUBLIC FINANCING CORPORATION, a nonprofit public benefit corporation that is duly organized and existing under and by virtue of the laws of the State of California (the “**Corporation**”).

RECITALS

A. The District proposes to finance the acquisition and construction of certain capital improvements, betterments, renovations and expansions of facilities within its Wastewater System, as described in Exhibit A (collectively, the “**2021 Project**”).

B. The Corporation has agreed to assist the District in financing the 2021 Project.

C. The District is authorized under Chapter 3 of Part 3 of Division 5 of the Health and Safety Code of the State of California, including but not limited to Article 4 thereof, to acquire and construct capital improvements, betterments, renovations and expansions of facilities within its Wastewater System.

D. The District and the Corporation have duly authorized the execution of this Installment Purchase Agreement.

E. 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 Installment Purchase 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 Installment Purchase Agreement.

ARTICLE I

DEFINITIONS

Section 1.1. 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. All capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Trust Agreement.

Accountant’s Report

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

Bonds

The term “Bonds” means the 2017 Bonds and all other revenue bonds or notes of the District authorized, executed, issued and delivered by the District, the payments of which are on a parity with the Series 2021 Installment Payments and which are secured by a pledge of and lien on the Revenues and payable from Net Revenues.

Contracts

The term “Contracts” means the 2003 State Contract, the 2008 Phase I State Contract, the 2008 Phase II State Contract, the 2012 Installment Purchase Agreement, the 2020 State Contract, this Installment Purchase Agreement and any amendments and supplements hereto, and all other contracts of the District authorized and executed by the District, the Installment Payments under which are on a parity with the Series 2021 Installment Payments and which are secured by a pledge and lien on the Revenues and payable from Net Revenues.

Corporation

The term “Corporation” means Napa Sanitation District Public Financing Corporation, a nonprofit public benefit corporation that is 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 accruing during such Fiscal Year on all outstanding Bonds, assuming that all outstanding serial Bonds are retired as scheduled and that all outstanding term Bonds are prepaid or paid from sinking fund payments as scheduled (except to the extent that such interest is capitalized or is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to Section 54AA of the Code (Section 1531 of Title I of Division B of the American Recovery and Reinvestment Act of 2009 (Pub. L. No. 111-5, 23 Stat. 115 (2009), enacted February 17, 2009)), or any future similar program);

(2) that portion of the principal amount of all outstanding serial Bonds maturing in such Fiscal Year or maturing in the next succeeding Fiscal Year accruing during such Fiscal Year in each case computed as if such principal amounts were deemed to accrue daily during such Fiscal Year in equal amounts;

(3) that portion of the principal amounts of all outstanding term Bonds required to be prepaid or paid in such Fiscal Year or during the next succeeding Fiscal Year in each case computed as if such principal amounts were deemed to accrue daily during such Fiscal Year in equal amounts; and

(4) that portion of the Installment Payments required to be made during such Fiscal Year or the next succeeding Fiscal Year in each case computed as if such Installment Payments were deemed to accrue daily during such Fiscal Year in equal amounts (except to the extent that the interest portion of such Installment Payments is capitalized);

provided that, as to any such Bonds or Installment Payments bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall be assumed to bear interest at a fixed rate equal to the higher of:

(i) the then-current variable interest rate borne by such Bonds or Contracts plus 1%; and

(ii) the highest variable rate borne over the preceding 24 months by outstanding variable rate debt issued by the District or, if no such variable rate debt is at the time outstanding, by variable rate debt of which the interest rate is computed by reference to an index comparable to that to be utilized in determining the interest rate for the debt then proposed to be issued;

provided further that if any series or issue of such Bonds or Installment Payments have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year, Debt Service shall be determined for the Fiscal Year of determination as if the principal of and interest on such series or issue of such Bonds or Installment Payments were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of thirty (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 of Debt Service shall be deducted from the amount of principal due at the final maturity of the Bonds and Contracts for which such debt service reserve fund was established and in each preceding year until such amount is exhausted;

provided further that Debt Service shall be reduced by the amount of investment earnings credited to any debt service fund created with respect to Contracts or Bonds; and

provided further that if the Bonds or Contracts constitute Paired Obligations, the interest rate on such Bonds or Contracts shall be the resulting linked rate or the effective fixed interest rate to be paid by the District with respect to such Paired Obligations.

District

The term “District” means Napa Sanitation District, a county sanitation district that is duly organized and existing under and by virtue of the laws of the State of California, including the Law.

Event of Default

The term “Event of Default” means an event described in Section 8.1.

Fiscal Year

The term “Fiscal Year” means the period beginning on July 1 of each year and ending on the last day of June of the next succeeding year, or any other twelve-month period selected and designated as the official Fiscal Year of the District.

Independent Certified Public Accountant

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

Independent Municipal Advisor

The term “Independent Municipal Advisor” means a financial consultant or firm of such consultants appointed by the District, which may, for purposes of the certification described in the definition of “Paired Obligations” be an interest rate swap advisor, and who, or each of whom:

- (1) is in fact independent and not under domination of the District;
- (2) does not have any substantial interest, direct or indirect, with the District;
- (3) is an Independent Registered Municipal Advisor under Section 15B of the Securities Exchange Act of 1934; and
- (4) is not connected with the District as an officer or employee of the District, but who may be regularly retained to make reports to the District.

Installment Payment Date; Series 2021 Installment Payment Date

The term “Installment Payment Date” means any date on which Installment Payments are scheduled to be paid by the District under and pursuant to any Contract. The term “Series 2021 Installment Payment Date” means the second Business Day preceding each Payment Date pursuant to the Trust Agreement.

Installment Payments; Series 2021 Installment Payments

The term “Installment Payments” means the payments scheduled to be paid by the District under and pursuant to the Contracts. The term “Series 2021 Installment Payments” means the Installment Payments scheduled to be paid by the District hereunder and pursuant hereto.

Installment Purchase Agreement

The term “Installment Purchase Agreement” means this Installment Purchase Agreement, dated as of February 1, 2021, 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.

Law

The term “Law” means, the County Sanitation District Law of the State of California (being Chapter 3 of Part 3 of Division 5 of the Health and Safety Code of the State of California), including all laws amendatory thereof or supplemental thereto.

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.

Net Proceeds

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

Net Revenues

The term “Net Revenues” means, for any Fiscal Year, the Revenues for such Fiscal Year less the Operation and Maintenance Costs for such Fiscal Year.

Operation and Maintenance Costs

The term “Operation and Maintenance Costs” means: (i) costs spent or incurred for maintenance and operation of the Wastewater System calculated in accordance with generally accepted accounting principles, including (among other things) the reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and including administrative costs of the District that are charged directly or apportioned to the Wastewater System, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, consultants, attorneys or engineers and insurance premiums, and including all other reasonable and necessary costs of the District or charges (other than debt service payments) required to be paid by it to comply with the terms of the 2021A Certificates or of this Installment Purchase Agreement or any Contract or of any resolution or indenture authorizing the issuance of any Bonds or of such Bonds, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature.

Paired Obligation Provider

The term “Paired Obligation Provider” means a party to a Paired Obligation other than the District.

Paired Obligations

The term “Paired Obligations” means any Bond or Contract (or portion thereof) designated as Paired Obligations in the resolution, indenture or other document authorizing the issuance or execution and delivery thereof, which are simultaneously issued or executed and delivered: (i) the principal of which is of equal amount maturing and to be redeemed or prepaid (or cancelled after acquisition thereof) on the same dates and in the same amounts; and (ii) the interest rates which, taken together, are reasonably expected to result in a fixed interest rate obligation of the District for the term of such Bond or Contract, as certified by an Independent Municipal Advisor in writing, and which complies with the provisions of Section 10.15.

Project; 2021 Project

The term “Project” means any additions, betterments, extensions or improvements to the District’s Wastewater System designated by the Board of Directors of the District as a Project, the acquisition and construction of which has been or will be paid for with the proceeds of any Contracts or Bonds. The term “2021 Project” means the additions, betterments, extensions and improvements to the Wastewater System described as such in Exhibit A.

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 4.1.

Revenues

The term “Revenues” means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Wastewater System on or after the date hereof, including, without limiting the generality of the foregoing:

- (1) all income, rents, rates, fees, charges, business interruption insurance proceeds or other moneys derived by the District from the collection, treatment and disposal of wastewater or other services or facilities provided in the conduct or operation of the business of the Wastewater System;
- (2) the earnings on and income derived from the investment of such income, rents, rates, fees, charges, or other moneys, including District reserves;
- (3) the proceeds of any facility capacity fees or any other connection fees collected by the District in connection with the Wastewater System;
- (4) all property taxes; and
- (5) the proceeds of any stand-by or wastewater availability charges collected by the District in connection with the Wastewater System;

but excluding in all cases customers’ deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District and excluding any proceeds of taxes or assessments restricted by law to be used by the District to pay bonds hereafter issued.

Revenue Fund

The term “Revenue Fund” means the Revenue Fund established pursuant to Section 5.2 hereof.

Subordinate Obligations

The term “Subordinate Obligations” means all revenue bonds or notes of the District and all contracts of the District payable from Revenues, which are secured by a pledge and lien on the Revenues subordinate to the pledge of and lien on the Revenues described in Section 5.1 hereof and which are payable from Net Revenues on a subordinate basis to the Installment Payments.

SWRCB

The term “SWRCB” means the State of California Water Resources Control Board.

Trust Agreement

The term “Trust Agreement” means the Trust Agreement, dated as of February 1, 2021, by and among the District, the Corporation and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

Trustee

The term “Trustee” means U.S. Bank National Association, San Francisco, California, acting in its capacity as Trustee under and pursuant to the Trust Agreement, and its successors and assigns.

2003 State Contract

The term “2003 State Contract” means State Revolving Fund Installment Sale Agreement No. 02-821-550-1, by and between the District and the SWRCB.

2008 Phase I State Contract

The term “2008 Phase I State Contract” means State Revolving Fund Installment Sale Agreement No. 08-802-550, by and between the District and the SWRCB.

2008 Phase II State Contract

The term “2008 Phase II State Contract” means State Revolving Fund Installment Sale Agreement No. 08-808-550, by and between the District and the SWRCB.

2012 Installment Purchase Agreement

The term “2012 Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of December 1, 2012, by and between the District and the Corporation.

2017 Bonds

The term “2017 Bonds” means the Napa Sanitation District 2017 Refunding Revenue Bonds issued by the District on December 27, 2017.

2020 State Contract

The term “2020 State Contract” means Construction Installment Sale Agreement No. D190101600, by and between the District and the SWRCB.

2021A Certificates

The term “2021A Certificates” means the Napa Sanitation District Revenue Certificates of Participation, Series 2021A executed and delivered pursuant to the Trust Agreement.

Wastewater Service

The term “Wastewater Service” means the entire wastewater collection, treatment and disposal service and recycled water production and distribution service provided by the Wastewater System.

Wastewater System

The term “Wastewater System” means the whole and each and every part of the wastewater collection, treatment and disposal service and recycled water production and distribution service of the District, including the portion thereof existing on the date hereof, and including all additions, betterments, extensions and improvements to such wastewater system or any part thereof hereafter acquired or constructed.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.1. Representations by the District. The District makes the following representations:

(a) The District is a county sanitation district that is duly organized and existing under and pursuant to the laws of the State of California.

(b) The District has full legal right, power and authority to enter into this Installment Purchase Agreement and carry out its obligations hereunder, and to carry out and consummate all other transactions contemplated by this Installment Purchase Agreement, and the District has complied with the provisions of the 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 Installment Purchase 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 2021 Project under the terms of this Installment Purchase Agreement being included in the gross income of the Corporation or its assigns for purposes of federal or State of California personal income taxation.

(e) The District has determined that it is necessary and proper for District uses and purposes within the terms of the Law that the District acquire the 2021 Project in the manner provided for in this Installment Purchase Agreement.

Section 2.2. 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 Installment Purchase Agreement and to carry out and consummate all transactions contemplated by this Installment Purchase Agreement and by proper action has duly authorized the execution and delivery and due performance of this Installment Purchase Agreement.

(b) The execution and delivery of this Installment Purchase 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 2021 Project under the terms of this Installment Purchase Agreement being included in the gross income of the Corporation or its assigns for purposes of federal or State of California personal income taxation.

ARTICLE III

ACQUISITION OF THE 2021 PROJECT

Section 3.1. Acquisition and Construction of the 2021 Project. The Corporation hereby agrees to cause the 2021 Project, and any additions or modifications thereto to be constructed, acquired or installed by the District as its agent, and the District shall enter into contracts and provide for, as agent of the Corporation, the complete acquisition of the 2021 Project. The District hereby agrees that it will cause the construction, acquisition and installation of the 2021 Project to be diligently performed after the deposit of funds with the District pursuant to the Trust Agreement, upon satisfactory completion of design work and compliance with the California Environmental Quality Act and approval by the Board of Directors of the District, unforeseeable delays beyond the reasonable control of the District only excepted. It is hereby expressly understood and agreed that the Corporation shall be under no liability of any kind or character whatsoever for the payment of any cost of the 2021 Project and that all such costs and expenses shall be paid by the District, regardless of whether the funds deposited in the Acquisition Fund are sufficient to cover all such costs and expenses.

Section 3.2. Changes to the 2021 Project. The District may substitute other improvements for those listed as components of the 2021 Project in Exhibit A, but only if the District first files with the Corporation and the Trustee a statement of the District: (a) identifying the improvements to be substituted and the improvements to District facilities they replace in the 2021 Project; and (b) stating that the estimated costs of construction, acquisition and installation of the substituted improvements are not less than such costs for the improvements previously planned.

Section 3.3. [Reserved].

Section 3.4. Purchase and Sale of the 2021 Project. In consideration for the Series 2021 Installment Payments as set forth in Section 4.2, the Corporation agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Corporation, the 2021 Project at the purchase price specified in Section 4.1 hereof and otherwise in the manner and in accordance with the provisions of this Installment Purchase Agreement.

Section 3.5. Title. All right, title and interest in the 2021 Project shall vest in the District immediately upon acquisition of each component of the 2021 Project. 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 which are required to assure such vesting.

Section 3.6. Acquisition Fund. There is hereby continued with the District a fund known as the “Acquisition Fund.” The moneys in the Acquisition Fund shall be held by the County of Napa on behalf of the District in trust separate and apart from other funds held by it. The moneys in the Acquisition Fund shall be applied to the payment of the costs of acquisition of the 2021 Project and of expenses incidental thereto. Before any payment is made from the Acquisition Fund, the Manager shall cause to be filed with the County of Napa a Written Requisition in the form set forth in Exhibit B hereto. Upon receipt of such Written Requisition, the District shall cause the County of Napa to pay the amount set forth therein.

When the 2021 Project shall have been constructed and acquired in accordance with this Installment Purchase Agreement, a statement of the District stating the fact and date of such acquisition, construction and acceptance and stating that all of such costs of acquisition and incidental expenses have been determined and paid (or that all of such costs and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Acquisition Fund is to be maintained in the full amount of such claims until such dispute is resolved), shall be delivered to the District and the Trustee by the Manager. Upon the receipt of such statement, the District shall cause the County of Napa to transfer any remaining balance in the Acquisition Fund not needed for Acquisition Fund purposes (but less the amount of any such retention which amount shall be certified by the Manager) to the Trustee, which shall transfer such amounts to the Revenue Fund.

ARTICLE IV

SERIES 2021 INSTALLMENT PAYMENTS

Section 4.1. Purchase Price.

(a) The Purchase Price 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 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 C hereto.

(c) The interest to accrue on the unpaid balance of such principal amount is as specified in Section 4.2 and Exhibit C hereto, and shall be paid by the District as and constitute interest paid on the principal amount of the District’s obligations hereunder.

Section 4.2. Series 2021 Installment Payments. The District shall, subject to its rights of prepayment provided in Article VII, pay the Corporation the Purchase Price in installment payments of interest and principal in the amounts and on the Series 2021 Installment Payment Dates as set forth in Exhibit C hereto.

Each Series 2021 Installment Payment shall be paid to the Corporation in lawful money of the United States of America. In the event that the District fails to make any of the payments required to be made by it under this section, 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 Series 2021 Installment Payments if paid in accordance with their terms.

The obligation of the District to make the Series 2021 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 Series 2021 Installment Payments required to be made by it under this section when due, whether or not the Wastewater System or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset 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 5.1. Pledge of Revenues. All Revenues and all amounts on deposit in the Revenue Fund are hereby irrevocably pledged to the payment of the Series 2021 Installment Payments as provided herein, and the Revenues shall not be used for any other purpose while any of the Series 2021 Installment Payments remain unpaid; provided that out of the Revenues and amounts on deposit in the Revenue Fund there may be apportioned such sums for such purposes as are expressly permitted herein. This pledge, together with the pledge created by all other Contracts and Bonds, shall constitute a first lien on Revenues, the Revenue Fund and all amounts on deposit in such funds as permitted herein and subject to the application of Revenues in accordance with the terms hereof.

Section 5.2. Allocation of Revenues. In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants that all Revenues shall be received in the "Revenue Fund," which fund is hereby continued and which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as any Installment Payments or Bonds remain unpaid. Moneys in the Revenue Fund shall be used and applied by the District as provided in this Installment Purchase Agreement.

The District shall, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as such Operation and Maintenance Costs become due and payable. All remaining moneys in the Revenue Fund shall be set aside by the District at the following times in 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 hereinafter authorized in this Section:

(a) Certificate Payment Fund. On or before each Series 2021 Installment Payment Date, the District shall, from the moneys in the Revenue Fund, transfer to the Trustee for deposit in the Certificate Payment Fund a sum equal to the Series 2021 Installment Payment coming due on such Series 2021 Installment Payment Date. The District shall also, from the moneys in the Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any

discrimination or preference, any other Debt Service in accordance with the provisions of the Contract, resolution or indenture relating thereto.

No deposit need be made in the Certificate Payment Fund as Series 2021 Installment Payments if the amount in the Certificate Payment Fund is at least equal to the amount of the Series 2021 Installment Payment due and payable on the next succeeding Series 2021 Installment Payment Date.

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

(b) Reserve Funds. On or before each Series 2021 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 to the applicable trustee for such reserve funds and/or accounts, if any, as may have been established in connection with Bonds or Contracts, that sum, if any, necessary to restore such funds or accounts to an amount equal to the reserve requirement with respect thereto.

(c) Subordinate Obligations. On or before the payment of principal or interest is due with respect to any Subordinate Obligations, the District shall, from moneys in the Revenue Fund, transfer to the applicable trustee or payee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without discrimination or preference, payment on such Subordinate Obligations, in accordance with the provisions of such Subordinate Obligation.

(d) Surplus. Moneys on deposit in the Revenue Fund on each Installment Payment Date not required to make any of the payments required above may be expended by the District at any time for any purpose permitted by law.

Section 5.3. Additional Contracts and Bonds. The District may at any time execute any Contract or issue any Bonds, as the case may be, in accordance herewith; provided:

(a) The Net Revenues for the most recent audited Fiscal Year preceding the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds or the date of the execution of such Contract, as the case may be, as evidenced by both a calculation prepared by the District and a special report prepared by an Independent Certified Public Accountant or an Independent Municipal Advisor on such calculation on file with the District, shall have produced a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year; and

(b) The Net Revenues for the most recent audited Fiscal Year preceding the date of the execution of such Contract or the date of adoption by the Board of Directors of the District of the resolution authorizing the issuance of such Bonds, as the case may be, including adjustments to give effect as of the first day of such Fiscal Year to increases or decreases in income, rents, fees, rates and charges for the Wastewater Service approved and in effect as of the date of calculation, as evidenced by both a calculation prepared by the District and a special report prepared by an Independent Certified Public Accountant or an Independent Municipal Advisor on such calculation on file with the District, shall demonstrate a sum equal to at least one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year plus the Debt Service which would have accrued on any Contracts executed or Bonds issued since the end of such Fiscal Year assuming such Contracts had

been executed or Bonds had been issued at the beginning of such Fiscal Year plus the Debt Service which would have accrued had such proposed additional Contract been executed or such proposed additional Bonds been issued at the beginning of such Fiscal Year; and

(c) 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 financed from proceeds of such Contract or Bonds, as evidenced by a certificate on file with the District, including (after giving effect to the completion of all such uncompleted Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the income, rents, fees, rates and charges estimated to be fixed and prescribed for the Wastewater Service and which are economically feasible and reasonably considered necessary based on projected operations for such period, as evidenced by a certificate of the Manager on file with the District, shall produce a sum equal to at least one hundred twenty-five percent (125%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts and the issuance of all Bonds estimated to be required to be executed or issued to pay the costs of completing all uncompleted Projects within such Fiscal Years, assuming that all such Contracts and Bonds have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed or the Bonds last issued or then being issued for the purpose of acquiring and constructing any of such uncompleted Projects.

Notwithstanding the foregoing, Bonds issued or Contracts executed to refund Bonds or Contracts may be delivered without satisfying the conditions set forth above if Debt Service in each Fiscal Year after the Fiscal Year in which such Bonds are issued or Contracts executed is not greater than Debt Service would have been in each such Fiscal Year prior to the issuance of such Bonds or execution of such Contracts.

Notwithstanding any other provision of the Indenture, the District may issue or execute and deliver, as applicable, Subordinate Obligations at any time in the District's sole discretion.

Notwithstanding any other provision of the Indenture, the District shall not issue or execute and deliver, as applicable, additional obligations payable on a basis senior to the payments on the Bonds and Contracts, other than obligations constituting Operation and Maintenance Costs.

Section 5.4. Investments. All moneys held by the District in the Revenue Fund and the Acquisition Fund shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit in such funds, except as otherwise provided herein.

ARTICLE VI

COVENANTS OF THE DISTRICT

Section 6.1. Compliance with Installment Purchase Agreement and Ancillary Agreements. The District will punctually pay the Series 2021 Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all of the agreements, conditions, covenants and terms contained herein which are required to be observed and performed by it, and will not terminate this Installment Purchase 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 2021 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, lockouts, lack of transportation facilities, fire, explosion or acts or regulations of governmental authorities.

The District will faithfully observe and perform all of the agreements, conditions, covenants and terms contained in the Trust Agreement required to be observed and performed by it, and it is expressly understood and agreed by and among the parties to this Installment Purchase Agreement and the Trust Agreement that, subject to Section 10.6 hereunder, each of the agreements, conditions, covenants and terms contained in each such agreement is an essential and material term of the purchase of and payment for the 2021 Project by the District pursuant to, and in accordance with, and as authorized under the Law.

The District will faithfully observe and perform all of the agreements, conditions, covenants and terms required to be observed and performed by it pursuant to all outstanding Contracts and Bonds as such may from time to time be executed or issued, as the case may be.

Section 6.2. Against Encumbrances. The District will not make any pledge of or place any lien on Revenues, the Revenue Fund or the moneys in the Revenue Fund except as provided herein. The District may at any time, or from time to time, issue evidences of indebtedness or incur other obligations for any lawful purpose which are payable from and secured by a pledge of and lien on Revenues or any moneys in the Revenue Fund as may from time to time be deposited therein, provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

Section 6.3. Against Sale or Other Disposition of Property. The District will not enter into any agreement or lease which impairs the operation of the Wastewater System or any part thereof which is necessary to secure adequate Revenues for the payment of the Series 2021 Installment Payments, or which would otherwise impair the rights of the Corporation hereunder or the operation of the Wastewater System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Wastewater System, or any material or equipment which has become worn out, may be sold if such sale will not impair the ability of the District to pay the Series 2021 Installment Payments and if the proceeds of such sale are deposited in the Revenue Fund.

Nothing herein shall restrict the ability of the District to sell any portion of the Wastewater System if such portion is immediately repurchased by the District and if such arrangement cannot by its terms result in the purchaser of such portion of the Wastewater System exercising any remedy which would deprive the District of or otherwise interfere with its right to own and operate such portion of the Wastewater System.

Section 6.4. Against Competitive System. To the extent that it can so legally obligate itself, 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 wastewater system competitive with the Wastewater System.

Section 6.5. Tax Covenants. Notwithstanding any other provision of this Installment Purchase Agreement, absent an opinion of Special Counsel that the exclusion from gross income of interest with respect to the 2021A Certificates 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 with respect to the 2021A Certificates 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 the proceeds of the 2021A Certificates or of any other moneys or property which would cause the 2021A Certificates 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 the proceeds of the 2021A Certificates or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the 2021A Certificates 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 the proceeds of the 2021A Certificates or take or omit to take any action that would cause the 2021A Certificates 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 necessary to preserve the exclusion of interest with respect to the 2021A Certificates pursuant to Section 103(a) of the Code.

(e) Hedge Bonds. The District and the Corporation will make no use of the proceeds of the 2021A Certificates or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the 2021A Certificates to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District and the Corporation take all necessary action to assure compliance with the requirements of Section 149(g) of the Code to maintain the exclusion from gross income of interest for federal income tax purposes with respect to the 2021A Certificates.

(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 with respect to the 2021A Certificates and will comply with the covenants and requirements stated therein and incorporated by reference herein.

This Section and the covenants set forth herein shall not be applicable to, and nothing contained herein shall be deemed to prevent the District from issuing Bonds or executing and delivering Contracts, the interest with respect to which has been determined by Special Counsel to be subject to federal income taxation.

Section 6.6. Maintenance and Operation of the Wastewater System. The District will maintain and preserve the Wastewater System in good repair and working order at all times, operate the Wastewater System in an efficient and economical manner and pay all Operation and Maintenance Costs as they become due and payable.

Section 6.7. Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or the funds or accounts created hereunder or under the Trust Agreement or on any funds in the hands of the District pledged to pay the Series 2021 Installment Payments or to the Owners prior or superior to the lien of the Series 2021 Installment Payments or which might impair the security of the Series 2021 Installment Payments.

Section 6.8. Compliance with Contracts. 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 contracts for the use of the Wastewater System and all other contracts affecting or involving the Wastewater System, to the extent that the District is a party thereto.

Section 6.9. Insurance.

(a) The District will procure and maintain or cause to be procured and maintained insurance on the Wastewater System with responsible insurers in such amounts and against such risks (including accident to or destruction of the Wastewater System) as are usually covered in connection with facilities similar to the Wastewater System so long as such insurance is available from reputable insurance companies.

In the event of any damage to or destruction of the Wastewater 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 Wastewater 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 Wastewater System shall be free and clear of all claims and liens. The District covenants to reconstruct, repair or replace the damaged or destroyed portions of the Wastewater System promptly from Net Proceeds if a failure to reconstruct, repair or replace such portions would impair or adversely affect the ability of the District to pay the Series 2021 Installment Payments.

(b) The District will procure and maintain such other insurance which 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 municipal water systems similar to the Wastewater 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 municipal water systems similar to the Wastewater System and is, in the opinion of an accredited actuary, actuarially sound.

All policies of insurance required to be maintained hereby shall provide that the Trustee and the Corporation shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

Section 6.10. Accounting Records; Financial Statements and Other Reports. The District will keep appropriate accounting records in which complete and correct entries shall be made of all

transactions relating to the Wastewater System, which records shall be available for inspection by the Corporation and the Trustee at reasonable hours and under reasonable conditions. The Trustee shall have no duties to inspect such records.

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 Series 2021 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 Wastewater System, or any part thereof or upon the Revenues when the same shall become due. The District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Wastewater 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. Amount of Rates and Charges.

(a) In each Fiscal Year, to the extent permitted by law, the District shall fix, prescribe and collect rates and charges for Wastewater Service which will be at least sufficient to yield during such Fiscal Year Net Revenues which will equal one hundred twenty-five percent (125%) of the Debt Service for such Fiscal Year.

(b) The District may make adjustments from time to time in such rates and charges and may make such classifications thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues or Revenues, as the case may be, from such reduced rates and charges will at all times be sufficient to meet the requirements of this section.

Section 6.14. Collection of Rates and Charges. The District will have in effect at all times by-laws, rules and regulations requiring each customer of the Wastewater System to pay the rates and charges applicable to the Wastewater Service and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where such bill remains unpaid in whole or in part after it becomes delinquent, the District may disconnect such purchaser from the Wastewater System, and such purchaser shall not thereafter be reconnected to the Wastewater System except in accordance with District by-laws or rules and regulations governing such situations of delinquency.

Section 6.15. Eminent Domain Proceeds. If all or any part of the Wastewater System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

If: (1) the District files with the Trustee a certificate showing: (i) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings; (ii) a general description of the additions, betterments, extensions or improvements to the Wastewater System proposed to be acquired and constructed by the District from such Net Proceeds; and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements; and (2) the District, on the basis of such certificate filed with the Trustee, determines (and certifies in writing to the Trustee) that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not

be substantially impaired (which determination shall be final and conclusive), then the District shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the District for such purpose shall be deposited in the Revenue Fund.

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 if such rescission or amendment would in any manner impair or adversely affect the ability of the District to pay the Series 2021 Installment Payments.

ARTICLE VII

PREPAYMENT OF SERIES 2021 INSTALLMENT PAYMENTS

Section 7.1. Prepayment. The District may prepay the Series 2021 Installment Payments, as a whole or in part, in the order of payment date as directed by the District, on the date and at the prepayment price (expressed as a percentage of the principal amount of the Series 2021 Installment Payments to be prepaid) plus accrued interest thereon to the date of prepayment, as set forth in Section 4.1(a) of the Trust Agreement.

Notwithstanding any such prepayment, the District shall not be relieved of its obligations hereunder, including its obligations under Article IV, until the Purchase Price shall have been fully paid (or provision for payment thereof shall have been provided to the written satisfaction of the Corporation and the Trustee) and the requirements of Article IX hereof shall have been satisfied.

Section 7.2. Method of Prepayment. Before making any prepayment pursuant to Section 7.1, the District shall, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay or a determination to prepay, give written notice to the Corporation and the Trustee describing such event and specifying the date on which the prepayment will be paid, which date shall be not less than sixty (60) nor more than seventy-five (75) days from the date such notice is given.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE CORPORATION

Section 8.1. Events of Default and Acceleration of Maturities. If one or more of the following Events of Default shall happen, that is to say:

(a) if default shall be made by the District in the due and punctual payment of any Series 2021 Installment Payment or any Contract or Bond 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 agreements or covenants required herein or in connection with any Contract or Bond to be performed by it, and such default shall have continued for a period of sixty (60) 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 sixty (60) day period, and corrective action is instituted by the District within such sixty (60) 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 Contract or Bond is accelerated in accordance with its terms;

then and in each and every such case upon the occurrence of such Event of Default specified in clauses (c) and (d) above, without any notice to the District or any other act by any person, the entire principal amount of the unpaid Series 2021 Installment Payments and the accrued interest thereon shall be immediately due and payable, and for any other Event of Default the Corporation may, by notice in writing to the District declare the entire principal amount of the unpaid Series 2021 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 section, however, is subject to the condition that if at any time after the entire principal amount of the unpaid Series 2021 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 Series 2021 Installment Payments or the unpaid payment of any other Contract or Bond 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 Series 2021 Installment Payments or such Contract or Bond 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 Series 2021 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, if appropriate, or provision deemed by the Corporation, if appropriate, to be adequate shall have been made therefor, then and in every such case the Corporation, if appropriate 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 8.2. Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 8.1, all Revenues thereafter received by the District shall be applied in the following order:

First, to the payment, without preference or priority, and in the event of any insufficiency ratably without any discrimination or preference, of the fees, costs and expenses (including legal fees and expenses) of the Trustee in all of its capacities, if any, in carrying out the provisions of the Installment Purchase Agreement and the Trust Agreement, and then to the fees, costs and expenses (including legal fees and expenses) of the Corporation, if any, in carrying out the provisions of the Installment Purchase Agreement and the Trust Agreement, including reasonable compensation to their respective accountants and counsel;

Second, to the payment of the Operation and Maintenance Costs;

Third, to the payment of the entire principal amount of the unpaid Series 2021 Installment Payments and the unpaid principal amount of all Bonds and Contracts and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to the Series 2021 Installment Payments and such Bonds and Contracts if paid in accordance with their respective terms; and

Fourth, to the payment of Subordinate Obligations in accordance with the terms thereof.

Section 8.3. 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 Law and 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, the Corporation shall have no security interest in or mortgage on the 2021 Project, the Wastewater System or other assets of the District and no default hereunder shall result in the loss of the 2021 Project, the Wastewater System or other assets of the District.

Section 8.4. 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 Series 2021 Installment Payments to the Corporation at the respective due dates or upon prepayment from the Net Revenues, the Revenue Fund and the other funds 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 the 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 or determined adversely to the Corporation, the District and the Corporation shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 8.5. 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 law.

Section 8.6. Exercise of Remedies. Notwithstanding any other provision of this Article VIII: (a) this Installment Purchase Agreement and all rights and remedies of the Corporation hereunder have been assigned as of the date hereof by the Corporation to the Trustee; and (b) the exercise by the Trustee of such rights and remedies shall be subject to the provisions of Section 7.13 of the Trust Agreement, which is incorporated herein by this reference and made a part hereof.

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.1. Discharge of Obligations. When:

(a) all or any portion of the Series 2021 Installment Payments shall have become due and payable in accordance herewith or a written notice of the District to prepay all or any portion of the Series 2021 Installment Payments shall have been filed with the Trustee; and

(b) there shall have been deposited with the Trustee at or prior to the Series 2021 Installment Payment Date or date specified for prepayment, in trust for the benefit of the Corporation or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the Series 2021 Installment Payments, sufficient moneys and non-callable Permitted Investments, issued by the United States of America and described in clause (A) of the definition thereof, the principal of and interest on which when due will provide money sufficient to pay all principal, prepayment premium, if any, and interest of such Series 2021 Installment Payments to their respective Series 2021 Installment Payment Dates or prepayment date or dates as the case may be; and

(c) provision shall have been made for paying all fees and expenses of the Trustee,

then and in that event, the right, title and interest of the Corporation herein and the obligations of the District hereunder shall, with respect to all or such portion of the Series 2021 Installment Payments as have been so provided for, thereupon cease, terminate, become void and be completely discharged and

satisfied (except for the right of the Trustee and the obligation of the District to have such moneys and such Permitted Investments applied to the payment of such Series 2021 Installment Payments).

In such event, upon request of the District, the Trustee shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee shall pay over to the District, after payment of all amounts due the Trustee pursuant to the Trust Agreement as an overpayment of Series 2021 Installment Payments, all such moneys or such Permitted Investments held by it pursuant hereto other than such moneys and such Permitted Investments, as are required for the payment or prepayment of the Series 2021 Installment Payments, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of the Series 2021 Installment Payments and shall be applied by the Trustee to the payment of the Series 2021 Installment Payments of the District.

ARTICLE X

MISCELLANEOUS

Section 10.1. Liability of District Limited. Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Net Revenues and the other funds provided herein and in the Trust Agreement for the payment of the Series 2021 Installment Payments 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.

The obligation of the District to make the Series 2021 Installment Payments is a special obligation of the District payable solely from such Net Revenues and other funds described herein, and does not constitute a debt of the District or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Section 10.2. 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 or the Corporation and its assigns 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 10.3. 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 10.4. Waiver of Personal Liability. No director, officer or employee of the District shall be individually or personally liable for the payment of the Series 2021 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 10.5. 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 the Installment Purchase Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.6. 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 the Installment Purchase 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 10.7. Assignment. This Installment Purchase Agreement and all right, title and interest of the Corporation hereunder, including its right to receive the Series 2021 Installment Payments, shall be assigned by the Corporation to the Trustee, pursuant to the Assignment Agreement with the express consent of the District.

Section 10.8. Net Contract. The Installment Purchase 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 10.9. California Law. THE 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 electronic transmission or 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:	Napa Sanitation District 1515 Soscol Ferry Road Napa, California 94558 Attention: General Manager
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If to the Corporation:	Napa Sanitation District Public Financing Corporation 1515 Soscol Ferry Road Napa, California 94558 Attention: President
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If to the Trustee: U.S. Bank National Association
1 California Street, Suite 1000
San Francisco, California 90071
Attention: Global Corporate Trust
Reference: Napa Sanitation District 2021A Certificates

The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions, notwithstanding the fact that such instructions conflict or are inconsistent with a subsequent written instruction. The party providing electronic instructions agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

Section 10.11. Effective Date. The Installment Purchase 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 to the written satisfaction of the Corporation and the Trustee).

Section 10.12. Execution in Counterparts. The Installment Purchase 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 directors, officers and employees 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, under the Trust Agreement and under the Assignment Agreement; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder, under the Trust Agreement or the Assignment Agreement by the Corporation.

Section 10.14. Amendments Permitted.

(a) This Installment Purchase Agreement and the rights and obligations of the Corporation and the District and of the Owners of the Certificates and of the Trustee may be modified or amended at any time by an amendment hereto which shall become binding when the written consent of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 11.4 of the Trust Agreement, shall have been filed with the Trustee. No such modification or amendment shall: (1) extend the stated maturities of the Certificates, or reduce the rate of interest represented thereby, or extend the time of payment of interest, or reduce the amount of principal represented thereby, or reduce any premium payable on the prepayment thereof, without the consent of the owner of each Certificate so affected; or (2) reduce the aforesaid percentage of Owners of Certificates whose consent is required for the execution of any amendment or modification of this Installment Purchase Agreement; or (3) modify any of the rights or obligations of the Trustee or the Corporation without its written consent thereto.

(b) This Installment Purchase Agreement and the rights and obligations of the Corporation and the District and of the Owners of the Certificates may also be modified or amended but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Corporation or the District contained in this Installment Purchase Agreement other covenants and agreements thereafter to be observed or to surrender any right or power herein reserved to or conferred upon the Corporation or the District, and which shall not adversely affect the interests of the Owners of the Certificates;

(2) to cure, correct or supplement any ambiguous or defective provision contained in this Installment Purchase Agreement or in regard to questions arising under this Installment Purchase Agreement, as the Corporation or the District may deem necessary or desirable and which shall not adversely affect the interests of the Owners of the Certificates;

(3) to make such other amendments or modifications as may be in the best interests of the Owners of the Certificates; and

(4) to make any amendments or supplements as are necessary or appropriate to preserve or protect the exclusion of interest with respect to the 2021 Certificates from gross income for federal income tax purposes under the Code or the exemption of interest with respect to the Certificates from State personal income taxes.

No amendment may modify any of the rights or obligations of the Trustee without the written consent of the Trustee thereto.

Section 10.15. Paired Obligation Provider Guidelines. For purposes of Sections 5.3 and 6.13, Paired Obligations shall comply with the following conditions:

(a) A Paired Obligation Provider shall initially have a long-term rating of A- or better by S&P and A3 or better by Moody's.

(b) So long as the long-term rating of the Paired Obligation Provider is not reduced below BBB by S&P or Baa2 by Moody's, the interest rate of such Paired Obligation shall be deemed to be equal to the irrevocable fixed interest rate attributable thereto for purposes of Sections 5.3 and 6.13.

In the event that a Paired Obligation Provider does not maintain one or more ratings as described in subsection (b) and the District does not replace such Paired Obligation Provider with another Paired Obligation Provider which maintains one or more ratings as described in subsection (a) within ten (10) Business Days of notice that the Paired Obligation Provider has not maintained one or more of the ratings as described in subsection (b), interest with respect to such Paired Obligations shall be computed for purposes of Sections 5.3 and 6.13 without regard to payments to be received from the Paired Obligation Provider.

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

NAPA SANITATION DISTRICT

By: _____
General Manager

Attest:

Secretary

NAPA SANITATION DISTRICT PUBLIC
FINANCING CORPORATION

By: _____
President

Attest:

Secretary

EXHIBIT A

DESCRIPTION OF 2021 Project

2021 Project

The 2021 Project comprises the following described components.

Component

Replacement and rehabilitation of 1.3 miles of 66-inch sewer trunk main from Kaiser Road to influent pump stations at the Soscol Water Recycling Facility

EXHIBIT B

FORM OF REQUISITION NO. _____ FOR
DISBURSEMENT FROM ACQUISITION FUND

\$ _____
NAPA SANITATION DISTRICT
REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2021A

The undersigned hereby states and certifies to the County of Napa:

(i) that he is the duly appointed, qualified and acting General Manager of the Napa Sanitation District, a county sanitation district duly organized and existing under and by virtue of the laws of the State of California (the "District"), and as such, is familiar with the facts herein certified and is authorized to certify the same;

(ii) that, pursuant to Section 3.6 of that certain Installment Purchase Agreement, dated as of February 1, 2021 (the "Installment Purchase Agreement"), by and between the Napa Sanitation District Public Financing Corporation and the District, the undersigned hereby requests the Treasurer of the District to disburse this date the following amounts from the Acquisition Fund established under the Installment Purchase Agreement, to the payees designated on the attached Exhibit A;

(iii) that each obligation mentioned herein has been incurred by the District and is a proper charge against the Acquisition Fund;

(iv) that any approval required under the California Environmental Quality Act, as amended (Division 13 of the California Public Resources Code), prior to the expenditure of such amount for the purpose set forth on the attached Exhibit A has been received and is final;

(v) that there has not been filed with or served upon the District notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the moneys payable to any of the payees named on the attached Exhibit A, which has not been released or will not be released simultaneously with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of law.

NAPA SANITATION DISTRICT

General Manager

EXHIBIT A
ACQUISITION FUND DISBURSEMENTS

<i>Item Number</i>	<i>Payee Name and Address</i>	<i>Purpose of Obligation</i>	<i>Amount</i>
_____			_____
_____			_____
_____			_____
_____			_____
_____			_____

EXHIBIT C

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 Series 2021 Installment Payment Dates as follows:

<i>Series 2021 Installment Payment Date</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>
<i>Second Business Day Prior To:</i>		
February 1, 2021	\$	\$
August 1, 2021		
February 1, 2022		
August 1, 2022		
February 1, 2023		
August 1, 2023		
February 1, 2024		
August 1, 2024		
February 1, 2025		
August 1, 2025		
February 1, 2026		
August 1, 2026		
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February 1, 2033		
August 1, 2033		
February 1, 2034		
August 1, 2034		
February 1, 2035		
August 1, 2035		
February 1, 2036		
August 1, 2036		
February 1, 2037		
August 1, 2037		
February 1, 2038		

<i>Series 2021 Installment Payment Date</i>	<i>Amount Attributable to Principal</i>	<i>Amount Attributable to Interest</i>
August 1, 2038		
February 1, 2039		
August 1, 2039		
February 1, 2040		
August 1, 2040		
February 1, 2041		
August 1, 2041		
February 1, 2042		
August 1, 2042		
February 1, 2043		
August 1, 2043		
February 1, 2044		
August 1, 2044		
February 1, 2045		
August 1, 2045		
February 1, 2046		
August 1, 2046		
February 1, 2047		
August 1, 2047		
February 1, 2048		
August 1, 2048		
February 1, 2049		
August 1, 2049		
TOTAL	\$	\$