

**INSTALLMENT PURCHASE AGREEMENT**

**by and between**

**RAINBOW MUNICIPAL WATER DISTRICT**

**and**

**WESTERN ALLIANCE BUSINESS TRUST**

**Dated as of March 1, 2022**

**(2022 PROJECT)**

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## INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, made and entered into and dated as of March 1, 2022, by and between RAINBOW MUNICIPAL WATER DISTRICT (the “District”), a special district duly organized and validity existing under the laws the State of California, and WESTERN ALLIANCE BUSINESS TRUST, a Delaware statutory trust (herein called the “Purchaser”).

### WITNESSETH:

WHEREAS, the District proposes to finance the acquisition and construction of certain improvements, betterments, renovations and expansions of facilities within its Water System described in Exhibit A hereto (the “Project”);

WHEREAS, the Purchaser has agreed to assist the District in financing the Project for the District on the terms and conditions set forth in this Installment Purchase Agreement;

WHEREAS, the District and the Purchaser have duly authorized the execution of this Installment Purchase Agreement;

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this 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.

NOW, THEREFORE, IN CONSIDERATION OF THESE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

### ARTICLE I

#### DEFINITIONS

**Section 1.1 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.

#### Assumed Interest Rate

The term “Assumed Interest Rate” means the amount of interest calculated in accordance with the following provisions:

(A) Generally. Except as otherwise provided in subparagraph (B) below with respect to Variable Interest Rate Contracts, in subparagraph (C) below with respect to Contracts or Bonds with respect to which a Payment Agreement is in force, and in subparagraph (D) below with

respect to Balloon Contracts, interest on any Contracts or Bonds shall be calculated based on the actual amount of interest that is payable under such Contracts or Bonds;

(B) Interest on Variable Interest Rate Contracts. Interest deemed to be payable on any Variable Interest Rate Contract for periods when the actual interest rate can be determined shall be the actual Variable Interest Rates and for periods when the actual interest rate cannot yet be determined shall be calculated on the assumption that the interest rate on such Variable Interest Rate Contract would be equal to (i) the average rate that accrued on such Variable Interest Rate Contract over the preceding 12 months, or (ii) if the Variable Interest Rate Contract has not been accruing interest at a variable rate for 12 months, the average interest rate that accrued on an outstanding Variable Interest Rate Contract of the District for which interest is computed on substantially the same basis during the preceding twelve month period, or (iii) if no such comparable Variable Interest Rate Contract was outstanding during the 12 months preceding the date of calculation, then (x) if the interest on such Variable Interest Rate Contract is excluded from gross income for purposes of Federal income taxation, 90% of the average rate of interest for The Bond Buyer Revenue Bond Index over the preceding 12 months, or, if that index is no longer published, a similar index selected by the District and acceptable to each credit enhancer providing credit enhancement for an outstanding Contracts or Bonds, or, if the District fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Variable Rate Interest Contract, or if there are no such Treasury Bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets, and (y) if interest on such Variable Interest Rate Contract is not excluded from gross income for purposes of Federal income taxation, 110% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Variable Rate Interest Contract, or if there are no such United States Treasury Bonds having equivalent maturities, 110% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

(C) Interest on Obligations with respect to which a Payment Agreement is in Force. Interest deemed to be payable on any Contracts or Bonds with respect to which a Payment Agreement is in force shall be based on the net economic effect on the District expected to be produced by the terms of such Contracts or Bonds and such Payment Agreement, including but not limited to the effects that (i) such Contracts or Bonds would, but for such Payment Agreement, be treated as an obligation bearing interest at a Variable Interest Rate instead shall be treated as an obligation bearing interest at a fixed interest rate, and (ii) such Contracts or Bonds would, but for such Payment Agreement, be treated as an obligation bearing interest at a fixed interest rate instead shall be treated as an obligation bearing interest at a Variable Interest Rate; and accordingly, the amount of interest deemed to be payable on any Contracts or Bonds with respect to which a Payment Agreement is in force shall be an amount equal to the amount of interest that would be payable at the rate or rates stated in such Contracts or Bonds plus the Payment Agreement Payments minus the Payment Agreement Receipts, and for the purpose of calculating as nearly as practicable the Payment Agreement Receipts and the Payment Agreement Payments under such Contracts or Bonds, the following assumptions shall be made:

(1) District Obligated to Pay Net Variable Payments. If a Payment Agreement has been entered into by the District with respect to Contracts or Bonds resulting in the payment of a net variable interest rate with respect to such Contracts or Bonds and Payment Agreement by the District, the interest rate on such Contracts or Bonds for future periods when the actual interest rate cannot yet be determined shall be assumed (but only during the period the Payment Agreement is in effect) to be equal to the sum of (i) the fixed rate or rates stated in such Contracts or Bonds, minus (ii) the fixed rate paid by the Qualified Counterparty to the District, plus (iii) the lesser of (A) the

interest rate cap, if any, provided by a Qualified Counterparty with respect to such Payment Agreement (but only during the period that such interest rate cap is in effect) and (B) the applicable Variable Interest Rate calculated in accordance with paragraph (B) above; and

(2) District Obligated to Pay Net Fixed Payments. If a Payment Agreement has been entered into by the District with respect to Contracts or Bonds resulting in the payment of a net fixed interest rate with respect to such Contracts or Bonds and Payment Agreement by the District, the interest on such Contracts or Bonds shall be included in the calculation of Payments (but only during the period the Payment Agreement is in effect) by including for each Fiscal Year or twelve (12) calendar month period an amount equal to the amount of interest payable at the fixed interest rate pursuant to such Payment Agreement;

(D) Interest on Balloon Contracts. If any outstanding Contracts or Bonds constitute Balloon Contracts (and such Contracts or Bonds do not constitute Short-Term Obligations excluded from the calculation of the Payments pursuant to clause (E), below) or if Contracts or Bonds proposed to be incurred would constitute Balloon Contracts (and such Contracts or Bonds would not constitute Short-Term Obligations excluded from the calculation of the Payments pursuant to clause (E), below), then such Balloon Contracts shall be treated as if the principal amount of such Contracts or Bonds were amortized from the date originally incurred in substantially equal installments of principal and interest over a term of 30 years (provided, however, that the full principal amount of such Balloon Contract shall be included in making such calculation if such principal amount is due within 90 days of the date such calculation is being made); and, if interest accrues under such Balloon Contract at other than a fixed rate, the interest rate used for such computation shall be (x) if the interest on such Contracts or Bonds is excluded from gross income for purposes of Federal income taxation, 90% of the average rate of interest for The Bond Buyer Revenue Bond Index over the preceding 12 months, or if that index is no longer published, a similar index selected by the District and acceptable to each credit enhancer providing credit enhancement for outstanding Contracts or Bonds, or if the District fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Contracts or Bonds on the date incurred, or if there are no such United States Treasury bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets, and (y) if the interest on such Contracts or Bonds is not excluded from gross income for purposes of Federal income taxation, the rate equal to 110% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Balloon Contract, or, if there are no such United States Treasury Bonds having equivalent maturities, 110% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

(E) Exclusion of Certain Short-Term Obligations. If any outstanding Contracts or Bonds constitute Short-Term Obligations or if Contracts or Bonds proposed to be incurred would constitute Short-Term Obligations, and such Short-Term Obligations are or will be payable only out of Revenues of the Fiscal Year in which such Short-Term Obligations are incurred, then such Short-Term Obligations shall be disregarded and not included in calculating Payments;

(F) Credit for Accrued and Capitalized Interest. If amounts constituting accrued interest or capitalized interest have been deposited with a third party trustee, then the interest payable from such amounts with respect to the Contracts or Bonds shall be disregarded and not included in calculating Parity Payments.

Authorized Officer.

The term “Authorized Officer”, when used with respect to the District, means the Chair, Vice Chair, Treasurer or Secretary of the Board of Directors, General Manager or any deputy or officer of the District designated by the General Manager or any other officer of the District which is designated by the Board of Directors of the District as an Authorized Officer. The term “Authorized Officer”, when used with respect to the Purchaser, means any officer of the Purchaser authorized by the Purchaser’s governing documents to take-action on behalf of the Purchaser.

Balloon Contract

The term “Balloon Contract” means Contracts or Bonds 50% or more of the principal of which matures or is payable on the same date and which is not required by the instrument pursuant to which such Contracts or Bonds were incurred to be amortized by payment or redemption prior to such date.

Balloon Installment Payments

The term “Balloon Installment Payments” means any Parity Payments designated as such in any Balloon Contract.

Beck SRF Agreement

The term “Beck SRF Agreement” means the Funding Agreement, dated November 16, 2012, between the State of California Department of Public Health and the District for Project Number 3710016-004C (Beck).

Beck SRF Payment

The term “Beck SRF Payments” means the debt service payments scheduled to be paid by the District under and pursuant to the Beck SRF Agreement.

Bonds

The term “Bonds” means all 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 2022 Installment Payments and which are secured by a pledge of and lien on the Gross Revenues. The term Bonds does not include bonds heretofore or hereafter issued required by law to be paid by the District from taxes or assessments which are not Gross Revenues.

Business Day

The term “Business Day” means a day which is not a Saturday, Sunday or legal holiday on which banking institutions in the State of California are closed.

Contracts

The term “Contracts” means this Installment Purchase Agreement, and any amendments and supplements hereto, and all contracts of the District authorized and executed by the District, the 2022 Installment Payments or payments under which are on a parity with the Beck SRF Payments, the Morro

SRF Payments, the 2018 Installment Payments, the 2018 Lease Payments and the Series 2022 Installment Payments and which are secured by a pledge and lien on the Gross Revenues.

#### Date of Operation

The term “Date of Operation” means, with respect to any uncompleted Project, the estimated date by which such Project will have been completed and, in the opinion of an engineer, will be ready for commercial operation by or on behalf of the District.

#### Debt Service

The term “Debt Service” means, for any Fiscal Year, the sum of: (1) the interest paid 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 to be paid from the proceeds of sale of any Bonds), (2) that portion of the principal amount of all outstanding serial Bonds paid during such Fiscal Year, (3) that portion of the principal amount of all outstanding term Bonds required to be paid during such Fiscal Year, and (4) that portion of any payments, including the Installment Payments, required to be made at the times provided in the Contracts during such Fiscal Year.

For purposes of this definition, interest on any Contracts or Bonds executed or issued by the District shall be calculated based upon the Assumed Interest Rate.

#### District

The term “District” means Rainbow Municipal Water District, a special district duly organized and existing under the laws of the State of California.

#### Event of Default

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

#### Gross Revenues

The term “Gross Revenues” means all gross income and revenue received or receivable by the District from the ownership and operation of the Water System, calculated in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including fees for connecting to the Water System and any water stand-by or water availability charges or assessments) received by the District for the Water System and all other income and revenue howsoever derived by the District from the Water System or arising from the Water System; provided, however, that (i) any specific charges levied for the express purpose of reimbursing others for all or a portion of the cost of the acquisition or construction of specific facilities, (ii) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District, or (iii) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the District and pledged solely for the purpose of paying special assessment bonds or special tax obligations of the District, are not Gross Revenues and are not subject to the lien of the Installment Purchase Agreement. Gross Revenues shall include amounts on deposit in the Revenue Fund which have been previously released from the pledge and lien of this Installment Purchase Agreement.

Fiscal Year

The term “Fiscal Year” means the period beginning on July 1 of each year and ending on the June 30 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 Financial Consultant

The term “Independent Financial Consultant” means a financial consultant or firm of such consultants appointed by the District, 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; and
- (3) 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 2022 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 2022 Installment Payment Date” means the Installment Payments due hereunder on each April 1 and October 1, commencing October 1, 2022.

Installment Payments; Series 2022 Installment Payments

The term “Installment Payments” means the payments scheduled to be paid by the District under and pursuant to the Contracts, including the Series 2022 Installment Payments. The term “Series 2022 Installment Payments” means the Installment Payments scheduled to be paid by the District under and pursuant hereto.

Installment Purchase Agreement

The term “Installment Purchase Agreement” means this Installment Purchase Agreement, dated as of March 1, 2022, by and between the District and the Purchaser, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

Law

The term “Law” means the Division 20 of the Water Code of the State of California, commencing with Section 71000, as amended.

### Maintenance and Operation Costs

The term “Maintenance and Operation Costs” means the reasonable and necessary costs and expenses paid by the District for maintaining and operating the Water System, including but not limited to the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water System in good repair and working order, and including but not limited to administrative costs of the District attributable to the Water System and the financing thereof. “Maintenance and Operation Costs” does not include (a) interest expense relating to unsecured, subordinate obligations of the District, (b) depreciation, replacement and obsolescence charges or reserves therefor, (c) amortization of intangibles or other bookkeeping entries of a similar nature, and (d) capital expenditures. means the reasonable and necessary costs and expenses paid by the District for maintaining and operating the Water System, including but not limited to the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Water System in good repair and working order, and including but not limited to administrative costs of the District attributable to the Water System and the financing thereof. “Maintenance and Operation Costs” does not include (a) interest expense relating to unsecured, subordinate obligations of the District, (b) depreciation, replacement and obsolescence charges or reserves therefor, (c) amortization of intangibles or other bookkeeping entries of a similar nature, and (d) capital expenditures.

### Maximum Annual Debt Service

The term “Maximum Annual Debt Service” means the highest Debt Service for any Fiscal Year or twelve (12) calendar month period through the final maturity date of all Contracts and Bonds; provided, however, for purposes of such calculation, the interest on all Contracts and Bonds shall be computed at the applicable Assumed Interest Rate.

### Morro SRF Agreement

The term “Morro SRF Agreement” means the Funding Agreement, dated November 16, 2012, between the State of California Department of Public Health and the District for Project Number 3710016-008C (Morro Reservoir).

### Morro SRF Payment

The term “Morro SRF Payments” means the debt service payments scheduled to be paid by the District under and pursuant to the Morro SRF Agreement.

### Net Proceeds

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

### Net Revenues

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

### Parity Payment Agreement

The term “Parity Payment Agreement” means a Payment Agreement which is a Contract.

### Parity Payments

The term “Parity Payments” means all installment payments and other debt service payments scheduled to be paid by the District under all Contracts or Bonds.

### Parity Payments Date

The term “Parity Payments Date” means the date on which any Parity Payments are due on Contracts or Bonds.

### Payment Agreement

The term “Payment Agreement” means a written agreement for the purpose of managing or reducing the District’s exposure to fluctuations in interest rates or for any other interest rate, investment, asset or liability managing purposes, entered into either on a current or forward basis by the District and a Qualified Counterparty as authorized under any applicable laws of the State in connection with, or incidental to, the entering into of any Contracts or Bonds, that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, options on such payments or any combination thereof, or any similar device.

### Payment Agreement Payments

The term “Payment Agreement Payments” means the amounts periodically required to be paid by the District to all Qualified Counterparties under all Payment Agreements.

### Payment Agreement Receipts

The term “Payment Agreement Receipts” means the amounts periodically required to be paid by all Qualified Counterparties to the District under all Payment Agreements.

### Policy Costs

The term “Policy Costs” means the annual amount due with respect to any policy or surety bond in lieu of depositing cash in any reserve fund established for any Bonds or Contracts.

### Project

The term “Project” means the additions, betterments, extensions and improvements to the Water System, including real property and buildings, if any, described in Exhibit A hereto.

### Purchase Price

The term “Purchase Price” means the principal amount plus interest thereon owed by the District to the Purchaser under the terms hereof as provided in Section 4.1.

### Purchaser

The term “Purchaser” means Western Alliance Business Trust, a Delaware statutory trust, its successors and assigns.

### Qualified Counterparty

The term “Qualified Counterparty” means a party (other than the District or a party related to the District) who is the other party to a Payment Agreement and (1) (a) who is rated at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments (without regard to any gradations within a rating category), but in no event less than a rating of “A” from Fitch, “A2” from Moody’s and “A” from S&P, (b) whose senior debt obligations are rated at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments (without regard to any gradations within a rating category), or guaranteed by an entity so rated, (c) whose obligations under the Payment Agreement are guaranteed for the entire term of the Payment Agreement by a bond insurer or other institution which has been assigned a credit rating at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments (without regard to any gradations within a rating category), but in no event less than a rating of “A” from Fitch, “A2” from Moody’s and “A” from S&P, or (d) whose obligations under the Payment Agreement are collateralized in such a manner as to obtain a rating at least equal to the ratings assigned by each of the Rating Agencies to the obligations secured by Parity Payments, and (2) who is otherwise qualified to act as the other party to a Payment Agreement under all applicable laws of the State.

### Revenue Fund

The term “Revenue Fund” means the Revenue Fund described in Section 5.2 hereof.

### Short-Term Obligations

The term “Short-Term Obligations” means Contracts or Bonds having an original maturity of less than or equal to one year and which are not renewable at the option of the District for a term greater than one year beyond the date of original incurrence.

### Subordinate Obligations

The term “Subordinate Obligations” means all Contracts or Bonds of the District which are secured by a pledge of and lien on the Gross Revenues subordinate to the pledge of and lien on Gross Revenues securing the Contracts or Bonds.

### 2018 Installment Purchase Contract

The term “2018 Installment Purchase Contract” means the Installment Purchase Contract, dated October 1, 2018, by and between ZMFU II, Inc. and the District.

### 2018 Installment Payments

The term “2018 Installment Payments” means the installment payments scheduled to be paid by the District under and pursuant to the 2018 Installment Purchase Contract.

### 2018 Lease/Purchase Agreement

The term “2018 Lease/Purchase Agreement” means the Lease/Purchase Agreement, dated September 1, 2018, by and between ZB, N.A. and the District.

### 2018 Lease Payments

The term “2018 Lease Payments” means the lease payments scheduled to be paid by the District under and pursuant to the 2018 Lease/Purchase Agreement.

### Termination Payments

The term “Termination Payments” means any payments due and payable to a Qualified Counterparty in connection with the termination of a Payment Agreement.

### Variable Interest Rate

The term “Variable Interest Rate” means any variable interest rate or rates to be paid under any Contracts or Bonds, the method of computing which variable interest rate shall be as specified in the applicable Contracts or Bonds, which Contracts or Bonds shall also specify either (i) the payment period or periods or time or manner of determining such period or periods or time for which each value of such variable interest rate shall remain in effect, and (ii) the time or times based upon which any change in such variable interest rate shall become effective, and which variable interest rate may, without limitation, be based on the interest rate on certain bonds or may be based on interest rate, currency, commodity or other indices.

### Variable Interest Rate Contracts

The term “Variable Interest Rate Contracts” means, for any period of time, any Contracts or Bonds that bear a Variable Interest Rate during such period, except that no Contracts or Bonds shall be treated as a Variable Interest Rate Contract if the net economic effect of interest rates on any particular Parity Payments or such Contracts or Bonds and interest rates on any other Parity Payments of the same Contracts or Bonds, as set forth in such Contracts or Bonds, or the net economic effect of a Payment Agreement with respect to any particular Parity Payments, in either case is to produce obligations that bear interest at a fixed interest rate, and any Contracts or Bonds with respect to which a Payment Agreement is in force shall be treated as a Variable Interest Rate Contract if the net economic effect of the Payment Agreement is to produce obligations that bear interest at a Variable Interest Rate.

### Water System

The term “Water System” means the District’s water system, including all facilities, works, properties and structures of the District for the treatment, transmission and distribution of potable and non-potable water, including all contractual rights to water supplies, transmission capacity supply, easements, rights-of-way and other works, property or structures necessary or convenient for such facilities, together with all additions, betterments, extension and improvements to such facilities or any part thereof hereafter acquired or constructed (but for purposes of this Agreement only to the extent the components of the Water SYstem may be legally transferred by the District).

ARTICLE II

**REPRESENTATIONS AND WARRANTIES**

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

(a) The District is a special district organized and existing under 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, to carry out and consummate all other transactions contemplated by this Installment Purchase Agreement, and the District has complied any relevant provision of California 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 Project under the terms of this Installment Purchase Agreement being included in the gross income of the Purchaser or its assigns for purposes of federal or State of California personal income taxation or which results in interest on the payments due hereunder being included in the gross income of the owners thereof for federal income tax purposes or being subject to State of California personal income taxation.

**Section 2.2 Representations and Warranties by the Purchaser.** The Purchaser makes the following representations and warranties:

(a) The Purchaser is a Delaware statutory trust in good standing under the laws of the jurisdiction in which it was formed, 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.

(b) This Installment Purchase Agreement is a valid, binding and enforceable obligation of the Purchaser.

ARTICLE III

**ACQUISITION OF THE PROJECT**

**Section 3.1 Changes to the Project.** The District may substitute other improvements for those listed as components of the Project in Exhibit A hereto, but only if the District first files with the Purchaser a statement of the District in the form attached as Exhibit C:

(a) identifying the improvements to be substituted and the improvements to District facilities they replace in the 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 3.2 Sale and Purchase of the Project.** In consideration for the Purchaser's assistance in financing the Project, the District agrees to sell, and hereby sells, to the Purchaser, and the Purchaser agrees to purchase and hereby purchases, from the District, the 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 3.3 Purchase and Sale of the Project.** In consideration for the Installment Payments as set forth in Section 4.2, the Purchaser agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Purchaser, the 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 3.4 Title.** All right, title and interest in the Project shall vest in the District immediately upon execution and delivery of this Installment Purchase Agreement.

**Section 3.5 Acquisition and Construction of the Project.** The Purchaser hereby agrees to cause the Project to be constructed, acquired and installed by the District as its agent. The District shall enter into contracts and provide for, as agent for the Purchaser, the complete construction, acquisition and installation of the Project. The District hereby agrees that it will cause the construction, acquisition and installation of the Project to be diligently performed after the deposit of funds set forth in Section 4.1 below, and that it will use its best efforts to cause the construction, acquisition and installation of the Project to be completed. It is hereby expressly understood and agreed that the Purchaser shall be under no liability of any kind or character whatsoever for the payment of any cost of the Project and that all such costs and expenses shall be paid by the District.

#### ARTICLE IV

#### SERIES 2022 INSTALLMENT PAYMENTS

##### **Section 4.1 Deposit of Moneys; Purchase Price.**

(a) In order to induce the District to enter into this Installment Purchase Agreement, the District shall pay \$\_\_\_\_\_ to the District on the Closing Date, which amount shall be used by the District to construct the Project. In addition, the Purchaser shall pay \$\_\_\_\_\_ to the District, or to such other party or parties as an Authorized Officer of the District may direct, for the purpose of paying costs of issuance in connection with the execution of this Installment Purchase Agreement.

(b) The Purchase Price to be paid by the District hereunder to the Purchaser 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.

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

(d) The interest to accrue on the unpaid balance of such principal amount is as specified in Section 4.2 and Exhibit B 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 2022 Installment Payments.** The District shall, subject to its rights of prepayment provided in Article VII, pay the Purchaser the Purchase Price in installment payments of interest and principal in the amounts and on the Series 2022 Installment Payment Dates as set forth in Exhibit B hereto. Whenever any Series 2022 Installment Payment to be made hereunder shall be stated to be due on a day which is not a Business Day, such payment may be made on the next succeeding Business Day, with the same force and effect as if made on the applicable Series 2022 Installment Payment Date. Interest on the Series 2022 Installment Payments shall be calculated based upon a 360-day year of twelve thirty-day months.

Each Series 2022 Installment Payment shall be paid to the Purchaser in lawful money of the United States of America. In the event the District fails to make any of the payments required to be made by it under this section, such payment shall continue as an obligation of the District until such amount shall have been fully paid and the District agrees to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the Series 2022 Installment Payments if paid in accordance with their terms.

The obligation of the District to make the Series 2022 Installment Payments is absolute and unconditional, and until such time as all of the Series 2022 Installment Payments 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 2022 Installment Payments required to be made by it under this section when due, whether or not the Water System or any part thereof is operating or operable or 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.

The payment of the Series 2022 Installment Payments due hereunder shall be made by the District to the Purchaser via wire instructions to be provided by the Purchaser to the District from time to time.

**Section 4.3 Principal and Interest Components.** The principal and interest components of each Series 2022 Installment Purchase Payment are set forth in Exhibit "B". So long as the District is not in default hereunder, the interest to accrue on the unpaid balance of the principal components of the Series 2022 Installment Payments due hereunder shall be \_\_\_\_% per annum, and shall be paid by the District as and constitute interest paid with respect to the principal components of the District's obligations hereunder.

**Section 4.4 Payment in Lawful Money; No Set Off.** Each Series 2022 Installment Payment shall be paid or caused to be paid by the District on each Series 2022 Installment Payment Date in lawful money of the United States of America, which at the time of payment is legal tender for the payment of public and private debts, to or upon the order of the Purchaser at such place as the Purchaser shall designate, in writing, to the District.

Notwithstanding any dispute between the District and the Purchaser, the District shall make each and all Series 2022 Installment Payments when due and shall not withhold any Series 2022 Installment Payments pending the final resolution of such dispute nor shall the District assert any right of set off or counterclaim against its obligation to make Series 2022 Installment Payments as set forth herein.

The obligation of the District to pay the Series 2022 Installment Payments from the Net Revenues as herein provided is absolute and unconditional, and until such time as all of the Series 2022 Installment Payments have been fully paid, the District will not discontinue or suspend any Series 2022 Installment Payments required to be made by it under this section when due, whether or not the Project or any part thereof is operating or operable, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such payments shall not be subject to abatement because of any damage to, destruction or condemnation of the Project, 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.

**Section 4.5 Additional Payments.** In addition to the Series 2022 Installment Payments, the District shall pay all reasonable compensation to the Purchaser.

## ARTICLE V

### SECURITY

**Section 5.1 Pledge of Revenues.** All Gross Revenues and all amounts on deposit in the Revenue Fund are hereby irrevocably pledged to the payment of the Series 2022 Installment Payments as provided herein, and the Gross Revenues shall not be used for any other purpose while any of the Series 2022 Installment Payments remain unpaid; provided that out of the Gross Revenues and amounts on deposit in the Revenue Fund there may be apportioned such sums for such purposes as are expressly permitted herein including the parity claim of any Bonds or Contracts. This pledge, together with the pledge created by all other Contracts and Bonds, shall constitute a first lien on and security interest in the Gross Revenues and the Revenue Fund and all amounts on deposit therein as permitted herein and subject to the application of Gross 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 Gross Revenues shall be received by the District in trust and shall be deposited when and as received in the “Revenue Fund” which fund the District has previously established and hereby agrees and covenants to maintain and to hold separate and apart from other funds so long as any Series 2022 Installment Payments, Contracts or Bonds remain unpaid. Moneys in the Revenue Fund shall be used and applied by the District as provided in this Installment Purchase Agreement and as needed to make payments on other Bonds and Contracts.

The District shall, from the moneys in the Revenue Fund, first, pay all 2022 Installment Payments and amounts due on other Bonds and Contracts (including as required to replenish Reserve Funds), all on a pro rata basis; second, 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); and third, make all payments due on Subordinate Obligations, as the same shall become due and payable. All moneys in the Revenue Fund used to pay the 2022 Installment Payments shall be set aside by the District and applied as follows: On or before each Series 2022 Installment Payment Date, the District shall, from the moneys in the Revenue Fund, transfer to the Purchaser for a sum equal to the Series 2022 Installment Payment coming due on such Series 2022 Installment Payment Date.

On the last day of each month, moneys on deposit in the Revenue Fund 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, payable from Gross Revenues on a parity with the Beck SRF Payments, the Morro SRF Payments, the 2018 Installment Payments, the 2018 Lease Payments and the Series 2022 Installment Payments in accordance herewith; provided there shall be on file with the District either:

(a) The District is not then in default under the terms of this Installment Purchase Contract; and

(b) Either

(i) the Net Revenues, calculated in accordance with Generally Accepted Accounting Principles, as shown by the books of the District for the latest Fiscal Year for which audited financial information is available or as shown by the books of the District for any more recent 12-month period selected by the District in its sole discretion, in either case verified by a certificate or opinion of an independent certified public accountant acceptable to the Purchaser in its sole discretion, plus, at the option of the District, any or all of the items described in the following subsection (c), at least equal 120% of the amount of Maximum Annual Debt Service; or which would have accrued had such Contract been executed or Bonds been issued at the beginning of such Fiscal Year or twelve month period.

(ii) the average annual Net Revenues for the prior 36-month period, calculated in accordance with Generally Accepted Accounting Principles, as shown by the books of the District for the three prior Fiscal Years for which audited financial information is available or as shown by the books of the District for any more recent 36-month period selected by the District in its sole discretion, verified by a certificate or opinion of an independent certified public accountant acceptable to the Purchaser in its sole discretion, plus, at the option of the District, any or all of the items described in the following subsection (c), at least equal 120% of the amount of Maximum Annual Debt Service;

(c) At the option of the District, there may be added to the Net Revenues for purposes of meeting the requirements of the foregoing subsection (b) an allowance for Net Revenues arising from either of the following:

(i) An allowance for Net Revenues from any improvements to the Water System to be made with the proceeds of such Bonds and Contracts and also for Net Revenues from any such improvements which have been made from moneys from any source but in any case which, during all or any part of the period described in the foregoing subsection (b), were not in service, all in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such improvements for the first 36 month period in which each improvement is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer acceptable to the Purchaser in its sole discretion.

(ii) An allowance for Net Revenues arising from any increase in the charges made for service from the Water System which has been adopted prior to the incurring of such Bonds and Contracts but which, during all or any part of the period described in the foregoing subsection (b), was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such period, all as shown by the certificate or opinion of an independent certified public accountant acceptable to the Purchaser in its sole discretion.

[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.] Furthermore, notwithstanding the foregoing, the District may, with the prior written consent of the Purchaser, issue evidence of indebtedness or incur other obligations for any lawful purpose that are payable from and secured by a lien on Gross Revenues or money in the Revenue Fund as may from time to time be deposited therein subordinate to the Series 2022 Installment Payments.

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

## ARTICLE VI

### COVENANTS OF THE DISTRICT

**Section 6.1 Compliance with Installment Purchase Agreement and Ancillary Agreements.** The District will punctually pay the Series 2022 Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this Installment Purchase 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 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 Purchaser 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 Purchaser or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

It is expressly understood and agreed by and among the parties to this Installment Purchase Agreement, 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 Project by the District pursuant to the Law.

The District will faithfully observe and perform all the agreements, conditions, covenants and terms required to be observed and performed by it pursuant to all outstanding 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 Gross Revenues 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 Gross 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 Water System or any part thereof necessary to secure adequate Gross Revenues for the payment of the Series 2022 Installment Payments, or which would otherwise impair the rights of the Purchaser hereunder or the operation of the Water System. Any real or personal property which has become nonoperative or which is not needed for the efficient and proper operation of the Water 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 2022 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 Water 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 Water System exercising any remedy which would deprive the District of or otherwise interfere with its right to own and operate such portion of the Water System.

**Section 6.4 Against Competitive Facilities.** The District will not, to the extent permitted by law, acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the District any water system competitive with the Water System.

**Section 6.5 Tax Covenants.** Notwithstanding any other provision of this Installment Purchase Agreement, absent an opinion of Special Counsel that the exclusion from gross income of the interest component of the Series 2022 Installment Payments will not be adversely affected for federal income tax purposes, the District covenants to comply with all applicable requirements of the Code necessary to preserve such exclusion from gross income on the interest component of the Series 2022 Installment Payments and specifically covenant, without limiting the generality of the foregoing, as follows:

(a) Private Activity. The District will not take or omit to take any action or make any use of the proceeds received under this Installment Purchase Agreement or of any other moneys or property which would cause the interest component of the Series 2022 Installment Payments to be “private activity bonds” within the meaning of Section 141 of the Code.

(b) Arbitrage. The District will make no use of the proceeds received under this Installment Purchase Agreement or of any other amounts or property, regardless of the source, or take or omit to take any action which would cause the interest component of the Series 2022 Installment Payments to be “arbitrage bonds” within the meaning of Section 148 of the Code.

(c) Federal Guarantee. The District will make no use of the proceeds received under this Installment Purchase Agreement or take or omit to take any action that would cause the interest component of the Series 2022 Installment Payments to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

(d) Information Reporting. The District 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 the interest component of the Series 2022 Installment Payments pursuant to Section 103(a) of the Code.

(e) Hedge Bonds. The District will make no use of the proceeds received under this Installment Purchase Agreement or any other amounts or property, regardless of the source, or take any action or refrain from taking any action that would cause the interest component of the Series 2022 Installment Payments to be considered “hedge bonds” within the meaning of Section 149(g) of the Code unless the District 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 the interest component of the Series 2022 Installment Payments for federal income tax purposes.

(f) Miscellaneous. The District will take no action, or omit to take any action, inconsistent with the expectations stated in any Tax Certificate executed in connection with this Installment Purchase Agreements 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 Water System.** The District will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Operation and Maintenance Costs as they become due and payable.

**Section 6.7 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 Gross Revenues or the funds or accounts created hereunder or on any funds in the hands of the District pledged to pay the Series 2022 Installment Payments prior or superior to the lien of the Series 2022 Installment Payments or which might impair the security of the Series 2022 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 Water System and all other contracts affecting or involving the Water 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 Water System with responsible insurers in such amounts and against such risks (including accident to or destruction of the Water System) as are usually covered in connection with

facilities similar to the Water System so long as such insurance is available from reputable insurance companies.

In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System. The District shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and liens.

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement portion of the Water System, and/or the cost of the construction of additions, betterments, extensions or improvements to the Water System, then the excess Net Proceeds may, at the option of the District, be applied in part to the prepayment of Series 2022 Installment Payments as provided in Section 7.1 and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal balance of Series 2022 Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts. If such Net Proceeds are sufficient to enable the District to retire the entire obligation evidenced hereby prior to the final due date of the Series 2022 Installment Payments as well as the entire obligations evidenced by Bonds and Contracts then remaining unpaid prior to their final respective due dates, the District may elect not to reconstruct, repair or replace the damaged or destroyed portion of the Water System, and/or not to construct other additions, betterments, extensions or improvements to the Water System; and thereupon such Net Proceeds shall be applied to the prepayment of Series 2022 Installment Payments as provided in Section 7.1 and to the retirement of such Bonds and Contracts.

(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 Purchaser, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal retail water systems similar to the Water System.

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

All policies of insurance required to be maintained herein shall provide that the Purchaser 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.**

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

(b) The District will prepare and file with the Purchaser annually within two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2022) financial statements of the District for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with the report of an Independent Certified Public Accountant thereon.

(c) During each Fiscal Year, the District will deliver a copy of its operating budget to the Purchaser annually within thirty (30) days after the adoption thereof.

(d) The District shall furnish at the Purchaser's request such additional information that the Purchaser may from time to time reasonably request.

(e) The District shall furnish notice to the Purchaser of any occurrence of an event described in subsection (b)(5)(i)(C) of the Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 CFR Part 240, §240.15c2-12), as applicable, in a timely manner but not in excess of ten business days after the occurrence of such event.

**Section 6.11 Protection of Security and Rights of the Purchaser.** The District will preserve and protect the security hereof and the rights of the Purchaser to the Series 2022 Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

**Section 6.12 Payment of Taxes and Compliance with Governmental Regulations.** The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System, or any part thereof or upon the Gross Revenues when the same shall become due. The District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water System, or any part thereof, but the District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

**Section 6.13 Construction Monitoring of Project Progress.** Until the construction of the Project is complete, the District shall provide the Purchaser with a construction report within 30 days of the end of each month that sets forth:

- (a) A summary of the Project status, including pictures;
- (b) An update on permitting, design and construction progress of the Project;
- (c) An updated budget for the Project, including the approved budget, any change order or budget reallocations, forecasted costs, amounts and percentages remaining to be completed and the use of any contingency; and
- (d) An updated schedule for the Project with milestone completion dates and variances.

**Section 6.14 Amount of Rates and Charges.**

(a) To the fullest extent permitted by law, the District will fix and prescribe rates and charges for the Water System which are reasonably expected to be at least sufficient to

yield during each Fiscal Year Net Revenues equal to 120% of debt service payments on Bonds and Contracts for such Fiscal Year. The District may make adjustments, from time to time, in such rates and charges and may make such classifications thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this Section.

(b) So long as the District has complied with its obligations set forth in subsection (a) above, the failure of Net Revenues to meet the threshold set forth in Section 6.14(a) above at the end of a Fiscal Year shall not constitute a default or an Event of Default so long as the District has complied with Section 6.14(a) at the commencement of the succeeding Fiscal Year.

**Section 6.15 Collections of Rates and Charges.** The District will have in effect at all times rules and regulations requiring all users of the Water System to pay the assessments, rates, fees and charges applicable to the Water System provided or made available to such users. Such rules and regulations shall also provide for the billing thereof and for a due date and a delinquency date for each bill.

**Section 6.16 Eminent Domain Proceeds.** If all or any part of the Water System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(a) If (1) the District files with the Purchaser 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 Water 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 Purchaser, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the District shall promptly proceed with the acquisition 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 held by the District and shall be treated as Gross Revenues.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the District in part to the prepayment of Series 2022 Installment Payments as provided in Section 7.1 and in part to such other fund or account as may be appropriate and used for the retirement of Bonds and Contracts in the same proportion which the aggregate unpaid principal components of the Series 2022 Installment Payments then bears to the aggregate unpaid principal amount of such Bonds and Contracts.

**Section 6.17 Further Assurances.** The District will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Purchaser of the rights and benefits provided to it herein.

**Section 6.18 Enforcement of Contracts.** So long as amounts are owed by the District hereunder, 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 which contracts provide for wastewater to be supplied to the District which will reduce the supply of wastewater thereunder (except as provided therein) if such rescission or amendment would in any manner impair or adversely affect the rights of the Purchaser.

**Section 6.19 Superior Additional Obligations.** The District shall not execute any Contracts or issue any Bonds, as the case may be, that are payable from or secured by a pledge of and lien on Gross Revenues and any money in the Revenue Fund superior to the pledge securing the Series 2022 Installment Payments.

## ARTICLE VII

### PREPAYMENT OF SERIES 2022 INSTALLMENT PAYMENTS

#### Section 7.1 Prepayment.

(a) The District may or shall, as the case may be, prepay from the Net Proceeds as provided in Sections 6.9 and 6.15 herein on any date all or any part of the unpaid Series 2022 Installment Payments at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment.

(b) The District may prepay the Series 2022 Installment Payments, as a whole or in part, on any date on or after October 1, 2023, from proceeds of the District other than from a refinancing of this Installment Purchase Agreement, at a prepayment price equal to the principal component of the Series 2022 Installment Payments being prepaid, together with all interest components of the Series 2022 Installment Payments due through such prepayment date, without premium.

(c) The District may prepay the Series 2022 Installment Payments, as a whole or in part, on any date on or after April 1, 2032, from proceeds of the District from a refinancing of this Installment Purchase Agreement, at a prepayment price equal to the principal component of the Series 2022 Installment Payments being prepaid, together with all interest components of the Series 2022 Installment Payments due through such prepayment date, without premium.

In the event of prepayment in part, the partial prepayment shall be applied by the Purchaser against Installment Payments in the manner directed by the District, and the District shall cause to be provided to the Purchaser a revised schedule of Series 2022 Installment Payments reflecting said partial prepayment.

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 Purchaser) 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 Purchaser describing such event and specifying the date on which the prepayment will be paid,

which date shall be not less than thirty (30) days from the date such notice is given unless a shorter period is agreed to by the Purchaser in its sole discretion.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

**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 --

(1) if default shall be made by the District in the due and punctual payment of any Series 2022 Installment Payment or any Contract or Bond when and as the same shall become due and payable;

(2) 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 Purchaser;

(3) 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

(4) 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 (3) and (4) above, without any notice to the District, the Purchaser shall declare the entire principal amount of the unpaid Series 2022 Installment Payments and the accrued interest thereon shall be immediately due and payable, and for any other Event of Default the Purchaser may, by notice in writing to the District, declare the entire principal amount of the unpaid Series 2022 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 2022 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 Purchaser a sum sufficient to pay the unpaid principal amount of the Series 2022 Installment Payments or the unpaid payment of any other Contract or Bond referred to in clause (1) 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 2022 Installment Payments or such Contract or Bond if paid in accordance with their terms, and the reasonable expenses of the District, and any and all other defaults known to the District (other than in the payment of the entire principal amount of the unpaid Series 2022 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 Purchaser, if appropriate, or provision deemed by the Purchaser, if appropriate, to be adequate shall have been made therefor, then and in every such case the Purchaser, 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 Gross Revenues thereafter received by the District shall be applied in the following order --

First, to the payment of the fees, costs and expenses of the Purchaser, if any, in carrying out the provisions of this article, including reasonable compensation to its accountants and counsel and any outstanding fees and expenses of the Purchaser,;

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

Third, to the payment of the entire principal amount of the unpaid Series 2022 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 2022 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 Purchaser.** The Purchaser 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 his or her 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 Purchaser; 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 Purchaser shall have no security interest in or mortgage on the Project, the Water System or other assets of the District and no default hereunder shall result in the loss of the Project, the Water 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 2022 Installment Payments to the Purchaser 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 Purchaser, 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 Purchaser 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 Purchaser 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 Purchaser under 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 Purchaser.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Purchaser, the District and the Purchaser 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 Purchaser 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 under law.

## ARTICLE IX

### DISCHARGE OF OBLIGATIONS

#### **Section 9.1 Discharge of Obligations.** When

(a) all or any portion of the Series 2022 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 2022 Installment Payments shall have been filed with the Purchaser; and

(b) there shall have been deposited with the Purchaser, or a third party escrow agent, at or prior to the Series 2022 Installment Payment Dates or date (or dates) specified for prepayment, in trust for the benefit of the Purchaser or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the Series 2022 Installment Payments, sufficient moneys and non-callable Defeasance Securities, 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 2022 Installment Payments to their respective Series 2022 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 Purchaser, then and in that event, the right, title and interest of the Purchaser herein and the obligations of the District hereunder shall, with respect to all or such portion of the Series 2022 Installment Payments as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except for the rights of the Purchaser and the obligation of the District to have such Defeasance Securities applied to the payment of such Series 2022 Installment Payments).

In such event, upon request of the District the Purchaser 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 Purchaser or third party escrow agent shall pay over to the District all such Defeasance Securities held by it pursuant hereto other than such Defeasance Securities, as are required for the payment or prepayment of the Series 2022 Installment Payments, which Defeasance Securities shall continue to be held by the Purchaser or third party escrow agent in trust for the payment of the Series 2022 Installment Payments and shall be applied to the payment of the Series 2022 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 for the payment of the Series 2022 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 2022 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, its Participating Members 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 Purchaser 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 Purchaser 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 Purchaser 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 Purchaser, and all agreements and covenants required hereby to be performed by or on behalf of the District or the Purchaser 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 2022 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 Purchaser 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 Purchaser 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.** The Purchaser's right, title and interest in and to this Installment Purchase Agreement may be assigned and reassigned by the Purchaser in whole to one or more subsequent assignees, subject to the limitations set forth in this Section 10.7, without the necessity of obtaining the consent of the District. The Purchaser acknowledges and agrees that the restrictions and limitations on transfer as provided in this Section 10.7 shall apply to the first and subsequent assignees of any of the Purchaser's right, title and interest in, to and under this Installment Purchase Agreement.

Any such assignment, transfer or conveyance (i) shall be made only to an investor which is a "qualified institutional buyer" as defined in Rule 144A(a)(1) promulgated under the Securities Act of 1933, as amended, or an "Accredited Investor" as defined in Section 501(a)(1), (2), (3) or (7) of Regulation D promulgated under the Securities Act of 1933 Act and is purchasing its right, title and interest in and to this Installment Purchase Agreement for its own account with no present intention to resell its interest herein; (ii) shall not require the District to make Series 2022 Installment Payments to, send notices to or otherwise deal with respect to matters arising under this Installment Purchase Agreement with any entity other than the Purchaser or a subsequent entity to whom the Purchaser transfers its right, title and interest hereunder in whole, and (iii) shall be made only to investors who complete and submit to the District a letter substantially in the form attached hereto as Exhibit D. Neither the Purchaser nor any subsequent assignee may participate out any interest held by it in this Installment Purchase Agreement and the Series 2022 Installment Payments other than in accordance with this Section 10.7. No assignment, transfer or conveyance of any of the Purchaser's rights hereunder shall be effective until such subsequent assignee has executed a letter substantially in the form attached hereto as Exhibit D and delivered it to the District.

No assignment, transfer or conveyance of the Purchaser's rights in whole permitted by this Section 10.7 shall be effective until the District shall have received a written notice of assignment that discloses the name and address of such assignee.

**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 Series 2022 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 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:       Rainbow Municipal Water District  
3707 Old 395 Highway  
Fallbrook, California 94019  
Attention: General Manager

If to the Purchaser:    Western Alliance Business Trust  
c/o Western Alliance Bank  
One East Washington Street, Suite 1400  
Phoenix, Arizona 85004  
Attention: Municipal Finance Group

**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 Purchaser).

**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 Purchaser.** The District hereby agrees to indemnify and hold harmless the Purchaser 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; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder by the Purchaser.

**Section 10.14 Amendments Permitted.** This Installment Purchase Agreement and the rights and obligations of the Purchaser and the District may be modified or amended at any time by an amendment hereto which shall become binding upon execution by the District and the Purchaser.

*[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]*

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

RAINBOW MUNICIPAL WATER DISTRICT

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

WESTERN ALLIANCE BUSINESS TRUST, as  
Purchaser

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

**EXHIBIT A**

**DESCRIPTION OF THE PROJECT**

The Project comprises the following described improvements to the District's Water System:

| <b>Project Description</b> | <b>Cost</b> |
|----------------------------|-------------|
|----------------------------|-------------|

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**TOTAL**

The District may substitute other improvements to the Water System for all or a portion of the improvements listed above.

**EXHIBIT B**  
**PURCHASE PRICE**

1. The principal amount of the installment 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 2022 Installment Payment Dates as follows:

| <i>Series 2022<br/>Installment<br/>Payment Date</i> | <i>Principal Component</i> | <i>Interest Component</i> | <i>Total</i> |
|---|----------------------------|---------------------------|--------------|
|---|----------------------------|---------------------------|--------------|

| <i>Series 2022</i>  |                            |                           |              |
|---------------------|----------------------------|---------------------------|--------------|
| <i>Installment</i>  |                            |                           |              |
| <i>Payment Date</i> | <i>Principal Component</i> | <i>Interest Component</i> | <i>Total</i> |

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**EXHIBIT C**

**FORM OF SUBSTITUTION CERTIFICATE**

[ADDRESSED TO PURCHASER]

The undersigned [General Manager] of the Rainbow Municipal Water District (the “District”) hereby states pursuant to Section 3.1 of the Installment Purchase Agreement, dated as of \_\_\_\_\_ 1, 2022, by and between District and Western Alliance Business Trust (the “Installment Purchase Agreement”) that each component of the Project (as defined in the Installment Purchase Agreement) described in the Exhibit 1 attached hereto, with an estimated cost set forth in Exhibit 1, will be replaced by the corresponding improvement described in the Exhibit 1 with an estimated cost set forth in Exhibit 1.

Dated: \_\_\_\_\_, 20\_\_

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[General Manager]

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(continued)

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**EXHIBIT 1**

## EXHIBIT D

### FORM OF INVESTOR LETTER

[Date]

Rainbow Municipal Water District  
Fallbrook, California

Re: Rainbow Municipal Water District 2022 Installment Purchase Agreement (the  
“Agreement”)

Ladies and Gentlemen:

The undersigned, [name of purchaser] (the “Purchaser”) hereby represents and warrants to you as follows:

1. The Purchaser, or one of its predecessor’s in interest, has loaned to the Rainbow Municipal Water District (the “District”) on the date hereof \$ \_\_\_\_\_ for the purpose of financing the Project pursuant to the Agreement (the Loan”).

2. The Purchaser has sufficient knowledge and experience in business and financial matters in general to enable the Purchaser to evaluate the Loan, the credit of the District, the collateral and the terms and that the Purchaser will make its own independent credit analysis and decision to enter into the Loan based on independent examination and evaluation of the transaction and the information deemed appropriate, without reliance on any other parties.

3. The Purchaser acknowledges that no CUSIP or credit rating has been sought or obtained with respect to the Loan.

4. The Purchaser acknowledges that no official statement has been prepared for the Loan, and that the District will not be entering into a continuing disclosure agreement to provide ongoing disclosure respecting the Loan; provided, however, that the District has agreed to provide certain ongoing information to the Purchaser. The Purchaser has been offered copies of or full access to all documents relating to the Loan and all records, reports, financial statements and other information concerning the District and pertinent to the source of payment for the Series 2022 Installment Payments as deemed material by the Purchaser, which the Purchaser as a commercial Purchaser, has requested and to which the Purchaser, as a commercial Purchaser, would attach significance in making its lending decision.

5. The Purchaser confirms that it is able to bear the economic risk of its entering into the Loan, including a complete loss thereunder.

6. The Purchaser states that it is a “Qualified Institutional Buyer” as defined in Rule 144A under the Securities Act of 1933, as amended (the “1933 Act”), or an “Accredited Investor” as defined in Section 501(a)(1), (2), (3) or (7) of Regulation D promulgated under the 1933 Act; and it is capable of evaluating risks and market value independently, both in general and with regard to transactions similar to the Loan.

7. The Purchaser is entering into the Loan solely for its own account with a present intent to continue as a party to the Agreement until the termination thereof, and not with a view to, or in

connection with, any distribution, resale, pledging, fractionalization, subdivision or other disposition thereof (subject to the understanding that disposition of Purchaser's property will remain at all times within its control); provided, however, that the Purchaser shall not be precluded from transferring or assigning its interest in the Loan in accordance with the terms and conditions set forth in the Agreement.

8. The Purchaser understands that none of the documents in connection with the Loan (i) have been registered under the 1933 Act, or (ii) have been registered or qualified under any state securities or "Blue Sky" laws, and that none of such documents have been qualified under the Trust Indenture Act of 1939, as amended.

9. The Purchaser acknowledges that in connection with the Loan it has had the opportunity to consult with its own legal counsel and to negotiate this Letter prior to execution.

10. The Purchaser understands that the District and Counsel to the District will rely upon the accuracy and truthfulness of the representations and warranties contained herein and hereby consents to such reliance.

11. The signatory of this Letter is a duly authorized officer of the Purchaser with the authority to sign this Letter on behalf of the Purchaser, and this Letter has been duly authorized, executed and delivered.

12. Inasmuch as the Loan represents a negotiated transaction, the Purchaser is not acting as a fiduciary of the District, but rather is acting solely in its capacity as the provider of the Loan, for its own loan account. The District acknowledges and agrees that (i) the transaction contemplated herein is an arm's length commercial transaction between the District and the Purchaser and its affiliates, (ii) in connection with such transaction, the Purchaser and its affiliates are acting solely as a principal and not as an advisor including, without limitation, a "Municipal Advisor" as such term is defined in Section 15B of the Securities and Exchange Act of 1934, as amended, and the related final rules (the "Municipal Advisor Rules"), (iii) the Purchaser and its affiliates are relying on the purchaser exemption in the Municipal Advisor Rules, (iv) the Purchaser and its affiliates have not provided any advice or assumed any advisory or fiduciary responsibility in favor of the District with respect to the transaction contemplated by the Loan and the discussions, undertakings and procedures leading thereto (whether or not the Purchaser, or any affiliate of the Purchaser, has provided other services or advised, or is currently providing other services or advising the District on other matters) and (v) the Purchaser and its affiliates have financial and other interests that differ from those of the District.

Very truly yours,

\_\_\_\_\_

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

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

Title: