



JOSHUA BASIN WATER DISTRICT
SPECIAL MEETING OF THE BOARD OF DIRECTORS
TUESDAY, AUGUST 21, 2018 AT 5:30 PM
61750 CHOLLITA ROAD, JOSHUA TREE, CA 92252
**Director Hund attending telephonically from
2443 Sierra Nevada Road, M-14, Mammoth Lakes, CA 93546**

AGENDA

1. **CALL TO ORDER**
2. **PLEDGE OF ALLEGIANCE**
3. **DETERMINATION OF A QUORUM**
4. **APPROVAL OF AGENDA**
5. **PUBLIC COMMENT**
Members of the public may address the Board at this time with regard to matters within the Board's jurisdiction that are not listed on the agenda. State law prohibits the Board of Directors from discussing or taking action on items not included on the agenda. Members of the public will have the opportunity for public comment on any item listed on the agenda when it is addressed on the agenda. Please limit comments to three (3) minutes or less.
6. **CONSENT CALENDAR**
Matters on the Consent Calendar are considered routine in nature and will be enacted in a single motion without discussion. Any Board member or member of the public may request that an item be removed from the Consent Calendar and acted on separately.
 - Draft Minutes of August 15, 2018, Special Meeting of the Board of Directors
7. **RESOLUTION NO. 18-991 AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF INSTALMENT SALE AGREEMENT #18-012 (\$3,010,000.00 LOAN AGREEMENT).** Recommend that the Board approve Resolution No. 18-991.
8. **ADJOURNMENT**

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INFORMATION

The public is invited to comment on any item on the agenda during discussion of that item.

Any person with a disability who requires accommodation in order to participate in this meeting should telephone Joshua Basin Water District at (760) 366-8438, at least 48 hours prior to the meeting in order to make a request for a disability-related modification or accommodation.

Materials related to an item on this Agenda submitted to the Board of Directors after distribution of the agenda packet are available for public inspection in the District's office located at 61750 Chollita Road, Joshua Tree, California 92252 during normal business hours.

JOSHUA BASIN WATER DISTRICT

Minutes of August 15, 2018

SPECIAL MEETING OF THE BOARD OF DIRECTORS

1. CALL TO ORDER & PLEDGE OF ALLEGIANCE 5:30 P.M.

2. DETERMINATION OF QUORUM:
- | | |
|----------------|---------|
| Mickey Luckman | Present |
| Bob Johnson | Present |
| Geary Hund | Present |
| Rebecca Unger | Present |
| Tom Floen | Present |

STAFF PRESENT:

Curt Sauer, General Manager
Mark Ban, Assistant General Manager - Operations
Susan Greer, Assistant General Manager
Beverly Waszak, Executive Assistant

LEGAL COUNSEL PRESENT Gil Granito, Redwine & Sherrill

GUESTS 0

3. APPROVAL OF AGENDA –

MSC/Johnson/Floen 5/0/0 to approve the Agenda for the Special Meeting of the Board of Directors of August 15, 2018.

Floen	Aye
Hund	Aye
Luckman	Aye
Johnson	Aye
Unger	Aye

4. PUBLIC COMMENT - None

5. CLOSED SESSION CONFERENCE WITH LEGAL COUNSEL-POTENTIAL/ANTICIPATED LITIGATION – Mr. Gilbert Granito, District General Counsel, reported that at approximately 5:32 p.m., the Board went into Closed Session pursuant to paragraphs 2 of subdivision (d) of Government Code Section 54956.9 (one matter) to consult with legal counsel and the District General Manager on a matter of potential litigation.

The Closed Session ended at approximately 6:04 p.m. and the Board returned to Open Session. No reportable action was taken.

6. ADJOURNMENT-

MSC/Unger/Johnson 5/0/0 to adjourn the Special Meeting of the Board of Directors of August 15, 2018, at 6:06 p.m.

Respectfully submitted:

Curt Sauer, GM and Board Secretary

JOSHUA BASIN WATER DISTRICT
MEETING AGENDA REPORT

Meeting of the Board of Directors

August 21, 2018

Report to: Board of Directors

Prepared by: Susan Greer

TOPIC: APPROVE RESOLUTION NO. 18-991, AUTHORIZING THE EXECUTION AND DELIVERY OF AN INSTALLATION SALE AGREEMENT #18-012, AND AUTHORIZING THE EXECUTION OF OTHER NECESSARY DOCUMENTS AND RELATED ACTIONS WITH RESPECT TO A \$3,010,000 LEASE-PURCHASE AGREEMENT FOR IMPLEMENTATION OF THE CAPITAL REPLACEMENT PROGRAM.

RECOMMENDATION: Approve Resolution No. 18-991

ANALYSIS: In order to implement the Board's direction to move forward quickly with pipeline replacement and other capital replacement work, the District needs to borrow some money. Water rates are in place to sustain the capital replacement project work over time, but initially we don't have enough funding to get started now. Several options were explored, most of which have protracted funding timelines, which doesn't meet the Board's direction. The best option is the CSDA lease-purchase agreement, and documents required to secure the loan are attached and need to be approved by the Board. Attached documents are:

Installment Sale Agreement #18-012
Resolution #18-991
Agreement for Bond Counsel Services
Project Fund Agreement #18-012

Something you will surely notice, which I didn't know until the draft documents were submitted for our review, is that the documents don't mention CSDA, the California Special Districts Association. I didn't realize that CSDA acts only as a facilitator, a conduit, for their member agencies, putting them in touch with a full-service finance consulting team, which has been selected through a competitive proposal process. CSDA has negotiated agreements with the consultants on behalf of their member agencies. Municipal Finance Corporation, "Muni Finance," is the broker in this case. Muni Finance is highly regarded in the municipal finance world, they did some minor consulting work for the District long ago, and I am very comfortable with this arrangement. Also, note that funding doesn't come from CSDA either.

Muni Finance will immediately assign its right, title, and interest in the Installment Fund Agreement to City National Bank, meaning that City National Bank will own the loan and we will make our payments to them.

Note also that there are some blanks or missing information on some of the documents. The standard in public finance is that documents presented for approval by the governing body be "substantially final" and that the terms cannot change materially after approval. Section 6 of Resolution 18-991 directs the Staff and Officers of the District to do whatever is necessary to finalize the documents. This allows for any minor changes to the documents necessary in order to bring the project to completion, when made in consultation with counsel.

Staff is working diligently with consultants and counsel to ensure that the District's best interests are protected and the loan terms and requirements are as you directed and understood when you approved the quote on July 18.

The INSTALLMENT SALE AGREEMENT is the essence of the transaction; it describes the project (although that description is still being developed,) it spells out the payment arrangements, it requires a pledge of our net revenues for the payment, it requires that we set rates that are sufficient to pay the debt service on the loan, it provides the prepayment conditions and much more. Also included in the document is the Assignment of Installment Sale #18-012, which directs that the Installment Sale Agreement between Joshua Basin Water District as the borrower and Municipal Finance Corporation as the lender will be assigned (sold) to City National Bank. This is similar to when a mortgage is sold to a new lender.

RESOLUTION NO. 18-991 will authorize execution of the Installment Purchase Agreement, but also appoints the special (bond) counsel, designates that interest paid on our Installment Purchase Agreement is exempt from federal income tax, and provides good faith estimates of costs as required by law.

This financing requires bond counsel, which is a specialized attorney who prepares loan documents and renders an opinion about the tax-exempt status of our loan. The attorney appointed to our project, Albert Reyes, is a partner in the firm Kutak Rock LLP, and is another consultant that was vetted and selected through a competitive proposal process by the California Special Districts Association, of which we are members. Recall that we had to increase the \$3,000,000 loan by \$10,000 in the middle of our consideration of the loan to account for this fee. Initially, they did not believe that bond counsel was required, but as we got further into the details of the project, there was concern about the District utilizing some of the funding for salaries; that doesn't typically qualify as tax exempt. However, because the salaries are going to pay to construct the capital project, they can be included, but it requires some specific legal review.

The \$10,000 fee for the bond counsel is already built into the financing and was included in the quote that was approved by the Board on July 18; there is no additional cost to the District for bond counsel beyond the numbers that we have already discussed. Note that bond counsel fees are typically at least twice as much as this cost, so there is good value in utilizing the CSDA financing consultants. By approving Resolution 18-991, you are authorizing the General Manager to sign the AGREEMENT FOR BOND COUNSEL SERVICES, copy attached.

The PROJECT FUND AGREEMENT describes the requirement of a Custodian to manage funds, what happens to the money after loan funding, where and how funds will be deposited, how we will request disbursement of funds and more. The custodian will be U.S. Bank. This requirement is imposed out of an abundance of caution because we are using some of the financing proceeds to pay salaries; bond counsel believes it is prudent that there is a strict accounting of reimbursement requests without any possibility of commingling with non-tax-exempt costs. This is exactly the same type of custodian requirement that was imposed with our last lease-purchase agreement, when we purchased meters in 2000. Note that Section 1b of the Agreement identifies how money will be held and invested and I am still working with bond counsel and the bank to better firm up this section. Custodian fees are payable directly to U.S. Bank, and not as part of this loan transaction. First year costs are estimated at \$3,000; and once funds are all spent, the requirement for a custodian goes away.

FISCAL IMPACT:

Contracts

The term "Contracts" means this Agreement and any amendments and supplements hereto, and all contracts, bonds and other obligations of the District authorized and executed by the District, the Installment Payments which are on a parity with the Series 2018 Installment Payments and which are secured by a pledge and lien on the Revenues.

Corporation

The term "Corporation" means Municipal Finance the Corporation, a California corporation.

Debt Service

The term "Debt Service" means, for any period of calculation, the maximum sum obtained for the current or any future Fiscal Year during the term of this Agreement by totaling the following amounts for such Fiscal Year:

(a) the aggregate amount of the Series 2018 Installment Payments coming due and payable in such Fiscal Year pursuant hereto;

(b) the principal amount of all outstanding Contracts (if any) coming due and payable by their terms in such Fiscal Year; and

(c) the amount of interest which would be due during such Fiscal Year on the aggregate principal amount of Contracts which would be outstanding in such Fiscal Year if such Contracts are retired as scheduled, but deducting and excluding from such aggregate amount the amount of any such Contracts already retired.

Default Rate

The term "Default Rate" means 6.00% per annum.

District

The term "District" means Joshua Basin Water District, a political body duly organized and existing under and by virtue of the laws of the State of California.

Event of Default

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

Event of Taxability

The term "Event of Taxability" means, with respect to this Agreement, (1) the application of the proceeds of this Agreement in such a manner that this Agreement becomes an "arbitrage bond" within the meaning of Code Sections 103(b)(2) and 148, and with the result that interest components of the Series 2018 Installment Payments are or become includable in the Assignee's gross income (as defined in Code Section 61); or (2) if as the result of any act, failure to act or use of the proceeds of this Agreement or any

misrepresentation or inaccuracy in any of the representations, warranties or covenants contained in this Agreement by the District or the enactment of any federal legislation or the promulgation of any federal rule or regulation after the date of this Agreement, the interest component of Series 2018 Installment Payments is or becomes includable in the Assignee's gross income (as defined in Code Section 61); and (3) the District does not undertake any remedial action afforded to it by the Internal Revenue Service.

Fiscal Year

The term "Fiscal Year" means the period beginning on July 1 of each year and ending on the last day of June of the subsequent 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.

Installment Payment Date; Series 2018 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 2018 Installment Payment Date" means the date on which Installment Payments are scheduled to be paid by the District under and pursuant to this Agreement.

Installment Payments; Series 2018 Installment Payments

The term "Installment Payments" means the installment payments of interest and principal scheduled to be paid by the District under and pursuant to the Contracts. The term "Series 2018 Installment Payments" means the Installment Payments scheduled to be paid by the District under and pursuant to this Agreement.

Material Adverse Effect

The term "Material Adverse Effect" means an event or occurrence which adversely affects in a material manner (a) the assets, liabilities, condition (financial or otherwise), business, facilities or operations of the District, (b) the ability of the District to carry out its business in the manner conducted as of the date of this Agreement or to meet or perform its obligations under this Agreement on a timely basis, (c) the validity or enforceability of this Agreement, or (d) the exclusion of the interest component of the Series 2018 Installment Payments from gross income for federal income tax purposes or the exemption of such interest for state income tax purposes.

Net Proceeds

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

Net Revenues

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

Operation and Maintenance Costs

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

Project; 2018 Project

The term "Project" means any additions, betterments, extensions or improvements to the Water System designated by the Board of the District as a Project, the acquisition and construction of which is to be paid for by the proceeds of any Contract. The term "2018 Project" means the additions, betterments, extensions and improvements to the Water System described in Exhibit A hereto and as modified in conformance with Section 3.04 hereof.

Purchase Price

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

Revenue Fund

The term "Revenue Fund" means the Water Fund of the District being maintained in accordance with Section 5.02 hereof.

Revenues

The term "Revenues" means all income, rents, rates, fees, charges and other moneys derived from the ownership and operation of the Water System, including, without limiting the generality of the foregoing, (1) all income, rents, rates, fees, charges and other moneys derived by the District from the delivery of water or other services or facilities provided in the conduct and operation of the business of the Water System, (2) the proceeds of any stand-by or water availability charges, development fees and connection charges collected by the District, or (3) the earnings on and income derived from the investment of amounts described in clauses (1) and (2) above and from Water Fund reserves, but excluding (a) customers' deposits or any other deposits or advances subject to refund until such deposits or advances have

become the property of the District and (b) any proceeds of taxes or assessments restricted by law to be used by the District to pay bonds or other obligations heretofore or hereafter issued.

Water Service

The term "Water Service" means the water supply service made available or provided by the Water System.

Water System

The term "Water System" means the whole and each and every part of the water system of the District, including all real property and buildings, including the portion thereof existing on the date hereof, and including all additions, betterments, extensions and improvements to such water system or any part thereof hereafter acquired or constructed.

Section 1.02. Exhibits. The following Exhibits are attached to, and by reference made a part of, this Agreement:

- EXHIBIT A DESCRIPTION OF 2018 PROJECT
- EXHIBIT B SCHEDULE OF SERIES 2018 INSTALLMENT PAYMENTS

Section 1.03. Authorization. Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Agreement and has taken all actions necessary to authorize the execution of this Agreement by the officers and persons signing it, and that the transactions contemplated in this Agreement are in the ordinary course of business for both parties.

ARTICLE II

REPRESENTATIONS AND WARRANTIES
OF DISTRICT AND CORPORATION

Section 2.01. Representations and Warranties of the District. The District represents and warrants, for the benefit of the Corporation and Assignee, as follows:

- (a) The District is a political body, duly organized and existing under and by virtue of the laws of the State of California.
- (b) The District is authorized under the Constitution and laws of the State of California to enter into this Agreement, and to enter into the transactions contemplated and to carry out its obligations hereunder.
- (c) The District has been duly authorized to execute and deliver this Agreement under the terms and provisions of the resolution of its governing body, or by other appropriate official approval, and further represents and warrants that all requirements have been met, and proceedings have been taken in order to ensure the enforceability of this Agreement, and the District has or will comply with such public bidding requirements as may be applicable to this Agreement and the acquisition by the District of the Project hereunder.

(d) Neither the execution and delivery of this Agreement or the related documents or exhibits attached hereto nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the District is now a party or by which the District is bound, or constitutes a default under any of the foregoing.

(e) The District is in compliance with the terms and covenants contained in this Agreement, and there is no Event of Default occurring under this Agreement.

(f) The District is empowered to set rates and charges for water provided to the users of the Water System without review of any local governmental agency.

(g) The 2018 Project will have a useful life in the hands of the District that is in excess of the term of this Agreement.

Section 2.02. Representations and Warranties of the Corporation. The Corporation represents and warrants to the District as follows:

(a) The Corporation is a corporation duly organized, existing and in good standing under and by virtue of the laws of the State of California; has power to enter into this Agreement; is possessed of full power to own and hold real and personal property, and to purchase and sell the same; is in a solvent financial condition as of the date hereof; and has duly authorized the execution and delivery of this Agreement.

(b) Neither the execution and delivery of this Agreement nor the fulfillment of or compliance with the terms and conditions hereof or thereof, nor the consummation of the transactions contemplated hereby or thereby, conflicts with or results in a breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which the Corporation is now a party or by which the Corporation is bound, or constitutes a default under any of the foregoing.

ARTICLE III

ACQUISITION AND CONSTRUCTION OF THE 2018 PROJECT

Section 3.01. Acquisition and Construction of the 2018 Project; Deposit of Moneys; Project Fund. On the Closing Date the Corporation shall deposit the sum of \$3,000,000 to a special account (the "Project Fund") established and held by U.S. Bank National Association, as custodian (the "Custodian") under the Project Fund Agreement #18-012, dated as of August 1, 2018 (the "Project Fund Agreement") among the Corporation, the District and the Custodian. Such funds shall be held and disbursed upon the terms and conditions of the Project Fund Agreement. Disbursements from the Project Fund shall be made for the purpose of paying (including the reimbursement to the District from advances from its own funds to accomplish the purposes of the 2018 Project) the costs of acquiring and constructing the 2018 Project. Prior to disbursements from the Project Fund there shall be filed with the Custodian a requisition for such payment in the form attached as Schedule 1 to the Project Fund Agreement and shall be expended as provided in the Project Fund Agreement, including for the purpose of financing the acquisition, construction and installation of the 2018 Project. The Custodian shall invest proceeds in the Project Fund in investments authorized by California law, the District's investment policy and as provided for in the Project Fund Agreement. Any unexpended proceeds in the Project Fund upon the completion of the 2018 Project shall

be applied by the Custodian towards the payment of 2018 Installment Payments to the Corporation, or its assignee.

The Corporation hereby appoints the District as its agent to carry out all phases of the acquisition, construction and installation of the 2018 Project and the District hereby accepts such appointment. The District shall enter into contracts and provide for, as agent for the Corporation, the complete acquisition, construction and installation of the 2018 Project. The District hereby agrees that it will cause the acquisition, construction and installation of the 2018 Project to be diligently performed. It is hereby expressly understood and agreed that the Corporation shall be under no liability of any kind or character whatsoever for the payment of any cost of the 2018 Project and that all such costs and expenses shall be paid by the District, regardless of whether the funds deposited with the District are sufficient to cover all such costs and expenses.

Section 3.02. Sale of 2018 Project. The Corporation agrees to sell, and hereby sells, to the District, and the District agrees to purchase, and hereby purchases, from the Corporation, the 2018 Project at the purchase price specified in Section 4.01 hereof and otherwise in the manner and in accordance with the provisions of this Agreement.

Section 3.03. Title. All right, title and interest in the 2018 Project shall vest in the District immediately upon the acquisition and construction thereof. Such vesting shall occur without further action by the Corporation or the District and the Corporation shall, if requested by the District or if necessary to assure such automatic vesting, deliver any and all documents required to assure such vesting.

Section 3.04. Changes to the 2018 Project. The District may substitute other improvements for those listed as components of the 2018 Project in Exhibit A hereto, but only if the District first files with the Corporation a statement of the District:

(a) identifying the improvements to be substituted and the improvements to the District facilities they replace in the 2018 Project; and

(b) stating that the estimated costs of acquisition, construction and installation of the substituted improvements are not less than such costs for the improvements previously planned.

Section 3.05. Disclaimer of Warranties. THE CORPORATION MAKES NO WARRANTY OR REPRESENTATION, EITHER EXPRESS OR IMPLIED, AS TO THE VALUE, DESIGN, CONDITION, MERCHANTABILITY OR FITNESS FOR PARTICULAR PURPOSE OF THE 2018 PROJECT OR ANY PART THEREOF, OR AS TO THE FITNESS FOR ANY PARTICULAR USE OF THE 2018 PROJECT OR ANY PART THEREOF OR AS TO THE FITNESS OF THE 2018 PROJECT FOR THE USE CONTEMPLATED BY THE DISTRICT OR ANY PART THEREOF, OR ANY OTHER REPRESENTATION OR WARRANTY WITH RESPECT THERETO. THE DISTRICT ACKNOWLEDGES THAT THE CORPORATION IS NOT A CONTRACTOR OF THE 2018 PROJECT, THAT THE DISTRICT PURCHASES THE 2018 PROJECT "AS-IS", IT BEING AGREED THAT ALL OF THE AFOREMENTIONED RISKS ARE TO BE BORNE BY THE DISTRICT. IN NO EVENT SHALL THE CORPORATION BE LIABLE FOR ANY INCIDENTAL, INDIRECT, SPECIAL OR CONSEQUENTIAL DAMAGE IN CONNECTION WITH OR ARISING OUT OF THIS AGREEMENT OR THE ACQUISITION, CONSTRUCTION, EXISTENCE, FURNISHING, FUNCTIONING OR THE DISTRICT'S USE OF ANY ITEM OR PRODUCTS OR SERVICES PROVIDED FOR IN THIS

AGREEMENT. THE DISTRICT ACKNOWLEDGES THAT IT IS SOLELY RESPONSIBLE FOR DETERMINING THE SUITABILITY OF THE 2018 PROJECT FOR ITS INTENDED USE.

ARTICLE IV

PURCHASE PRICE AND SERIES 2018 INSTALLMENT PAYMENTS

Section 4.01. Purchase Price.

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

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

(c) The interest to accrue on the unpaid balance of such principal amount is as specified in Section 4.02 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 4.02. Series 2018 Installment Payments. The District shall, subject to its rights of prepayment provided in Article VII, pay the Assignee the Purchase Price in installment payments of interest and principal in the amounts and on the Series 2018 Installment Payment Dates as set forth in Exhibit B hereto.

Each Series 2018 Installment Payment shall be paid to the Assignee in lawful money of the United States of America. In the event the District fails to make any of the Series 2018 Installment Payments required to be made by it under this section when due, 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 Default Rate then applicable to the remaining unpaid principal balance of the Series 2018 Installment Payments.

The obligation of the District to make the Series 2018 Installment Payments is absolute and unconditional, and until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the District will not discontinue or suspend any Series 2018 Installment Payments required to be made by it under this section when due, whether or not the Water System, the 2018 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 whether or not the 2018 Project has been completed, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

ARTICLE V

SECURITY

Section 5.01. Pledge of Net Revenues. All Net Revenues and all amounts on deposit in the Revenue Fund are hereby irrevocably pledged to the payment of the Series 2018 Installment Payments as provided

herein and the Net Revenues shall not be used for any other purpose while any of the Series 2018 Installment Payments remain unpaid; provided that out of the Net Revenues there may be apportioned such sums for such purposes as are expressly permitted herein. In accordance with Section 5451 of Title 1, Chapter 5.5 of the California Government Code, this pledge shall constitute a first and exclusive lien on Net Revenues, subject to application of amounts on deposit therein as permitted herein, the Revenue Fund and the other funds and accounts created hereunder for the payment of the Series 2018 Installment Payments and all other Contracts in accordance with the terms hereof.

Section 5.02. Allocation of Revenues. In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants that all Revenues shall be received by the District in trust hereunder and shall be deposited when and as received in the Water Fund of the District, which fund is herein referred to as the "Revenue Fund" and which fund the District agrees and covenants to maintain and to hold separate and apart from other funds so long as any Series 2018 Installment Payments remain unpaid. Moneys in the Revenue Fund shall be used and applied by the District as provided in this Agreement.

The District shall, from the moneys in the Revenue Fund, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as they become due and payable. All remaining moneys in the Revenue Fund shall be used to pay the Installment Payments on each Installment Payment Date; provided, however, on each Installment Payment Date moneys on deposit in the Revenue Fund not necessary to pay Operation and Maintenance Costs and the Installment Payments due on each Installment Payment Date, may be expended by the District at any time for any purpose permitted by law.

Section 5.03. Additional Contracts. The District may at any time execute any Contract in accordance herewith; provided:

(1) The Net Revenues for the most recent audited Fiscal Year preceding the date of adoption of the Board of Directors of the District of the resolution authorizing the execution of such Contract, as evidenced by both a calculation prepared by the District and a special report prepared by an Independent Certified Public Accountant of such calculation on file with the District, shall have produced a sum equal to at least one hundred fifteen percent (115%) of the Debt Service for such Fiscal Year; and

(2) The Net Revenues for the most recent audited Fiscal Year preceding the date of the execution of such Contract, including adjustments to give effect to increases or decreases in rates and charges for the Water Service approved and in effect as of the date of calculation, as evidenced by both a calculation prepared by the District and a special report prepared by an Independent Certified Public Accountant or independent financial advisor on such calculation on file with the District, shall have produced a sum equal to at least one hundred fifteen percent (115%) of the Debt Service for such Fiscal Year plus the Debt Service which would have accrued had such Contract been executed at the beginning of such Fiscal Year; and

(3) The estimated Net Revenues for then current Fiscal Year and for each Fiscal Year thereafter to and including the first complete Fiscal Year after the latest date of operation of any uncompleted Project, as evidenced by a certificate on file with the District, plus (after giving effect to the completion of all uncompleted Projects) an allowance for estimated Net Revenues for each of such Fiscal Years arising from any increase in the rates and charges estimated to be fixed and prescribed in the Water Service and which are economically feasible and reasonably considered necessary based on projected operations for such

period, as evidenced by a certificate on file with the District, shall produce a sum equal to at least one hundred fifteen percent (115%) of the estimated Debt Service for each of such Fiscal Years, after giving effect to the execution of all Contracts estimated to be required to be executed or issued to pay the costs of completing all uncompleted Projects, assuming that all such Contracts have maturities, interest rates and proportionate principal repayment provisions similar to the Contract last executed or then being executed for the purpose of acquiring and constructing any of such uncompleted Projects.

Section 5.04. Investments. All moneys held by the District in the Revenue Fund shall be invested in investments authorized by law for the investment of the District's funds and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein.

ARTICLE VI

COVENANTS OF THE DISTRICT

Section 6.01. Compliance with this Agreement and Ancillary Agreements. The District will punctually pay the Series 2018 Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the 2018 Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Corporation to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Corporation or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

Section 6.02. Against Encumbrances. The District will not make any pledge of or place any lien on Revenues or the moneys in the Revenue Fund except as provided herein. The District may at any time, or from time to time, issue debt or incur other obligations for any lawful purpose which are payable from and secured by a pledge of and lien on Revenues or any moneys in the Revenue Fund as may from time to time be deposited therein (as provided in Section 5.02), provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein.

Section 6.03. 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 Revenues for the payment of the Series 2018 Installment Payments, or which would otherwise impair the rights of the Corporation 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 2018 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 to a third party if such portion is immediately repurchased by the District and if such arrangement does not by

its terms permit such third party to exercise any remedy which would deprive the District of or otherwise interfere with the District's right to own and operate such portion of the Water System.

Section 6.04. 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, the District or political subdivision or any person whomever to acquire, construct, maintain or operate within the jurisdiction of the District any water system competitive with the Water System.

Section 6.05. Tax Covenants.

(a) Generally. The District shall not take any action or permit to be taken any action within its control which would cause or which, with the passage of time if not cured would cause, the interest components of the Series 2018 Installment Payments to become includable in gross income for federal income tax purposes.

(b) Private Activity. The District shall assure that the proceeds of this Agreement are not so used as to cause this Agreement to satisfy the private business tests of Section 141(b) of the Internal Revenue Code of 1986, as amended (the "Code"), or the private loan financing test of Section 141(c) of the Code.

(c) Arbitrage. The District will not take any action or omit to take any action which action or omission, if reasonably expected on the date of this Agreement, would have caused this Agreement to be an "arbitrage bond" within the meaning of Section 148(a) of the Code.

(d) Federal Guarantee. The Series 2018 Installment Payments are not directly guaranteed or indirectly guaranteed in whole or in part by the United States or any agency or instrumentality of the United States so as to cause the Series 2018 Installment Payments to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(e) Reimbursement Regulations. The proceeds of this Agreement used for reimbursement of prior expenditures will be made pursuant to and in compliance with Income Tax Regulations Section 1.150-2.

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

(g) Bank Qualified. The District hereby designates this Agreement for purposes of paragraph (3) of Section 265(b) of the Code and represents that not more than \$10,000,000 aggregate principal amount of obligations the interest on which is excludable (under Section 103(a) of the Code) from gross income for federal income tax purposes (excluding (i) private activity bonds, as defined in Section 141 of the Code, except qualified 501(c)(3) bonds as defined in Section 145 of the Code and (ii) current refunding obligations to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation), including this Agreement, has been or will be issued by the District, including all subordinate entities of the District, during calendar year 2018.

(h) Miscellaneous. The District will take no action inconsistent with its expectations stated in the Arbitrage and Tax Certificate and will comply with the covenants and requirements stated therein and incorporated by reference herein.

Section 6.06. Prompt Acquisition and Construction. The District will take all necessary and appropriate steps to acquire and construct the 2018 Project, as agent of the Corporation, with all practicable dispatch and in an expeditious manner and in conformity with law so as to complete the same as soon as possible.

Section 6.07. 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 6.08. Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Revenues or funds or accounts created hereunder or on any funds in the hands of the District pledged to pay the Series 2018 Installment Payments or which might impair the security of the Series 2018 Installment Payments.

Section 6.09. Compliance with Contracts. The District will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express and 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 6.10. Insurance.

(a) The District will, at its own expense, 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 at reasonable rates.

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, then the excess Net Proceeds shall be applied in part to the prepayment of Series 2018 Installment Payments as provided in Article VII and in part to such other fund or account as may be appropriate and used for the retirement of Contracts in the same proportion which the aggregate unpaid principal balance of Series 2018 Installment Payments then bears to the aggregate unpaid principal amount of such 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 2018 Installment Payments as well as the entire obligations evidenced by 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 thereupon such Net Proceeds shall be applied to the prepayment of Series 2018 Installment Payments as provided in Article VII and to the retirement of such Contracts.

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

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

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

Section 6.11. 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 Water System, which records shall be available for inspection by the Corporation at reasonable hours and under reasonable conditions.

(b) The District will prepare and file with the Corporation and the Assignee annually within two hundred seventy (270) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2018) financial statements of the District for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon.

Section 6.12. Protection of Security and Rights of the Corporation. The District will preserve and protect the security granted herein and the rights of the Corporation to the Series 2018 Installment Payments hereunder and will warrant and defend such rights against all claims and demand of all persons.

Section 6.13. 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 revenues when the same shall become due. The District will duly observe and conform with all valid regulations and requirements of any governmental body 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 6.14. Amount of Rates and Charges. The District shall fix, prescribe and collect rates and charges for the Water System which are sufficient to yield during each Fiscal Year Net Revenues which, together with the existing cash and cash-equivalent balances in the Revenue Fund as of the beginning of such Fiscal Year, are at least equal to one hundred fifteen per cent (115%) of the Debt Service for such Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of this Section.

Section 6.15. Collection of Rates and Charges. The District will have in effect at all times by-laws, rules and regulations requiring each customer to pay to the District the rates and charges applicable to the Water Service and providing for the billing thereof and for a due date and a delinquency date for each bill. In each case where a customer's bill remains unpaid in whole or in part after it becomes delinquent, the District may discontinue such service from the Water System, and such customer's service shall not thereafter be recommenced except in accordance with by-laws or rules and regulations governing such situations of delinquency.

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 Corporation 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 Corporation, 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 deposited in the Revenue Fund.

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied in part to the prepayment of Series 2018 Installment Payments as provided in Article VII and in part to such other fund or account as may be appropriate and used for the retirement of Contracts in the same proportion which the aggregate unpaid principal balance of Series 2018 Installment Payments then bears to the aggregate unpaid principal amount of such Contracts.

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

Section 6.18. Notification of Material Adverse Effect. The District shall timely inform the Assignee of any Material Adverse Effect upon learning of the existence of such an effect.

ARTICLE VII

PREPAYMENT OF SERIES 2018 INSTALLMENT PAYMENTS

Section 7.01. Prepayment.(a) The District may or shall, as the case may be, prepay from the Net Proceeds as provided herein the Series 2018 Installment Payments in whole or in part on any date in the order of payment date as directed by the District at a prepayment price equal to the sum of the principal amount prepaid plus accrued interest thereon to the date of prepayment.

(b) The District may prepay the Series 2018 Installment Payments in whole on any Series 2018 Installment Payment Date at a prepayment price equal to 102% of the principal amount of the Series 2018 Installment Payments to be prepaid.

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

Section 7.02. Method of Prepayment. Before making any prepayment pursuant to Section 7.01, the District shall, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay, give written notice to the Corporation describing such event and specifying the date on which the prepayment will be paid, which date shall be not less than sixty (60) nor more than seventy-five (75) days from the date such notice is given.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF THE CORPORATION

Section 8.01. 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 2018 Installment Payment or any Contract 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 other agreements or covenants required herein to be performed by it, and such default shall have continued for a period of sixty (60) days after the District shall have been given notice in writing of such default by the Corporation; or

(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 is accelerated in accordance with its terms; or

(5) an Event of Taxability has occurred.

then and in each and every such case during the continuance of such Event of Default specified in clauses (3) and (4) above, the Corporation shall, and for any other such Event of Default the Corporation may, by notice in writing to the District, declare the entire principal amount of the unpaid Series 2018 Installment Payments and the accrued interest thereon at the Default Rate 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 2018 Installment Payments and the accrued interest thereon

shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered the District shall deposit with the Corporation a sum sufficient to pay the unpaid principal amount of the Series 2018 Installment Payments or the unpaid payment of any other Contract 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 2018 Installment Payments or such Contract if paid in accordance with their terms, and the reasonable expenses of the Corporation, and any and all other defaults known to the Corporation (other than in the payment of the entire principal amount of the unpaid Series 2018 Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Corporation or provision deemed by the Corporation to be adequate shall have been made therefor, then and in every such case the Corporation, by written notice to the District, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 8.02. Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 8.01, all Revenues thereafter received by the District shall be applied in the following order --

First, to the payment, without preference or priority, and in the event of any insufficiency of such Revenues ratably without any discrimination or preference, of the fees, costs and expenses of the Corporation if any, in carrying out the provisions of this article, including reasonable compensation to their respective accountants and counsel;

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

Third, to the payment of the entire principal amount of the unpaid Series 2018 Installment Payments and the unpaid principal amount of all Contracts and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to the Series 2018 Installment Payments and such Contracts if paid in accordance with their respective terms.

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

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

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

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

Notwithstanding anything contained herein, the Corporation shall have no security interest in or mortgage on the 2018 Project or the Water System and no default hereunder shall result in the loss of the 2018 Project or the Water System.

Section 8.04. Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Series 2018 Installment Payments to the Corporation at the respective due dates or upon prepayment from the Net Revenues, the Revenue Fund and the other funds herein pledged for such payment, or shall affect or impair the right of the Corporation, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Corporation shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Corporation to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Corporation by the law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Corporation.

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

Section 8.05. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

Section 8.06. Assignee to Exercise Rights. Such rights and remedies as are given to the Corporation under this Article VIII have been assigned by the Corporation to the Assignee and shall be exercised solely by the Assignee.

ARTICLE IX

DISCHARGE OF OBLIGATIONS

Section 9.01. Discharge of Obligations. When

(a) all or any portion of the Series 2018 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 2018 Installment Payments shall have been filed with the Corporation; and

(b) there shall have been deposited with an escrow agent at or prior to the Series 2018 Installment Payment Dates or date (or dates) specified for prepayment, in trust for the benefit of the Corporation or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the Series 2018 Installment Payments, sufficient moneys and non-callable securities issued by Treasury Department of the United States of America, 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 2018 Installment Payments to their respective Series 2018 Installment Payment Dates or prepayment date or dates, as the case may be; and

(c) if an opinion of bond counsel acceptable to the Corporation is filed with the Corporation to the effect that the actions authorized by and taken pursuant to this Article IX shall not adversely affect the tax exempt status of the interest portion of the Series 2018 Installment Payments, the right, title and interest of the Corporation herein and the obligations of the District hereunder shall, with respect to all or such portion of the Series 2018 Installment Payments as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except for the obligation of the District to have such moneys and such permitted investments described in paragraph (b) above applied to the payment of such Series 2018 Installment Payments). In such event, upon request of the District the Corporation 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.

ARTICLE X

MISCELLANEOUS

Section 10.01. Liability Limited. Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Revenues, the Revenue Fund and the other funds provided herein for the payment of amounts due hereunder or for the performance of any agreements or covenants required to be performed by it contained herein. The District may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the District for such purpose.

The obligation of the District to make the Series 2018 Installment Payments is a special obligation of the District payable solely from the Net Revenues, and does not constitute a debt of the District or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

Section 10.02. Benefits of this Agreement Limited to Parties. Subject to Sections 10.03 and 10.07, nothing contained herein, expressed or implied, is intended to give to any person other than the District or the Corporation any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the District or the Corporation shall be for the sole and exclusive benefit of the other party.

Section 10.03. Successor Deemed Included in all References to Predecessor. Whenever either the District or the Corporation is named or referred to herein, such reference shall be deemed to include the successor and assigns to the powers, duties and functions that are presently vested in the District or the Corporation, and all agreements and covenants required hereby to be performed by or on behalf of the District or the Corporation shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 10.04. Waiver of Personal Liability. No director, officer or employee of the District shall be individually or personally liable for the payment of the Series 2018 Installment Payments, but nothing contained herein shall relieve any director, officer or employee of the District from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 10.05. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall

be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 10.06. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District or the Corporation shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The District and the Corporation hereby declare that they would have executed this Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 10.07. Assignment. This Agreement and the rights hereunder have been assigned by the Corporation to the Assignee. The Assignee may assign this Agreement, as a whole or in part, at any time upon filing with the District an assignment or notice of assignment. No such assignment shall be effective as against the District unless and until the Assignee shall have filed with the District a copy of such assignment or written notice thereof. The District shall pay all Series 2018 Installment Payments hereunder pursuant to the direction of the Assignee or the assignee named in the most recent assignment or notice of assignment filed with the District. During the term of this Agreement, the District shall keep a complete and accurate record of all such assignments or notices of assignment.

Section 10.08. Net Contract. This Agreement shall be deemed and construed to be a net contract, and the District shall pay absolutely net during the term hereof the Series 2018 Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 10.09. California Law. THIS 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 United States mail, postage prepaid in certified or registered form or personal delivery, 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: Joshua Basin Water District
61750 Chollita Road
Joshua Tree, California 92252-0675
Attention: General Manager

If to the Corporation: Municipal Finance the Corporation
2945 Townsgate Road, Suite 200
Westlake Village, CA 91361
Attention: President

If to the Assignee: City National Bank

555 South Flower Street, 24th Floor
Los Angeles, CA 90071
Attention: Credit Management

Section 10.11. Effective Date. This Agreement shall become effective upon its execution and delivery, and shall terminate when the Purchase Price shall have been fully paid (or provision for the payment thereof shall have been made to the written satisfaction of the Corporation).

Section 10.12. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 10.13. Indemnification of the Corporation and the Assignee. The District hereby agrees to indemnify and hold harmless the Corporation and the Assignee 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, the ownership of any item of the Water System, the use, operation, condition, purchase, possession of the Water System, or an accident or damage to property or injury or death to any person resulting therefrom; provided that no indemnification will be made for gross negligence or willful misconduct or the breach of an obligation hereunder.

Section 10.12. Amendments Permitted. This Agreement and the rights and obligations of the Corporation and the District may be modified or amended at any time by an amendment hereto which shall become binding with the written consent of the Corporation, the District and the Assignee.

IN WITNESS WHEREOF, the Corporation and the District have caused their authorized officers to execute this Agreement as of the date first written above.

CORPORATION:

MUNICIPAL FINANCE CORPORATION

By: _____

Title: _____

DISTRICT:

JOSHUA BASIN WATER DISTRICT

By: _____

Title: _____

EXHIBIT A
DESCRIPTION OF PROJECT

EXHIBIT B
SCHEDULE OF SERIES 2018 INSTALLMENT PAYMENTS

B-1

ASSIGNMENT OF INSTALLMENT SALE #18-012

FOR VALUE RECEIVED, MUNICIPAL FINANCE CORPORATION (the "Corporation") as assignor without recourse does hereby sell, assign, and transfer to CITY NATIONAL BANK (the "Assignee") its right, title and interest in and to the attached Installment Sale Agreement #18-012 dated as of August 1, 2018 between the Corporation and JOSHUA BASIN WATER DISTRICT (the "District") (hereinafter said Installment Sale Agreement and any supplements, amendments, additions thereof and any extension or renewals thereof is referred to as the "Agreement") and (ii) all moneys, sums and amounts now due or hereinafter to become due under the Agreement.

The Corporation represents and warrants that it has made no prior sale or assignment of any interest covered hereby; that the Agreement is genuine and in all respects is what it purports to be; that the Assignee shall not be liable for and does not assume responsibility for the performance of any of the covenants, agreements, or obligations specified in the Agreement to be kept, paid or performed by the Corporation with exception of the Assignee's obligation to issue notices upon the District's default of the Agreement. The Corporation further represents and warrants that as of the date this Assignment is made, the Agreement is in full force and effect, has not been amended except as set forth in instrument delivered to the Assignee and the District is not in default of any terms thereunder,

The Corporation hereby constitutes and irrevocably appoints the Assignee the true and lawful attorney of the Corporation to demand, receive and endorse payments and to give receipts, releases and satisfactions either in the name of the Assignee or in the name of the Corporation in the same manner and with the same effect as the Corporation could do if this Assignment of Installment Sale had not been made.

This Assignment of Installment Sale shall be construed and governed in accordance with the laws of the State of California. Any provision of this Assignment of Installment Sale found to be prohibited by law shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Assignment of Installment Sale.

This Assignment of Installment Sale shall be binding upon and inure to the benefit of the parties and their respective successors and assigns and is made in accordance with the Municipal Lease Placement Agreement dated as of January 1, 1999, as amended, entered into between the Corporation and the Assignee. In the case of litigation, the prevailing party shall be entitled to recover from the opposing party all costs and expenses, including attorneys' fees which may be the allocable cost of in-house counsel, incurred by the prevailing party in exercising any of its rights or remedies hereunder or enforcing any of the terms, conditions, or provisions hereof.

IN WITNESS WHEREOF, the Corporation has caused this Assignment of Installment Sale to be executed by its duly authorized agent on the date specified below.

MUNICIPAL FINANCE CORPORATION

By: _____

Title: _____

Date: _____

ACKNOWLEDGEMENT OF ASSIGNMENT

The undersigned hereby acknowledges the assignment by MUNICIPAL FINANCE CORPORATION over to CITY NATIONAL BANK of that certain Installment Sale Agreement #18-012 dated as of August 1, 2018 (the "Agreement"), entered into between MUNICIPAL FINANCE CORPORATION as seller and the undersigned as purchaser.

With respect to the Agreement, the undersigned agrees to pay, commencing with the first scheduled Installment Payment, all Installment Payments and moneys due or to become due under the Agreement to CITY NATIONAL BANK, 831 South Douglas Street, Suite 100, El Segundo, CA 90245 and further agrees it shall have no counterclaim or offset against Installment Payments due thereunder as to said Assignee and expressly further agrees that said Assignee shall not (except for the obligations specifically set forth in the foregoing Assignment of Installment Sale) be liable for any of the obligations or burdens of the seller under the Agreement.

IN WITNESS WHEREOF, the District has caused this Acknowledgment of Assignment to be executed by its authorized agent on the date specified below.

JOSHUA BASIN WATER DISTRICT

By: _____

Title: _____

Date: _____

CERTIFICATE OF DISTRICT

The undersigned, duly authorized representative of Joshua Basin Water District (the "District"), as purchaser, under that Installment Sale Agreement #18-012 dated as of August 1, 2018 (the "Agreement") with Municipal Finance Corporation, as seller, hereby certifies as follows:

- 1. I hold the position noted below and have been duly authorized to execute and deliver, on behalf of the District, the Agreement and related documents pursuant to a resolution adopted by the District's governing body, an original or certified copy of which is attached hereto.

Name of Authorized Representative (Print or Type)

Title (Print or Type)

- 2. The District has complied with all agreements and covenants and satisfied all conditions contemplated by the Agreement on its part to be performed or satisfied on or before the date hereof.
- 3. The representations, warranties and covenants of the District contained in the Agreement are true and correct in all material respects as of the date hereof, as if made on this date.
- 4. No litigation is pending or, to the best of my knowledge, threatened (either in state or federal courts) (a) to restrain or enjoin the issuance and delivery of the Agreement or the collection of revenues to be used to meet the District's obligations under the Agreement; (b) in any way contesting or affecting the District for the execution or delivery of the Agreement, or the validity of the Agreement; (c) in any way contesting the existence or powers of the District, as such existence or powers in any way relate to the issuance of the Agreement or the District's obligations under the Agreement, or (d) could materially adversely affect the financial position of the District.
- 5. The 2018 Project being purchased pursuant to the Agreement is essential to the function of the District and is immediately needed by the District. Such need is neither temporary nor expected to diminish during the term of the Agreement. The 2018 Project is expected to be used by the District for a period in excess of the term of the Agreement.
- 6. The District's federal tax identification number is 95-2387111.

The meaning of the capitalized terms in this Certificate are the same as those provided in the Agreement.

JOSHUA BASIN WATER DISTRICT

By: _____

Date: _____

INCUMBENCY AND SIGNATURE CERTIFICATE

We the undersigned do hereby certify that we are the duly appointed and acting Secretary of the Board and Assistant General Manager/Controller, respectively, of the Joshua Basin Water District, a political body validly existing under the Constitution and laws of the State of California (the "District"), and that, as of the date hereof, the individual named below is the duly appointed officer of the District holding the office set forth opposite his/her respective name. We further certify that (i) the signature set forth opposite his/her respective name and title is true and authentic and (ii) such officer has the authority on behalf of the District to enter into that certain Installment Sale Agreement #18-012 dated as of August 1, 2018, by and between the District and Municipal Finance the Corporation and all documents related thereto.

<u>Name</u>	<u>Title</u>	<u>Signature</u>
Curt Sauer	General Manager	_____

IN WITNESS WHEREOF, we have duly executed this certificate this _____ day of _____, 2018.

Secretary of the Board

Assistant General Manager/Controller

JOSHUA BASIN WATER DISTRICT

RESOLUTION NO. 18-991

A RESOLUTION OF THE BOARD OF DIRECTORS OF JOSHUA BASIN WATER DISTRICT AUTHORIZING THE EXECUTION AND DELIVERY BY THE DISTRICT OF AN INSTALLMENT SALE AGREEMENT #18-012 (\$3,010,000.00 LOAN AGREEMENT) AND AUTHORIZING THE EXECUTION OF OTHER NECESSARY DOCUMENTS AND RELATED ACTIONS

WHEREAS, Joshua Basin Water District (the “District”) is a county water district duly created, established and authorized to transact business and exercise powers under and pursuant to the provisions of the California County Water District Law (Division 12 of the Water Code of the State of California); and

WHEREAS, the District desires to obtain funds to finance the construction, acquisition, and improvement of certain improvements to its water system (the “Project”); and

WHEREAS, to provide funds necessary to finance the Project, the District desires to enter into that certain Installment Sale Agreement #18-102 (the “Installment Sale Agreement”) with the Municipal Finance Corporation (the “Corporation”) in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this Resolution; and

WHEREAS, the Corporation intends to assign without recourse certain of its rights under and pursuant to the Installment Sale Agreement to City National Bank (the “Bank”), pursuant to an Assignment of Installment Sale #18-102, between the Bank and the Corporation; and

WHEREAS, the District desires to appoint Kutak Rock LLP, as special counsel (“Special Counsel”) in connection with the financing of the Project; and

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

WHEREAS, in compliance with SB 450, the Board obtained from the Corporation the required good faith estimates and such estimates are disclosed and set forth on Exhibit A attached hereto; and

WHEREAS, pursuant to Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the "Code"), under certain circumstances, certain obligations the interest on which is exempt from federal income tax under Section 103 of the Code may be designated by the issuer thereof as "qualified tax-exempt obligations," thereby allowing certain financial institutions that are holders of such qualified tax exempt obligations to deduct for federal income tax purposes a portion of such institution's interest expense that is allocable to such qualified tax-exempt obligations, all as determined in accordance with Sections 265 and 291 of the Code; and

WHEREAS, the Board of Directors wishes to designate the Installment Sale Agreement as a "qualified tax-exempt obligation" within the meaning of Section 265(b)(3) of the Code; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the financing and refinancing authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the District is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such financing for the purpose, in the manner and upon the terms herein provided; and

NOW, THEREFORE, BE IT RESOLVED, DETERMINED AND ORDERED BY THE JOSHUA BASIN WATER DISTRICT AS FOLLOWS:

Section 1. All of the recitals herein contained are true and correct and the Board so finds.

Section 2. The form of Installment Sale Agreement submitted to this meeting and made a part hereof as though set forth herein is hereby approved. The President, Vice President, the General Manager of the District, or the Assistant General Manager of the District (or their designated representative), each acting alone (each an "Authorized Officer") and the District Secretary is, hereby authorized and directed, for and in the name of the District, to execute and deliver the Installment Sale Agreement in the form submitted to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, with the advice and approval of counsel to the District and Special Counsel, such requirement or approval to be conclusively evidenced by the execution and delivery of the Installment Sale Agreement by such Authorized Officer. In connection therewith, the District approves the execution and delivery of the Installment Sale Agreement so long as the maturity of the Installment Payments (as defined in the Installment Sale Agreement) does not exceed October 1, 2033, the interest rate with respect to the Installment Payments does not exceed 3.85%, and the principal amount of the Installment Payments does not exceed \$3,010,000.

Section 3. The Board of Directors hereby appoints the firm of Kutak Rock LLP, as special counsel, in connection with the financing of the Project. The Board of Directors hereby authorizes the Authorized Officer to execute and deliver an agreement with said firm for its services. Payment of fees and expenses with respect to such agreements shall be contingent upon the execution of the Installment Sale Agreement.

Section 4. In accordance with SB 450, good faith estimates of the following have been obtained from the Bank and are set forth on Exhibit A attached hereto: (a) the true interest cost of the Installment Sale Agreement, (b) the sum of all fees and charges paid to third parties with respect to the Installment Sale Agreement, (c) the amount of proceeds of the Installment Sale Agreement expected to be received net of the fees and charges paid to third parties and any reserves or capitalized interest

paid or funded with proceeds of the Installment Sale Agreement, and (d) the sum total of all debt service payments on the Installment Sale Agreement calculated to the final maturity of the Installment Sale Agreement plus the fees and charges paid to third parties not paid with the proceeds of the Installment Sale Agreement.

Section 5. The Installment Sale Agreement is hereby designated as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Code. The Board of Directors hereby finds and determines that the aggregate face amount of all tax-exempt obligations (other than private activity bonds) issued by the District (and all subordinate entities thereof) during calendar year 2018 is not expected to exceed \$10,000,000.

Section 6. The Officers and staff of the District are hereby authorized and directed, jointly and severally, to do any and all things, to execute and deliver any and all documents, including but not limited to a project fund agreement, fee agreement, costs of issuance agreement, custodian agreement or other similar agreements, which in consultation with counsel to the District and Special Counsel, they may deem necessary or advisable in order to effectuate the purposes of this Resolution, and any and all such actions previously taken by such Officers or staff members are hereby ratified and confirmed.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED at a regular meeting of the Board of Directors of the Joshua Basin Water District held on the 15th day of August 2018, by the following vote, to wit:

AYES:

NOES:

ABSENT:

ABSTAIN:

JOSHUA BASIN WATER DISTRICT

Mickey Luckman, President

ATTESTED:

Curt Sauer, Board Secretary

EXHIBIT A

GOOD FAITH ESTIMATES

The following information was obtained from the Bank and is provided in compliance with Senate Bill 450 (Chapter 625 of the 2017-2018 Session of the California Legislature) with respect to the Installment Sale Agreement:

1. *True Interest Cost of the Installment Sale Agreement.* A good faith estimate of the true interest cost of the Installment Sale Agreement, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for Installment Sale Agreement, is 3.85%.

2. *Finance Charge of the Installment Sale Agreement.* A good faith estimate of the District's finance charge of the Installment Sale Agreement, which means the sum of all fees and charges paid to third parties (or costs associated with the Installment Sale Agreement), is \$10,000.00.

3. *Amount of Proceeds to be Received by the District.* A good faith estimate of the amount of proceeds expected to be received by the District for sale of the Installment Sale Agreement less the finance charge of the Installment Sale Agreement described in paragraph 2 above, is \$3,000,000.

4. *Total Payment Amount.* A good faith estimate of the total payment amount, which means the sum total of all payments the District will make to pay debt service on the Installment Sale Agreement plus the finance charge of the Installment Sale Agreement described in paragraph 2 above not paid with the proceeds of the Installment Sale Agreement, calculated to the final maturity of the Installment Sale Agreement, is \$4,018,363.50.

AGREEMENT FOR BOND COUNSEL SERVICES

THIS AGREEMENT (the "Agreement") is made and entered into this ____ day of August, 2018, between the Joshua Basin Water District, whose address is 61750 Chollita Road, Joshua Tree, California 92252-0675 (the "District"), and Kutak Rock LLP ("Kutak") whose address is 5 Park Plaza, Ste. 1500, Irvine, California 92614.

WITNESSETH:

WHEREAS, the District proposes to finance certain improvements to its water system (the "Project"); and

WHEREAS, Kutak is specifically trained and experienced in the conduct of proceedings for accomplishing the financing of the Project through the preparation, sale and delivery of a tax-exempt installment sale agreement or other obligations for such purposes (the "Obligations"); and

NOW, THEREFORE, in consideration of the covenants and premises herein contained and other good and valuable consideration, the parties hereto agree as follows:

1. Duties. Kutak shall provide legal services in connection with the authorization, issuance, sale, execution and delivery of the Obligations (the "Transaction"). Such services shall include, but not be limited to, the following:

a. Conferring and consulting with the District, the officers, administrative staff, financial advisor, underwriter, if any, placement agent, if any, and other representatives of the District in connection with the preparation and formulation of the Transaction.

b. Preparation of the Resolution of Issuance, security documents and all other resolutions, agreements, notices and other documents necessary for the proper conduct and consummation of the Transaction.

c. A review of all financial documents for legal sufficiency.

d. Preparation of an incumbency certificate, an arbitrage certificate, and any and all other closing documents required of the District to accompany delivery of the financing documents.

e. Preparation of documentation and assistance in obtaining credit enhancement and/or a rating on the Obligations if such a rating is sought.

f. Attendance at and supervision of the closing, and issuing the legal opinion of Kutak stating that the interest payments with respect to the Obligations is exempt

from present federal and State (as defined hereinafter) income taxes, as the case may be, and approving in all respects the legality of all proceedings for the authorization, issuance, sale and delivery of the Obligations and other agreements relating to the Transaction.

g. Preparation of a transcript of the closing of the Transaction.

h. Conferring and consulting with District officials and agents with regard to any problems which may arise prior to the maturity of the issuance.

i. Providing any other necessary services, including ongoing monitoring of the Transaction after the sale of the Obligations and assistance to the District regarding the Transaction, generally expected of Kutak not listed above.

2. Compensation. For provision of the services to be rendered pursuant to this Agreement, the District shall pay Kutak a fee of \$10,000, which fee shall include any out-of-pocket expenses incurred by it in the course of this engagement, such as reproduction and printing costs, word processing time, long distance telephone calls, travel at the request of the District and similar items (excluding any publication costs). Said fee is payable only upon issuance of the Obligations, and shall be paid from proceeds thereof.

In the event Kutak is requested to perform additional work outside of its normal and customary services as bond counsel, such as litigation, Kutak will be paid additional compensation therefor following the submission of monthly, itemized bills at the hourly rate of the attorney performing such services; provided, however, there shall be no additional compensation due Kutak under the paragraph without the prior approval of the District.

3. Assignment. This Agreement may be assigned by the District to any other issuer of the securities as may be necessary to consummate the Transaction, without the consent of but with notice to Kutak.

4. No Guarantees; Entire Agreement. Nothing in this Agreement and nothing in our statements to you should be construed as a guarantee or promise about the outcome of the Transaction or any phase thereof. We make no such guarantees or promises. Comments about the course or outcome of the Transaction or any phase thereof which we may make from time to time are expressions of opinion only. The written Agreement constitutes the entire Agreement between the parties hereto with respect to Kutak services and neither party has been induced to make or enter into this Agreement by reason or promise, agreement, representation, statement or warranty other than as herein contained.

5. Other Representation. Kutak may, from time to time, have clients with interests which may be potentially adverse to the District. Kutak reserves the right to represent said clients except on matters directly relating to the issuance and sale of the Obligations. We will disclose any such potential conflict to you and will seek a waiver of that conflict. We will of course work with you and our other clients to construct an appropriate ethical wall to protect the confidences of all of our clients and to clearly separate our work in any such case. Although we

are not asking for a waiver now since these conflicts may not emerge, we ask that you agree to give good faith consideration to our requests for any such waivers in the future. This will allow us to better serve all of our clients.

6. Work Product. Our files developed in the course of work undertaken pursuant to this Agreement are your property. We will release those files to you or to anyone else you designate upon your written request delivered to the attorney in charge of this matter. However, such a request will signify the end of this engagement if it is then still ongoing. You agree that we may, in our sole discretion, copy all or any portion of such files at your expense and retain such copies, and that we may have a reasonable period of time before releasing the documents to you or your designee in order to make the copies. We will from time to time send portions of your files that are not currently needed to an off-site storage facility. The cost of using this facility will be our sole expense. However, we are not the guarantor of the security of any off-site storage facility. Accordingly, you agree that the firm will not be responsible for any damages which may occur as a result of the loss of any of your files which we store at an off-site storage facility. You also agree that we may, after the passage of two years without our having performed any work for you pursuant to this engagement, destroy the files of this engagement without further notice to you unless you have previously provided us with written instructions to forward the files to you or to another person you designate.

7. Insurance. We carry professional liability insurance which would cover the services we will be providing under the terms of this Agreement. That insurance is subject to a self-insured retention.

8. Arbitration. If an action or proceeding is commenced to enforce this Agreement or any provision hereof, the prevailing party in such an action or proceeding shall be entitled to recover the reasonable amount of his, her or its fees and costs thereof, in addition to compensatory damages. For the purposes of enforcing this Agreement only, and as otherwise required by law, you agree that this Agreement may be disclosed to a court or arbitrator.

9. Notices. All notices, demands, requests, consents and approvals given, required or permitted to be given hereunder, shall be contained in writing and shall be deemed sufficiently given if sent by express delivery service or by registered or certified mail, postage prepaid and return receipt requested, addressed to the parties at the addresses set forth above or on any addendum or counterpart to this Agreement, or to such other address as the recipient shall have notified the sender of in writing. You agree to keep us currently informed of any change in your address or telephone numbers so that we may effectively communicate with you. We will also advise you promptly of any change in the firm's business address, electronic mail address, telephone or facsimile numbers.

10. California Law. This Agreement is made under and shall be construed in accordance with the substantive laws of the State of California (the "State"), without reference to choice of law rules.

11. Counterparts. This Agreement may be executed in counterparts each of which shall be deemed an original but all of which shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers and representatives thereto duly authorized, all as of the day and year first above written.

JOSHUA BASIN WATER DISTRICT

By: _____

Title: _____

KUTAK ROCK LLP

By: _____

Albert R. Reyes, a Partner

PROJECT FUND AGREEMENT #18-012

This Project Fund Agreement (this "Agreement"), dated as of August 1, 2018, is among MUNICIPAL FINANCE CORPORATION, a California nonprofit public benefit corporation (the "Corporation"), JOSHUA BASIN WATER DISTRICT, a political subdivision of the State of California (the "District") and U.S. BANK NATIONAL ASSOCIATION (the "Custodian").

Reference is made to that certain Installment Sale Agreement #18-012 dated as of August 1, 2018 between the Corporation and the District (the "Installment Sale"), covering the financing of a certain project described therein (the "Project"). It is a requirement of the Installment Sale that the funds for the acquisition and construction of the Project be deposited with the Custodian hereunder for the purpose of providing a mechanism for the application of such amounts to the payment of Project costs. Capitalized terms used in this Agreement and not otherwise defined shall have the respective meanings given such terms in the Installment Sale.

The parties agree as follows:

1. Creation of Project Fund.

(a) There is hereby created an account to be known as the "Joshua Basin Water District Project Fund" (the "Project Fund") to be held by the Custodian for the purposes stated herein, for the benefit of the Corporation and the District, to be held, disbursed and returned in accordance with the terms hereof. On the Closing Date, the District has caused the amount of \$3,000,000.00 to be transferred to the Custodian for deposit into the Project Fund.

(b) The Custodian shall invest and reinvest moneys on deposit in the Project Fund in Qualified Investments in accordance with written instructions received from the District. The District shall be solely responsible for ascertaining that all proposed investments and reinvestments are Qualified Investments and that they comply with federal, state and local laws, regulations and ordinances governing investment of such funds and for providing appropriate notice to the Custodian for the reinvestment of any maturing investment. Accordingly, neither the Custodian nor the Corporation shall be responsible for any liability, cost, expense, loss or claim of any kind, directly or indirectly arising out of or related to the investment or reinvestment of all or any portion of the moneys on deposit in the Project Fund, and the District agrees to and does hereby release and hold harmless the Custodian and the Corporation from any such liability, cost, expenses, loss or claim. Interest on the Project Fund shall become part of the Project Fund, and gains and losses on the investment of the moneys on deposit in the Project Fund shall be borne by the Project Fund. For purposes of this agreement, "Qualified Investments" means any investments which meet the requirements of Section 53601 of the California Government Code. The custodian is hereby authorized and directed to invest and re-invest all amounts in the Project Fund in the U.S. Bank Money Market Deposit Account further described in Schedule 2 attached hereto.

(c) Unless the Project Fund is earlier terminated in accordance with the provisions of paragraph (d) below, amounts in the Project Fund shall be disbursed by the Custodian in payment of amounts described in Section 2 hereof upon receipt of written authorization(s) from the Corporation, as is more fully described in Section 2 hereof. If the amounts in the Project Fund are insufficient to pay such amounts, the District shall be solely responsible for the balance of the funds needed to complete the acquisition and construction of the Project. Any moneys remaining in the Project Fund after April 1, 2020 (the "Acquisition and Construction Period") shall be applied as provided in Section 4 hereof.

(d) The Project Fund shall be terminated at the earliest of (i) the final distribution of amounts in the Project Fund or (ii) written notice given by the Corporation of the occurrence of a default or termination of the Installment Sale.

(e) The Custodian may act in reliance upon any writing or instrument or signature which it, in good faith, believes to be genuine and may assume the validity and accuracy of any statement or assertion contained in such a writing or instrument. The Custodian shall not be liable in any manner for the sufficiency or correctness as to form, manner of execution, or validity of any instrument nor as to the identity, authority, or right of any person executing the same; and its duties hereunder shall be limited to the receipt of such moneys, instruments or other documents received by it as the Custodian, and for the disposition of the same in accordance herewith.

(f) Unless the Custodian is guilty of gross negligence or willful misconduct with regard to its duties hereunder, the District agrees to and does hereby release and indemnify the Custodian and hold it harmless from any and all claims, liabilities, losses, actions, suits or proceedings at law or in equity, or any other expense, fees or charges of any character or nature, which it may incur or with which it may be threatened by reason of its acting as Custodian under this agreement; and in connection therewith, does to the extent permitted by law indemnify the Custodian against any and all expenses; including reasonable attorneys' fees and the cost of defending any action, suit or proceeding or resisting any claim.

(g) If the District and the Corporation shall be in disagreement about the interpretation of the Installment Sale, or about the rights and obligations, or the propriety of any action contemplated by the Custodian hereunder, the Custodian may, but shall not be required to, file an appropriate civil action to resolve the disagreement. The Custodian shall be reimbursed by the District for all costs, including reasonable attorneys' fees, in connection with such civil action, and shall be fully protected in suspending all or part of its activities under the Installment Sale until a final judgment in such action is received.

(h) The Custodian may consult with counsel of its own choice and shall have full and complete authorization and protection with the opinion of such counsel. The Custodian shall otherwise not be liable for any mistakes of fact or errors of judgment, or for any acts or omissions of any kind unless caused by its willful misconduct.

(i) The District shall reimburse the Custodian for all reasonable costs and expenses, including those of the Custodian's attorneys, agents and employees incurred for extraordinary administration of the Project Fund and the performance of the Custodian's powers and duties hereunder in connection with any Event of Default under the Installment Sale, or in connection with any dispute between the Corporation and the District concerning the Project Fund.

2. Acquisition and Construction of Project.

(a) Acquisition and Construction Contracts. The District will arrange for, supervise and provide for, or cause to be supervised and provided for, the acquisition and construction of the Project, with moneys available in the Project Fund. The District represents the estimated costs of the Project are within the funds estimated to be available therefor, and the Corporation makes no warranty or representation with respect thereto. The Corporation shall have no liability under any of the acquisition or construction contracts. The District shall obtain all necessary permits and approvals, if any, for the acquisition, construction, equipping and installation of the Project, and the operation and maintenance thereof.

(b) Authorized Project Fund Disbursements. Disbursements from the Project Fund shall be made for the purpose of paying (including the reimbursement to the District for advances from its own funds to accomplish the purposes hereinafter described) the cost of acquiring and constructing the Project.

(c) Requisition Procedure. No disbursement from the Project Fund shall be made unless and until the Corporation has approved such requisition. Prior to disbursement from the Project Fund there shall be filed with the Custodian a requisition for such payment in the form of Disbursement Request attached hereto as Schedule 1, stating each amount to be paid and the name of the person, firm or the Corporation to whom payment

thereof is due. Each such requisition shall be signed by an authorized representative of the District (an "Authorized Representative") and by the Corporation. The District shall provide to the Corporation a Certificate of Completion along with the final Disbursement Request.

3. Deposit to Project Fund. Upon satisfaction of the conditions specified in the Installment Sale, the Corporation will cause the Installment Sale Proceeds to be deposited in the Project Fund. The District agrees to pay any costs with respect to the Project in excess of amounts available therefor in the Project Fund.

4. Excessive Moneys in the Project Fund. Following the final disbursement from the Project Fund at the end of the Acquisition and Construction Period, or termination of the Project Fund as otherwise provided herein, the Custodian shall, upon written instruction from the Corporation transfer any remainder from the Project Fund to the Corporation or its assignee (or to the District at the Corporation's written direction) for application to amounts owed under the Installment Sale in accordance with Section 6 of the Installment Sale.

5. Security Interest. The Custodian and the District acknowledge and agree that the Project Fund and all proceeds thereof are being held by Custodian for disbursement or return as set forth herein. The District hereby grants to the Corporation a first priority perfected security interest in the Project Fund, and all proceeds thereof, and all investments made with any amounts in the Project Fund. If the Project Fund, or any part thereof, is converted to investments as set forth in this agreement, such investments shall be made in the name of Custodian and the Custodian hereby agrees to hold such investments as custodian for the Corporation so that the Corporation is deemed to have possession of such investments for the purpose of perfecting the Corporation's security interest. Nothing in this Agreement shall constitute a waiver of any of the Custodian's rights as a securities intermediary under Uniform Commercial Code Section 9-206. None of the provisions of this Agreement shall require the Custodian to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties under this Agreement or in the exercise of any of its rights or powers under this Agreement.

6. Control of Project Fund. In order to perfect the Corporation's security interest by means of control in (i) the Project Fund established hereunder, (ii) all securities entitlements, investment property and other financial assets now or hereafter credited to the Project Fund, (iii) all of the District's rights in respect of the Project Fund, such securities entitlements, investment property and other financial assets, and (iv) all products, proceeds and revenues of and from any of the foregoing personal property (collectively, the "Collateral"), the Corporation, the District and Custodian further agree as follows:

(a) All terms used in this Section 6 which are defined in the Commercial Code of the State of California (the "Commercial Code") but are not otherwise defined herein shall have the meanings assigned to such terms in the Commercial Code, as in effect on the date of this Agreement.

(b) The Custodian will comply with all entitlement orders originated by the Corporation with respect to the Collateral, or any portion of the Collateral, without further consent by the District.

(c) As of the date hereof, the Custodian hereby represents and warrants (a) that the records of Custodian show that the District is the sole owner of the Collateral, (b) that the Custodian has not been served with any notice of levy or received any notice of any security interest in or other claim to the Collateral, or any portion of the Collateral, other than the Corporation's claim pursuant to this Agreement, and (c) that the Custodian is not presently obligated to accept any entitlement order from any person with respect to the Collateral, except for entitlement orders that the Custodian is obligated to accept from the Corporation under this Agreement and entitlement orders that the Custodian, subject to the provisions of paragraph (e) below, is obligated to accept from the District.

(d) Without the prior written consent of the Corporation, the Custodian will not enter into any agreement by which the Custodian agrees to comply with any entitlement order of any person other than the

Corporation or, subject to the provisions of paragraph (e) below, the District, with respect to any portion or all of the Collateral. The Custodian shall promptly notify the Corporation if any person requests the Custodian to enter into any such agreement or otherwise asserts or seeks to assert a lien, encumbrance or adverse claim against any portion or all of the Collateral.

(e) Except as otherwise provided in this paragraph (e) and subject to Section 1(b) hereof, the Custodian may allow the District to effect sales, trades, transfers and exchanges of Collateral within the Project Fund, but will not, without the prior written consent of the Corporation, allow the District to withdraw any Collateral from the Project Fund. The Custodian acknowledges that the Corporation reserves the right, by delivery of written notice to the Custodian, to prohibit the District from effecting any withdrawals (including withdrawals of ordinary cash dividends and interest income), sales, trades, transfers or exchanges of any Collateral held in the Project Fund. Further, the Custodian hereby agrees to comply with any and all written instructions delivered by the Corporation to the Custodian (once it has had a reasonable opportunity to comply therewith) and has no obligation to, and will not, investigate the reason for any action taken by the Corporation, the amount of any obligations of the District to the Corporation, the validity of any of the Corporation's claims against or agreements with the District, the existence of any defaults under such agreements, or any other matter.

(f) The District hereby irrevocably authorizes Custodian to comply with all instructions and entitlement orders delivered by the Corporation to Custodian.

(g) The Custodian will not attempt to assert control, and does not claim and will not accept any security or other interest in, any part of the Collateral, and the Custodian will not exercise, enforce or attempt to enforce any right of setoff against the Collateral, or otherwise charge or deduct from the Collateral any amount whatsoever.

(h) The Custodian and the District hereby agree that any property held in the Project Fund shall be treated as a financial asset under such section of the Commercial Code as corresponds with Section 8-102 of the Uniform Commercial Code, notwithstanding any contrary provision of any other agreement to which the Custodian may be a party.

(i) The Custodian is hereby authorized and instructed, and hereby agrees, to send to the Corporation at its address set forth in Section 7 below, concurrently with the sending thereof to the District, duplicate copies of any and all monthly Project Fund statements or reports issued or sent to the District with respect to the Project Fund.

7. The Custodian.

(a) If, at any time, (i) there shall exist any dispute with respect to the holding or disposition of all or any portion of the Project Fund or any other obligations of the Custodian hereunder, (ii) the Custodian is unable to determine its sole satisfaction, the proper disposition of all or any portion of funds held or hereunder or the Custodian's proper actions with respect to its obligations hereunder, or (iii) the Custodian has not been replaced within 30 days of the furnishing by the Custodian of a notice of termination, then the Custodian may, in its sole discretion, take either or both of the following actions:

(A) suspend the performance of any of its obligations (including without limitation any disbursement obligations) under this Agreement until such dispute or uncertainty shall be resolved to the sole satisfaction of the Custodian or until a successor custodian shall have been appointed.

(B) petition (by means of an interpleader action or any other appropriate method) any court for instructions with respect to such dispute or uncertainty, and to the extent required or permitted by law, pay into such court, for holding and disposition in accordance with the instructions of such court, all funds held hereunder, after deduction and payment to the Custodian of all fees and expenses (including court costs and

attorneys' fees) payable to, incurred by, or expected to be incurred by the Custodian in connection with the performance of its duties and the exercise of its rights hereunder.

The Custodian shall have no liability to any person or entity with respect to any such suspension of performance or disbursement into court.

(b) All parties hereto acknowledge that the Custodian is not a fiduciary with respect to any asset or as to any of the parties hereto. The Custodian shall have no duty to make any evaluation or to advise anyone of the prudence, suitability, or propriety of action or proposed action in any particular transaction involving an asset or the suitability or propriety of retaining any particular investment as an asset. The Custodian shall have no duty to review, question, approve, or make inquiries as to any investment directions received under this Agreement. The Custodian shall be under no duty to review the securities or other property held in any account with respect to prudence or diversification. The Custodian shall not be liable for any loss or diminution of assets by reason of investment experience or for its actions taken in reliance upon a direction received under this Agreement. The Custodian shall have no duty to monitor or otherwise investigate the actions or omissions of any party hereto or any of their respective agents. The Custodian shall have no responsibility for the accuracy of asset valuations quoted by outside services or sources. The Custodian shall only be responsible for the performance of such duties as are expressly set forth in this Agreement and no implied covenants, duties, responsibilities, representations, warranties, or obligations shall be read into this Agreement against the Custodian. The Custodian shall have no duty to act as trustee of any assets held hereunder. The Custodian shall have no duty to act as investment manager of any assets held hereunder. The Custodian shall have no duty to render investment advice with respect to any assets held hereunder. The Custodian shall have no duty to determine, monitor, or collect any contributions to any fund held hereunder or monitor compliance with any applicable funding requirements. The Custodian shall have no duty to maintain or defend any legal proceeding in the absence of indemnification, to the Custodian's satisfaction, against all expenses and liabilities which it may sustain by reason thereof. The Custodian shall have no duty to inspect or execute any contract, declaration of trust, lease, loan agreement, note, offering memorandum, subscription agreement, or other instrument which may establish rights to income, principal, or other distributions on any asset. The Custodian shall have no duty to collect any income, principal, or other distribution due and payable on any asset if the asset is in default or if payment is refused after due demand. The Custodian shall have no duty to question whether any direction received under this agreement is prudent or contrary to applicable law; to solicit directions; or to question whether any direction received under this Agreement is unreliable or has been compromised, such as by identity theft. The Custodian shall not be liable for a failure to take an action required under this Agreement in the event and to the extent that the taking of the action is prevented or delayed by war (whether declared or not and including existing wars), revolutions, insurrection, riot, civil commotion, acts of God, accident, fire, explosion, stoppage of labor, strikes or other differences with employees, laws, regulations, orders or other acts of any governmental authority or any other cause whatsoever beyond its reasonable control; nor shall any such failure or delay give any party hereto the right to terminate this Agreement.

(c) Custodian Fees to be paid by the Corporation as agreed on Schedule 3

8. Term of Agreement. Subject to Section 1(e), and with the exception of the covenants in Section 1(g), which shall continue until payment in full of all fees and expenses due to the Custodian, this Agreement shall remain in effect until the earlier of: (A) [the District delivers a written statement to the Custodian indicating that all applicable amounts to be paid have been remitted], (B) this Agreement is amended or terminated in writing by the parties hereto, or (C) disbursement by the Custodian of all monies held by it hereunder.

9. Miscellaneous. This Agreement may not be amended except in writing signed by all parties hereto. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original instrument and each shall have the force and effect of an original and all of which together

constitute, and shall be deemed to constitute, one and the same instrument. Notices hereunder shall be made in writing and shall be deemed to have been duly given when personally delivered or when deposited in the mail, first class postage prepaid, or delivered to an express carrier, charges prepaid, or sent by facsimile with electronic confirmation, addressed to each party at its address below:

If to the Corporation: Municipal Finance Corporation
2945 Townsgate Road, Suite 200
Westlake Village, CA 91361
Attn: Bill Morton
Email: bmorton@munifinance.com

If to the District: Joshua Basin Water District
61750 Chollita Road
Joshua Tree, CA
Attn: General Manager
Email: customerservice@jbwd.com:

If to Custodian:

U.S. Bank National Association
633 West Fifth Street, 24th Floor
LM-CA-T24T
Los Angeles, CA 90071
Attn: Ilse Vlach
Email: ilse.vlach@usbank.com

THE PARTIES HERETO WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF, DIRECTLY OR INDIRECTLY, THIS AGREEMENT OR ANY OF THE RELATED DOCUMENTS, ANY DEALINGS RELATING TO THE SUBJECT MATTER OF THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY RELATED TRANSACTIONS, AND/OR THE RELATIONSHIP THAT IS BEING ESTABLISHED hereunder. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT (INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS). THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING, AND THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT, ANY RELATED DOCUMENTS, OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT OR ANY RELATED TRANSACTIONS, IN THE EVENT OF LITIGATION, THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. For a non-individual person such as a business entity, a charity, a trust, or other legal entity the Filing Agent may require documentation to verify its customer's formation and existence as a legal entity. The Filing Agent may also require financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.

In Witness Whereof, the parties have executed this Project Fund Agreement as of the date first above written.

Municipal Finance Corporation

Joshua Basin Water District

By: _____

By: _____

Title: _____

Title: General Manager

U.S. Bank National Association

By: _____

Title: _____

SCHEDULE 1

FORM OF DISBURSEMENT REQUEST

Re: Installment Sale Agreement #18-012 dated as of August 1, 2018 by and between Municipal Finance Corporation and Joshua Basin Water District (the "Installment Sale")

In accordance with the terms of the Project Fund Agreement, dated as of August 1, 2018 (the "Project Fund Agreement") by and among Municipal Finance Corporation (the "Corporation"), Joshua Basin Water District ("the District") and U.S. Bank National Association (the "Custodian"), the undersigned hereby requests the Custodian pay the following persons the following amounts from the Project Fund created under the Project Fund Agreement (the "Project Fund") for the following purposes.

Payee's Name and Address	Invoice Number	Dollar Amount	Purpose

The undersigned hereby certifies as follows:

(i) An obligation in the stated amount has been incurred by the District, and the same is a proper charge against the Project Fund for costs relating to the Project identified in the Installment Sale, and has not been paid. Attached hereto is the original invoice with respect to such obligation.

(ii) The undersigned, as Authorized Representative, has no notice of any vendor's, mechanic's or other liens or rights to liens, chattel mortgages, conditional sales contracts or security interest which should be satisfied or discharged before such payment is made.

(iii) This requisition contains no item representing payment on account, or any retained percentages which the District is, at the date hereof, entitled to retain.

(iv) The Site is insured in accordance with the Installment Sale.

(v) No Event of Default, and no event which with notice or lapse of time, or both, would become an Event of Default, under the Installment Sale has occurred and is continuing at the date hereof.

(vi) The disbursement shall occur during the Acquisition and Construction Period set forth in this Agreement.

(vii) No material adverse change in the District's financial condition shall have occurred since the date of the Installment Sale.

Dated: _____

JOSHUA BASIN WATER DISTRICT

By: _____
Authorized Representative

Disbursement of funds from the Project
Fund in accordance with the foregoing
Disbursement Request hereby is authorized

MUNICIPAL FINANCE CORPORATION

By: _____
Authorized Representative

SCHEDULE 2

F-2004.1-1.

U.S. BANK NATIONAL ASSOCIATION MONEY MARKET ACCOUNT AUTHORIZATION FORM DESCRIPTION AND TERMS

The U.S. Bank Money Market account is a U.S. Bank National Association (“U.S. Bank”) interest-bearing money market deposit account designed to meet the needs of U.S. Bank’s Corporate Trust Services Escrow Group and other Corporate Trust customers of U.S. Bank. Selection of this investment includes authorization to place funds on deposit and invest with U.S. Bank.

U.S. Bank uses the daily balance method to calculate interest on this account (actual/365 or 366). This method applies a daily periodic rate to the principal balance in the account each day. Interest is accrued daily and credited monthly to the account. Interest rates are determined at U.S. Bank’s discretion, and may be tiered by customer deposit amount.

The owner of the account is U.S. Bank as agent for its corporate trust customers. U.S. Bank’s corporate trust department performs all account deposits and withdrawals. Deposit accounts are FDIC Insured per depositor, as determined under FDIC Regulations, up to applicable FDIC limits.

U.S. BANK, WHEN ACTING AS AN INDENTURE TRUSTEE OR IN A SIMILAR CAPACITY, IS NOT REQUIRED TO REGISTER AS A MUNICIPAL ADVISOR WITH THE SECURITIES AND EXCHANGE COMMISSION FOR PURPOSES OF COMPLYING WITH THE DODD-FRANK WALL STREET REFORM & CONSUMER PROTECTION ACT. INVESTMENT ADVICE, IF NEEDED, SHOULD BE OBTAINED FROM YOUR FINANCIAL ADVISOR.

AUTOMATIC AUTHORIZATION

In the absence of specific written direction to the contrary, U.S. Bank is hereby directed to invest and reinvest proceeds and other available moneys in the U.S. Bank Money Market Account. The U.S. Bank Money Market Account is a permitted investment under the operative documents and this authorization is the permanent direction for investment of the moneys until notified in writing of alternate instructions

SCHEDULE 3

Schedule of Fees for Services as Custodian for

JOSHUA BASIN WATER DISTRICT

CTS01010A	Acceptance Fee The acceptance fee includes the administrative review of documents, initial set-up of the account, and other reasonably required services up to and including the closing. This is a one-time, non-refundable fee, payable at closing.	\$1,000.00
CTS04050	Custodian Annual fee for the standard custodian services associated with the administration of the account. Administration fees are payable in advance.	\$1,200.00
	Direct Out of Pocket Expenses Reimbursement of expenses associated with the performance of our duties, including but not limited to publications, legal counsel after the initial close, travel expenses and filing fees.	At Cost
	Extraordinary Services Extraordinary Services are duties or responsibilities of an unusual nature, including termination, but not provided for in the governing documents or otherwise set forth in this schedule. A reasonable charge will be assessed based on the nature of the services and the responsibility involved. At our option, these charges will be billed at a flat fee or at our hourly rate then in effect.	

Account approval is subject to review and qualification. Fees are subject to change at our discretion and upon written notice. Fees paid in advance will not be prorated. The fees set forth above and any subsequent modifications thereof are part of your agreement. Finalization of the transaction constitutes agreement to the above fee schedule, including agreement to any subsequent changes upon proper written notice. In the event your transaction is not finalized, any related out-of-pocket expenses will be billed to you directly. Absent your written instructions to sweep or otherwise invest, all sums in your account will remain uninvested and no accrued interest or other compensation will be credited to the account. Payment of fees constitutes acceptance of the terms and conditions set forth.

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT:
To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each person who opens an account.

For a non-individual person such as a business entity, a charity, a Trust or other legal entity we will ask for documentation to verify its formation and existence as a legal entity. We may also ask to

see financial statements, licenses, identification and authorization documents from individuals claiming authority to represent the entity or other relevant documentation.