2/27/2017
3/02/2017
3/27/2017

INSTALLMENT SALE AGREEMENT

Dated as of April 1, 2017

by and between

SONOMA COUNTY WATER AND WASTEWATER FINANCING AUTHORITY,
as Seller

and the

SONOMA COUNTY WATER AGENCY,
as Purchaser

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INSTALLMENT SALE AGREEMENT

THIS INSTALLMENT SALE AGREEMENT (this "Agreement" or "Installment Sale Agreement"), dated as of April 1, 2017, by and between the SONOMA COUNTY WATER AND WASTEWATER FINANCING AUTHORITY, a joint exercise of powers authority duly organized and existing under the laws of the State of California, as seller (the "Authority"), and the SONOMA COUNTY WATER AGENCY, a political subdivision of the State of California, duly organized and existing under and by virtue of the Constitution and laws of the State of California, as purchaser (the "Agency");

WITNESSETH:

WHEREAS, the Agency previously entered into an Installment Sale Agreement dated as of September 1, 2005 (the "2005 Installment Sale Agreement") with the California Statewide Communities Development Authority ("CSCDA"), in order to refinance the construction of certain improvements to the Agency's municipal sewer system serving the Agency's Airport/Larkfield/Wikiup Sanitation Zone (the "Enterprise") as more particularly described in Exhibit A hereto (the "Project");

WHEREAS, the payments by the Agency under the 2005 Installment Sale Agreement secure in part certain outstanding certificates of participation captioned "California Statewide Communities Development Authority Water and Wastewater Revenue Bonds (Pooled Financing Program) Series 2005C" (the "2005 CSCDA Bonds"), which CSCDA issued on September 7, 2005, in the original principal amount of $27,820,000; and

WHEREAS, the Authority has been formed for the purpose, among others, of assisting the Agency in the financing and refinancing of capital improvements; and

WHEREAS, the Agency has determined to refinance the 2005 Installment Sale Agreement by entering into this Installment Sale Agreement; and

WHEREAS, the Agency will make installment payments under this Installment Sale Agreement (the "Installment Payments") from the Net Revenues (as defined herein) of the Enterprise; and

WHEREAS, under an Assignment Agreement dated as of April 1, 2017, among the Authority, the Agency, and Branch Banking and Trust Company, a North Carolina banking corporation (the "Assignee"), the Authority will assign certain of its rights under the Installment Sale Agreement, including the right to receive and enforce payment of the Installment Payments, to the Assignee; and

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

ARTICLE I

GENERAL

Section 1.01. Definitions.

"Agency" means the Sonoma County Water Agency.

"Agency Representative" means the Chairman of the Board, the County Administrator, the Assistant County Administrator, the Treasurer of the Agency, the General Manager of the Agency, and the Auditor-Controller of the County.

"Agency Tax Covenant Violation" means a violation by the Agency of its covenant under Section 5.09(h) hereof, or of one or more of its covenants under Section 5.09 hereof that has the effect of causing the interest components of the Installment Payments to become includable, in whole or in part, in the gross income of the recipient thereof for federal income tax purposes; *provided, however*, an Agency Tax Covenant Violation does not include (a) an Event of Indirect Taxability, or (b) the inclusion of the interest components of the Installment Payments in adjusted current earnings when calculating corporate alternative minimum taxable income.

"***Assignee***" means Branch Banking and Trust Company, a North Carolina banking corporation, its successors and assigns.

"***Assignment Agreement***" means the Assignment Agreement, dated as of April 1, 2017, by and among the Authority, the Agency and the Assignee, and any duly authorized and executed amendment or supplement thereto.

"***Authority***" means the Sonoma County Water and Wastewater Financing Authority.

"***Authority Representative***" means the Authority Chair, Vice Chair, Executive Director, Treasurer or Secretary or, in their absence, any other member of the Board, or the written designee of any of them.

"Bond Counsel" means (a) Jones Hall, A Professional Law Corporation, or (b) any other attorney or firm of attorneys of nationally recognized expertise with respect to legal matters relating to obligations the interest on which is excludable from gross income for purposes of federal income taxation under Section 103 of the Tax Code.

"Business Day" means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Trust Administrator has its principal trust office are authorized or obligated by law or executive order to be closed.

"***Closing Date***" means April 7, 2017.

"Code" means the Internal Revenue Code of 1986 as in effect on the date of delivery of this Installment Sale Agreement or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of delivery of this Installment Sale Agreement, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

"County" means the County of Sonoma, California.

"***Defeasance Obligations***" means (a) cash, or (b) non-callable Federal Securities.

"***Delivery Costs***" means all items of expense directly or indirectly payable by or reimbursable to the Agency or the Authority relating to the execution and delivery of this Agreement, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding, financing discounts, legal fees and charges, financial and other professional consultant fees, and other charges and fees in connection with the foregoing.

"***Determination of Taxability***" means and shall be deemed to have occurred on the first to occur of the following:

(a) on that date when the Agency files any statement, supplemental statement or other tax schedule, return or document which discloses that an Agency Tax Covenant Violation occurred;

(b) on the date when the Assignee notifies the Agency that it has received a written opinion from Bond Counsel to the effect that an Agency Tax Covenant Violation has occurred, which notice is accompanied by a copy of such opinion of Bond Counsel, unless, within 180 days after receipt by the Agency of such notification and copy of such opinion from the Corporation or the Assignee, the Agency shall deliver to the Corporation or the Assignee a ruling or determination letter issued to or on behalf of the Agency by the Commissioner or any District Director of the Internal Revenue Service (or any other governmental official exercising the same or a substantially similar function from time to time) to the effect that, after taking into consideration the facts which form the basis for the opinion that an Agency Tax Covenant Violation has occurred, an Agency Tax Covenant Violation has not occurred;

(c) on the date when the Agency is advised in writing by the Commissioner or any District Director of the Internal Revenue Service (or any other government official or agent exercising the same or a substantially similar function from time to time) that, based upon any review or audit or upon any other ground whatsoever, an Agency Tax Covenant Violation has occurred; or

(d) on that date when the Agency receives notice from the Assignee that the Internal Revenue Service (or any other government official or agency exercising the same or a substantially similar function from time to time) has assessed the interest components of the Installment Payments as includable in the gross income of the recipient thereof due to the occurrence of an Agency Tax Covenant Violation;

provided, however, that no Determination of Taxability shall occur under subparagraph (c) or subparagraph (d) above unless the Agency has been afforded the opportunity, at its expense, to contest any such assessment, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined.

"***Enterprise***" means the Agency's municipal sewer system serving the Agency's Airport/Larkfield/Wikiup Sanitation Zone, including but not limited to all facilities, properties and improvements for the treatment and disposal of wastewater, together with any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the Agency for its Airport/Larkfield/Wikiup Sanitation Zone.

"***Event of Default***" means an event of default under Section 7.01 hereof.

"***Event of Indirect Taxability***" means the enactment of any federal legislation, or the promulgation of any federal rule or regulation, after the date of this Agreement, that has the effect (no matter how accomplished or implemented) of causing all or any portion of the interest on the Installment Payments to be includible in the gross income (as defined in Tax Code Section 61) of the Assignee.

"***Federal Securities***" means direct general obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury) the United States of America, or obligations the timely payment of principal of and interest on which are guaranteed by, the United States of America.

"***Fiscal Year***" means any period of 12 consecutive months established by the Agency as its fiscal year and shall initially mean the period commencing July 1 of one year and ending on June 30 of the following year.

"***Gross Revenues***" means all gross charges received for, and all other gross income and receipts derived by the Agency from, the ownership and operation of the Enterprise or otherwise arising from the Enterprise, including but not limited to connection charges and investment earnings on such charges, income and receipts. Gross Revenues shall *not* include (i) refundable deposits made to establish credit, (ii) the proceeds of any ad valorem property taxes, and (iii) the proceeds of any special assessments or special taxes levied upon real property within any district established by the Agency for the purpose of paying special assessment bonds or special tax obligations of the Agency.

"***Independent Counsel***" means an attorney or a firm of attorneys duly admitted to the practice of law before the highest court of the state in which he or such firm maintains an office and who is not an employee of the Authority, the Assignee or the Agency.

"***Installment Payment***" means any payment required to be paid by the Agency to the Authority pursuant to Section 3.05 hereof.

"***Installment Payment Date***" means each Interest Payment Date.

"***Insurance and Condemnation Fund***" means the fund by that name established pursuant to Section 5.07 hereof and held by the Agency.

"***Interest Payment Date***" means October 1 and April 1 of each year, commencing October 1, 2017.

"***Interest Rate***" means the rate of interest to be paid on the Installment Payments, which is 2.33% per annum.

"***Net Proceeds***" means any insurance proceeds or condemnation award paid with respect to the Project, remaining after payment therefrom of all expenses incurred in the collection thereof.

"***Net Revenues***" means, for any period, an amount equal to all of the Gross Revenues received during such period minus the amount required to pay all Operation and Maintenance Costs becoming payable during such period.

"***Operation and Maintenance Expenses***" means the reasonable and necessary costs and expenses paid by the Agency to maintain and operate the Enterprise, including but not limited to (a) costs of electricity and other forms of energy supplied to the Enterprise, (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Enterprise in good repair and working order, and (c) the reasonable administrative costs of the Agency attributable to the operation and maintenance of the Enterprise.

Operation and Maintenance Costs shall *not* include (i) debt service payments or other similar payments payable on obligations incurred by the Agency with respect to the Enterprise, including but not limited to the Installment Payments and payments on any Parity Obligations, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other bookkeeping entries of a similar nature.

"***Parity Obligations***" means (i) the Installment Payments and (ii) the payments made pursuant to any other indebtedness or other obligations (including leases and installment sale agreements) hereafter issued or incurred and secured by a pledge of and lien on Net Revenues equally and ratably with the Installment Payments.

"***Prepayment***" means any payment applied towards the prepayment of the Installment Payments, in whole or in part, pursuant to Article IV hereof.

"***Project***" means the improvements to the Enterprise described in Exhibit A hereto.

"***State***" means the State of California.

"***Subordinate Debt***" means indebtedness or other obligations (including leases and installment sale agreements) hereafter issued or incurred and secured by a pledge of and lien on Net Revenues subordinate to the Installment Payments.

"***Taxable Date***" means the date as of which the interest components of the Installment Payments are first includable in gross income of the recipient thereof as a result of an Agency Tax Covenant Violation as such date is established pursuant to either (a) a Determination of Taxability, or (b) an opinion of Bond Counsel.

"***Taxable Period***" means the period for which the interest components of the Installment Payments become includable in the gross income of the recipient thereof, commencing on the Taxable Date.

"***Term of the Installment Sale Agreement***" means the time during which this Installment Sale Agreement is in effect which begins on the Closing Date and ends on October 1, 2026, unless sooner terminated pursuant to the terms hereof.

Section 1.02. Representations, Covenants and Warranties. The Agency and the Authority represent, covenant and warrant to each other as follows:

(a) Each is validly organized and existing under the laws of the State.

(b) The laws of the State authorize each to enter into this Installment Sale Agreement and the Assignment Agreement and to enter into the transactions contemplated by and to carry out its obligations under each of the aforesaid agreements, and the each has duly authorized and executed such agreements.

(c) The execution and delivery of this Installment Sale Agreement, the Assignment Agreement, the fulfillment of or compliance with the terms and conditions hereof or thereof, and the consummation of the transactions contemplated by this Installment Sale Agreement and the Assignment Agreement do not conflict with and do not result in a material breach of the terms, conditions or provisions of any restriction or any agreement or instrument to which each is now a party or by which each is bound or constitutes a default under any of such agreement or instrument.

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

(e) The Agency represents that, except as otherwise disclosed to the Authority and the Assignee, it has not issued or incurred any obligations payable out of the Gross Revenues or the Net Revenues.

Section 1.03. Written Certificates.

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

(b) Reliance. Any such certificate made or given by an Agency Representative may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an accountant, unless such Agency Representative knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an accountant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Agency, as the case may be) upon a certificate or opinion of or representation by an Agency Representative, unless such counsel or accountant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters upon which such person's certificate or opinion or representation

may be based is erroneous. The same Agency Representative, or the same counsel or accountant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Installment Sale Agreement, but different officers, counsel or accountants may certify to different matters, respectively.

Section 1.04. Exhibits. The Exhibits attached hereto are, by this reference, made a part of this Installment Sale Agreement.

ARTICLE II

DEPOSITS

Section 2.01. Deposit of Moneys. Under the Assignment Agreement, in consideration of the assignment to the Assignee of the Installment Payments and certain other rights of the Authority under this Installment Sale Agreement, the Assignee has provided $3,690,355.65 to the Authority, which shall be applied on the Closing Date as follows:

(a) $75,842.94 shall be applied by the Assignee for the payment of Delivery Costs by direct wire transfer to the parties entitled thereto, as set forth in a written certificate of the Agency.

(b) $3,614,512.71, constituting the remainder of such funds, shall be transferred by the Assignee directly to MUFG Union Bank, N.A., as successor trustee for the 2005 CSCDA Bonds, to be applied to prepay in full the 2005 Installment Sale Agreement on the Closing Date and cause the subsequent partial prepayment of the 2005 CSCDA Bonds.

ARTICLE III

PROJECT SALE AND TITLE; INSTALLMENT PAYMENTS; NET REVENUES

Section 3.01. Sale. The Agency hereby sells the Project to the Authority, and the Authority, subject to the terms and conditions hereof, hereby sells the Project back to the Agency. This Agreement shall supersede the 2005 Installment Sale Agreement in connection with the sale of the Project.

Section 3.02. Title. The Agency and the Authority agree that title to the Enterprise, including the Project, and each component thereof, shall be deemed conveyed by the Authority to and vested in the Agency. The Authority and the Agency will execute, deliver and cause to be recorded any and all documents reasonably required to vest in the Agency all of the Authority's rights in and title to the Project.

Section 3.03. Assignment by the Authority. The Authority's right, title and interest in this Installment Sale Agreement, including the right to receive and enforce payment of the Installment Payments to be made by the Agency under this Installment Sale Agreement, have been assigned to the Assignee, subject to certain exceptions, pursuant to the Assignment Agreement.

The Agency understands and agrees that the Authority has assigned its right, title and interest (but not its duties or obligations) in this Installment Sale Agreement to the Assignee pursuant to the Assignment Agreement and the Agency assents to such assignment. The Authority hereby directs the Agency, and the Agency hereby agrees, to pay to the Assignee all payments payable by the Agency pursuant to this Installment Sale Agreement.

Section 3.04. Term of the Installment Sale Agreement. The Term of the Installment Sale Agreement shall begin on the Closing Date and the final Installment Payment shall mature on October 1, 2026, unless sooner prepaid.

Section 3.05. Installment Payments.

(a) Obligation to Pay. There is hereby created the "Installment Payment Fund" to be held by the Agency. The Agency agrees to pay to the Authority, its successors and assigns, as the purchase price of the Project, the Installment Payments, consisting of components of principal and interest, on the Installment Payment Dates and in the amounts specified in Exhibit B hereto, provided that amounts previously deposited in the Installment Payment Fund and remaining on deposit therein shall be applied to the payment of Installment Payments next due. The Installment Payments shall be payable solely from Net Revenues as hereinafter provided.

(b) Reduction Upon Partial Prepayment. If the Agency prepays less than all of the remaining principal components of the Installment Payments pursuant to Sections 4.02 and 4.03 hereof, the amount of such prepayment shall be applied (1) first to any interest owing but unpaid at the time of the prepayment, and (2) second to reduce the principal component of the subsequent remaining Installment Payments in any manner as directed by the Agency in a Written Certificate and the interest component of each subsequent remaining Installment Payment shall be reduced by the aggregate

corresponding amount of interest that would otherwise be payable with respect to the Installment Payments as a result of such prepayment.

(c) Rate on Overdue Payments. If the Agency fails to make any of the payments required in this Section 3.05 so that there are insufficient moneys on hand in the Installment Payment Fund to pay any Installment Payment in full on an Installment Payment Date, the Installment Payment in default shall continue as an obligation of the Agency until the amount in default is fully paid and the Agency agrees to pay the same with interest thereon, to the extent permitted by law, from the date thereof at the rate of interest payable with respect to the Installment Payments.

(d) Gross Up of Interest Rate Upon Determination of Taxability. Notwithstanding the foregoing provisions of this Section, in the event a Determination of Taxability occurs, the Agency shall pay, as interest components of the Installment Payments, to the Assignee on demand therefor:

(i) an amount equal to the difference between (A) the amount of interest that would have been paid to the Assignee during the Taxable Period, if the interest rate on the unpaid principal components of the Installment Payments had been calculated at a rate sufficient such that the total interest to be paid on the applicable Installment Payment Dates would, after such interest was reduced by the amount of any U.S. federal, state and local income tax actually imposed thereon, equal the amount of interest due with respect to such Installment Payments beginning on the Taxable Date, and (B) the amount of interest actually paid to the Assignee during the Taxable Period, and

(ii) an amount equal to (A) any tax, interest, penalties or charges owed by the Assignee as a result of a violation by the Agency of its covenant under Section 5.09(h) hereof, and (B) any interest, penalties or charges owed by the Assignee as a result of the Installment Payments becoming includable in the gross income of the Assignee, together with any and all attorneys' fees, court costs, or other out-of-pocket costs incurred by the Assignee in connection therewith.

Section 3.06. Special Obligation of the Agency.

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

(b) Obligations Unconditional. The obligations of the Agency to make the Installment Payments from Net Revenues and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach of the Agency or the Authority of any obligation to the Agency or otherwise with respect to the Project, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the Agency by the Authority.

(c) Obligations Specified. Until such time as all of the Installment Payments are fully paid or prepaid, the Agency:

(i) will not suspend, abate, or discontinue any payments provided for in Section 3.05 hereof;

(ii) will perform and observe all other agreements contained in this Installment Sale Agreement; and

(iii) will not terminate the Term of the Installment Sale Agreement for any cause, including, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, the taking by eminent domain of title to or temporary use of any or all of the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof or any failure of the Authority to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Assignment Agreement or this Installment Sale Agreement.

(d) Authority Obligations. Nothing contained in this Section 3.06 shall be construed to release the Authority from the performance of any of the agreements on its part herein contained, and if the Authority fails to perform any such agreements on its part, the Agency may institute such action against the Authority as the Agency may deem necessary to compel performance so long as such action does not abrogate the obligations of the Agency contained in Section 3.06(b) above. The Agency may, however, at the Agency's own cost and expense and in the Agency's own name or in the name of the Authority prosecute or defend any action or proceeding or take any other action involving third persons which the Agency deems reasonably necessary in order to secure or protect the Agency's right of possession, occupancy and use hereunder, and in such event the Authority hereby agrees to cooperate fully with the Agency and to take such action necessary to effect the substitution of the Agency for the Authority in such action or proceeding if the Agency so requests.

Section 3.07. Pledge of Net Revenues; Transfer to Pay Installment Payments; Release from Lien.

(a) Pledge of Net Revenues. The Agency hereby agrees that the payment of the Installment Payments shall be secured by a pledge, charge and lien upon Net Revenues on a parity with the pledge which secures all outstanding Parity Obligations, and Net Revenues sufficient to pay the Installment Payments as they become due and payable are hereby pledged, charged, assigned, transferred and set over by the Agency to the Authority and its assigns for the purpose of securing payment of the Installment Payments. The Net Revenues shall constitute a trust fund for the security and payment of the Installment Payments.

The Installment Payments and all Parity Obligations are equally secured by a pledge, charge and lien upon the Net Revenues and such moneys without priority for series, issue, number or date and the payment of the interest on and principal of the Installment Payments shall be and are secured by an exclusive pledge, charge and lien upon the Net Revenues and such moneys.

(b) Transfer to Pay Installment Payments. There is hereby created a separate fund to be known as the "Sewer Enterprise Fund," to be held and maintained by the Agency. The Agency shall deposit all Gross Revenues in the Sewer Enterprise Fund promptly upon the receipt thereof. In addition to withdrawals required to pay principal of and interest on the Parity Obligations, the Agency shall, on or before each Installment Payment Date, deposit Net Revenues in the Sewer Enterprise Fund and transfer to the Installment Payment Fund the amount indicated in Exhibit B attached hereto as required for the next occurring Installment Payment Date. Notwithstanding Exhibit B attached hereto, the Agency shall be obligated to make Installment Payments sufficient to pay all principal and interest due with respect to the Installment Payments.

Pursuant to Section 5451 of the Government Code of the State of California, the pledge of the Net Revenues by the Agency for the repayment of the principal of, premium, if any, and interest components of the Installment Payments constitutes a first lien and security interest which immediately attaches to such Net Revenues, and is effective and binding against the Agency, the Authority, their successors, creditors and all others asserting rights therein irrespective of whether those parties have notice of the pledge, irrespective of whether such amounts are or may be deemed to be a fixture and without the need for physical delivery, recordation, filing or further act.

(c) Release from Lien. Following the transfer described in paragraph (b) of this Section 3.07 with respect to each October 1 Installment Payment Date, Net Revenues on deposit in the Sewer Enterprise Fund in excess of amounts required for the payment of the Installment Payments and any Parity Obligations in that Fiscal Year shall be available for any lawful purpose of the Agency.

Section 3.08. Rate Covenant; Rate Stabilization Fund.

(a) Rate Covenant. The Agency hereby covenants that it shall prescribe, revise and collect such charges for the services and facilities of the Enterprise which, after allowances for contingencies and error in the estimates, will produce Net Revenues equal to at least 1.20 times the following:

(i) the Installment Payments coming due and payable during such Fiscal Year, and

(ii) all payments required with respect to Parity Obligations, if any.

(b) Rate Stabilization Fund. There is hereby created a separate fund to be known as the "Rate Stabilization Fund," to be held and maintained by the Agency. The Rate Stabilization Fund is not pledged to secure payment of the Installment Payments. Amounts in the Rate Stabilization Fund shall be applied solely for the uses and purposes set forth in this subsection (b). The Agency shall have the right to deposit into the Rate Stabilization Fund from time to time any amount of funds which are legally available therefor; provided that deposits for each Fiscal Year may be made until (but not after) 120 days following the end of such Fiscal Year.

For the purpose of computing the amount of Net Revenues for any Fiscal Year for purposes of the preceding subsection (a), the Agency shall be permitted to transfer amounts on deposit in the Rate Stabilization Fund for purposes of such computation, such transfers to be made until (but not after) 120 days after the end of such Fiscal Year. In addition, the Agency shall be permitted to withdraw amounts on deposit in the Rate Stabilization Fund for any other lawful purpose.

Section 3.09. Limitations on Future Obligations Secured by Net Revenues.

(a) No Obligations Superior to Installment Payments. In order to protect further the availability of the Net Revenues and the security for the Installment Payments and any Parity Obligations, the Agency hereby agrees that the Agency shall not, so long as any Installment Payments remain unpaid, issue or incur any obligations payable from Gross Revenues or Net Revenues superior to the Installment Payments or such Parity Obligations.

(b) Parity Obligations. The Agency further covenants that, except for obligations issued or incurred to prepay the Installment Payments in full pursuant to Section 4.02 hereof, the Agency shall not issue or incur any Parity Obligations unless all of the following conditions are met:

(i) The Agency may not be in default under the terms of this Installment Sale Agreement.

(ii) Net Revenues, calculated on sound accounting principles, as shown by the books of the Agency for the latest Fiscal Year or any more recent 12-month period selected by the Agency ending not more than 60 days prior to the adoption of the resolution pursuant to which instrument such Parity Obligations are issued or incurred, as shown by the books of the Agency, equals at least 1.20 times the sum of the average annual Installment Payments, average annual debt service on all outstanding Parity Obligations outstanding at the time the additional parity obligations are issued or incurred, and average annual debt service on all additional parity obligations proposed to be issued or incurred. Either or both of the following items may be added to such Net Revenues for the purpose of applying the restriction contained in this subsection (b)(ii):

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

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

(iii) A reserve fund shall be funded for such Parity Obligations, but only if and to the extent required by the purchaser of such Parity Obligations.

(iv) So long as all of the Installment Payments are due to the Assignee, the prior written consent of the Assignee must be obtained, which may not be unreasonably withheld.

Section 3.10. Additional Payments. In addition to the Installment Payments, the Agency shall pay, from Net Revenues, when due all costs and expenses incurred by the Authority to comply with the provisions of the Assignment Agreement and this Installment Sale Agreement, including, without limitation all Delivery Costs, and all costs and expenses of attorneys, auditors, engineers and accountants.

ARTICLE IV

PREPAYMENT OF INSTALLMENT PAYMENTS

Section 4.01. Prepayment. The Agency shall have the right to prepay the Installment Payments, but only in the manner, at the times and in all respects in accordance with the provisions of this Article IV.

Section 4.02. Optional Prepayment. Subject to the terms and conditions of this Section 4.02, the Authority hereby grants an option to Agency to prepay the Installment Payments in full, by paying the total unpaid principal component of the Installment Payments as set forth in Exhibit B by paying an amount equal to any integral multiple of the Denomination Amount, on any date on or after April 1, 2022, together with accrued interest to the prepayment date, without premium.

The Agency may exercise this option on any date following written notice by the Agency to the Authority and the Assignee of the exercise of such option at least 30 days prior to the date designated for prepayment.

In order to prepay the Installment Payments, the Agency shall deposit with the Assignee, no later than the applicable prepayment date, (i) cash in an amount sufficient to pay the prepayment price set forth above.

Section 4.03. Mandatory Prepayment From Net Proceeds of Insurance or Condemnation . The Agency shall be obligated to prepay the Installment Payments in whole or in part on any Installment Payment Date from and to the extent of any Net Proceeds of any insurance or condemnation award theretofore deposited in the Installment Payment Fund for such purpose pursuant to Section 5.07 hereof.

The Agency and the Authority hereby agree that such Net Proceeds shall be credited towards the Agency's obligations under this Section 4.03. Except in the case of such prepayment of the Installment Payments in full, such payment shall be in addition to the Installment Payment required to be paid by the Agency on such date. Prepayment of Installment Payments pursuant to this Section shall be applied against the final unpaid principal installment of the Installment Payments.

Section 4.04. Credit for Amounts on Deposit. If the Agency elects or is required to prepay the Installment Payments in full under this Article IV, all amounts then on deposit in the Installment Payment Fund shall be credited towards the amounts required to be so prepaid.

Section 4.05. Security Deposit. Notwithstanding any other provision of this Installment Sale Agreement, the Agency may, on any date, secure the payment of Installment Payments by a deposit with the Assignee, of either of the following:

(a) All Installment Payments. In the case of a security deposit relating to all Installment Payments, either (i) an amount which, together with amounts on deposit in the Installment Payment Fund, is sufficient to pay all unpaid Installment Payments, including the principal and interest components thereof, in accordance with the Installment Payment schedule set forth in Exhibit B attached hereto, or (ii) Defeasance

Obligations, together with cash, if required, in such amount as will, in the opinion of nationally-recognized bond counsel and of an independent certified public accountant, together with interest to accrue thereon and, if required, all or a portion of moneys or Defeasance Obligations then on deposit in the Installment Payment Fund, be fully sufficient to pay all unpaid Installment Payments on their Installment Payment Date.

(b) Portion of Installment Payments. In the case of a security deposit relating to a portion of the Installment Payments both (i) a certificate executed by an Agency Representative designating the portion of the Installment Payments to which the deposit pertains, and (ii) cash or Defeasance Obligations, in such amount as will, together with interest to be received thereon, if any, and an allocable portion of amounts on deposit in the Installment Payment Fund, be fully sufficient in the opinion of an independent certified public accountant, to pay the portion of the Installment Payments designated in such Agency Representative's certificate.

(c) Effect. In the event of a deposit pursuant to this Section 4.05, all obligations of the Agency under this Installment Sale Agreement pertaining to the portion of the Project for which the deposit has been made shall cease and terminate, excepting only the obligation of the Agency to make, or cause to be made, all Installment Payments, or the portion of Installment Payments to which the deposit pertains, from the deposit made by Agency pursuant to this Section 4.05. Such deposit shall be deemed to be and shall constitute a special fund for the payment of Installment Payments in accordance with the provisions of this Installment Sale Agreement; and further provided that any security deposit relating to the Project shall not affect the rate covenants of the Agency contained in Section 3.07 hereof if such security deposit is insufficient to pay or prepay all Installment Payments as they become due and payable. Upon such deposit, the Authority will execute or cause to be executed any and all documents as may be necessary to release the security provided hereby to the extent of such deposit.

ARTICLE V

MAINTENANCE; TAXES; INSURANCE; TAX COVENANTS

Section 5.01. Maintenance, Taxes and Assessments, Contests.

(a) Operation. The Agency covenants to operate the Enterprise in an efficient and economical manner and operate, maintain and preserve the Enterprise in good repair and working order in accordance with customary standards and practices applicable to similar facilities

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

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

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

Section 5.03. Installation of Agency's Equipment. The Agency may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Project. All such items shall remain the sole property of the Agency, in which neither the Authority nor the Assignee shall have any interest, and may be modified or removed by the Agency at any time provided that the Agency shall repair and restore any and all damage to the Project resulting from the installation,

modification or removal of any such items. Nothing in this Installment Sale Agreement shall prevent the Agency from purchasing items to be installed pursuant to this Section 5.03 under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof.

Section 5.04. Public Liability and Property Damage Insurance.

(a) Insurance Policies. The Agency shall maintain or cause to be maintained, throughout the Term of the Installment Sale Agreement, insurance policies, including a standard comprehensive general insurance policy or policies in protection of the Agency, its members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the operation of the Enterprise (but only if such insurance is available at reasonable cost on the open market from reputable insurance companies). Such policy or policies shall provide coverage in the minimum liability limits of $1,000,000 for personal injury or death of each person and in each accident or event, and in a minimum amount of $250,000 (subject to a deductible clause of not to exceed $200,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of $2,500,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the Agency, and may be maintained in the form of insurance maintained through a nonprofit public benefit corporation created for such purpose or in the form of self-insurance by the Agency.

(b) Self-Insurance. If the Agency maintains self-insurance, it shall supply to the Assignee a statement of sufficiency by an independent insurance consultant or the Agency's risk manager on an annual basis as described in Section 5.06 hereof.

(c) Application of Net Proceeds. The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

Section 5.05. Fire and Extended Coverage Insurance.

(a) Insurance Policies. The Agency shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Installment Sale Agreement, insurance against loss or damage to any structures constituting any part of the Enterprise (excluding transmission and distribution pipelines and equipment in public and private rights-of-way) by fire and lightning, with extended coverage insurance but not including earthquake insurance. Such insurance shall be in an amount equal to the greater of 100% of the replacement cost of the Project or the then outstanding principal amount of Installment Payments. Such insurance may be subject to a deductible clause of not to exceed ten percent of said replacement cost for any one loss. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the Agency, and may be maintained in the form of insurance maintained through a nonprofit public benefit corporation created for such purpose or in the form of self-insurance by the Agency.

(b) Self-Insurance. If the Agency maintains self-insurance, it will supply to the Assignee a statement of sufficiency by an independent insurance consultant or the Agency's risk manager on an annual basis as described in Section 5.06 hereof.

(c) Application of Net Proceeds. Net Proceeds of such insurance shall be applied as provided in Section 5.07 hereof.

Section 5.06. Insurance Net Proceeds; Form of Policies. The insurance required by Sections 5.04 and 5.05 above shall provide that all proceeds thereunder shall be payable to the Assignee. The Agency shall pay or cause to be paid when due the premiums for all insurance policies required by this Installment Sale Agreement. All such policies shall provide that the Authority and the Assignee are named as additional insureds and that the Assignee shall be given 30 days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Agency shall cause to be delivered to the Assignee annually, promptly following the end of each Fiscal Year, a Written Certificate signed by an Agency Representative stating that the Agency is in compliance with Sections 5.04 and 5.05 of this Agreement.

Section 5.07. Application of Net Proceeds.

(a) From Insurance Award. The Net Proceeds of any insurance award resulting from any damage to or destruction of the Project by fire or other casualty shall be deposited in a special fund designated as the "Insurance and Condemnation Fund" by the Agency promptly upon receipt thereof and, if the Agency Representative notifies the Assignee in writing of the Agency's determination that the replacement, repair, restoration, modification or improvement of the Project is not economically feasible or in the best interest of the Agency, then such Net Proceeds shall be promptly transferred by the Assignee to the Installment Payment Fund to be applied as provided in Section 4.03 hereof.

All Net Proceeds deposited in the Insurance and Condemnation Fund and not so transferred shall be applied to the prompt replacement, repair, restoration, modification or improvement of the Project by the Agency, upon receipt of a requisition, signed by the Agency Representative stating with respect to each payment to be made:

(i) the requisition number,

(ii) the name and address of the person, firm or corporation to whom payment is due,

(iii) the amount to be paid and

(iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation.

Any balance of the Net Proceeds remaining after such work has been completed shall be transferred to the Installment Payment Fund. The Agency covenants that it will commence such replacement, repair, restoration, modification or improvement or

indicate that such replacement, repair, restoration, modification or improvement is not economically feasible within 180 days of receipt of such Net Proceeds.

(b) From Eminent Domain Award. If all or any part of the Project is taken by eminent domain (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be deposited by the Agency in the Insurance and Condemnation Fund and shall be applied and disbursed as follows:

(a) If the Agency determines that such eminent domain proceedings have not materially affected the operation of the Project, or the ability of the Agency to meet any of its obligations under this Installment Sale Agreement, and if the Agency determines that such proceeds are:

(i) not needed for repair, replacement or rehabilitation of the Project, the Agency shall transfer such proceeds to the Installment Payment Fund to be credited towards the prepayments required to be paid pursuant to Section 10.03 hereof, or

(ii) needed for repair or rehabilitation of the Project, the Agency shall pay from said proceeds such amounts as the Agency may expend for such repair or rehabilitation, upon the filing of a requisition of the Agency Representative.

(b) If (i) less than all of the Project is taken in such eminent domain proceedings, and if the Agency determines that such eminent domain proceedings have materially affected the operation of the Project or the ability of the Agency to meet any of its obligations under the Installment Sale Agreement or (ii) all of the Project is taken in such eminent domain proceedings, then the Agency shall transfer such proceeds to the Installment Payment Fund to be credited toward the prepayment required to be paid pursuant to Section 4.03 hereof and applied to the prepayment of Installment Payments.

Section 5.08 Advances. If the Agency fails to perform any of its obligations under this Article V, the Authority may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the Agency shall be obligated to repay all such advances as soon as possible, with interest at the rate of interest with respect to the Installment Payments from the date of the advance to the date of repayment.

Section 5.09 Tax Covenants.

(a) Private Activity Bond Limitation. The Agency will assure that the proceeds of this Installment Sale Agreement are not so used as to cause the obligations of the Agency under this Installment Sale Agreement to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(b) Federal Guarantee Prohibition. The Agency will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the obligations of the Agency under this Installment Sale Agreement to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(c) Rebate Requirement. The Agency will take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess

investment earnings, if any, to the federal government, to the extent that such section is applicable to this Installment Sale Agreement.

(d) No Arbitrage. The Agency will not take any action with respect to the proceeds of this Installment Sale Agreement which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of delivery of this Installment Sale Agreement would have caused any of the obligations of the Agency under this Installment Sale Agreement to be "arbitrage bonds" within the meaning of section 148 of the Code.

(e) Maintenance of Tax-Exemption. The Agency will take all actions necessary to assure the exclusion of interest with respect to this Installment Sale Agreement from the gross income of the Assignee to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of delivery of this Installment Sale Agreement.

(f) Record Retention. The Agency will retain its records of all accounting and monitoring it carries out with respect to this Installment Sale Agreement for at least 3 years after Term or earlier prepayment of this Installment Sale Agreement.

(g) Compliance with Tax Certificate. The Agency will comply with the provisions of the Tax Certificate and the Use of Proceeds Certificate with respect to this Installment Sale Agreement, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive prepayment in full or defeasance of the Agency's obligations under this Installment Sale Agreement.

(h) Small Issuer Exemption from Bank Nondeductibility Restriction. The Agency hereby designates this Installment Sale 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 Installment Sale Agreement, has been or will be issued by the Agency, including all subordinate entities of the Agency, during the calendar year 2017.

ARTICLE VI

DISCLAIMER OF WARRANTIES; ACCESS; INDEMNITY

Section 6.01. Disclaimer of Warranties. The Authority makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the Agency for the Project or any item thereof, or any other representation or warranty with respect to the Project or any item thereof. In no event shall the Authority be liable for incidental, indirect, special or consequential damages, in connection with or arising out of this Installment Sale Agreement or the Assignment Agreement for the existence, furnishing, functioning or Agency's use of the Project.

Section 6.02. Access to the Project and Records. To the extent permitted by law, the Agency agrees that the Authority, any Authority Representative, and the Authority's successors or assigns shall have the right at all reasonable times to enter upon and to examine and inspect the Project. The Agency further agrees that the Authority, any Authority Representative, and the Authority's successors or assigns shall have such rights of access to the Project as may be reasonably necessary to cause the proper maintenance of the Project in the event of failure by the Agency to perform its obligations hereunder. In addition, the Agency agrees that the Authority, any Authority Representative, and the Authority's successors or assigns shall have the right at all reasonable times to inspect and examine all books, papers and records of the Authority and the Agency pertaining to the Project and the Installment Payments, to make copies thereof and to take non-privileged memoranda therefrom or with respect thereto as may be desired.

The Agency shall cause its books and accounts to be audited annually by an Independent Accountant not more than 270 days after the close of each Fiscal Year, and shall file a copy of such report with the Assignee. Such report may be part of a combined financial audit or report covering all or part of the Agency's finances.

Section 6.03. Indemnity. The Agency shall and hereby agrees to indemnify and save the Authority and its successors and assigns, including the Assignee, harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of:

(a) the use, maintenance, condition or management of, or from any work or thing done on the Project by the Agency;

(b) any breach or default on the part of the Agency in the performance of any of its obligations under this Installment Sale Agreement;

(c) any act or negligence of the Agency or of any of its agents, contractors, servants, employees or licensees with respect to the Project;

(d) any act or negligence of any assignee or sublessee of the Agency with respect to the Project; or

No indemnification is made under this Section 6.03, or elsewhere in this Installment Sale Agreement for willful misconduct, negligence, or breach of duty under this Installment Sale Agreement by the Authority, its officers, agents, employees, successors or assigns.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.01. Events of Default Defined. The following shall be "events of default" under this Installment Sale Agreement and the terms "events of default" and "default" shall mean, whenever they are used in this Installment Sale Agreement, any one or more of the following events:

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

(b) Failure by the Agency to observe and perform any covenant, condition or agreement on its part to be observed or performed in this Installment Sale Agreement or the Assignment Agreement, other than as referred to in clause (a) of this Section 7.01, for a period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the Agency by the Authority or the Assignee; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Authority or the Assignee, as applicable, shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the Agency within the applicable period and diligently pursued until the default is corrected; or

(c) The filing by the Agency of a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or the approval by a court of competent jurisdiction of a petition filed with or without the consent of the Agency seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the Agency or of the whole or any substantial part of its property; or

(d) An event of default occurs and is continuing with respect to any Parity Obligations.

Section 7.02. Remedies on Default. Whenever any event of default referred to in Section 7.01 hereof shall have happened and be continuing, the Authority shall have the right, at its option and without any further demand or notice, to:

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

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

Section 7.03. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Installment Sale Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in this Article it shall not be necessary to give any notice, other than such notice as may be required in this Article or by law.

Section 7.04. Prosecution and Defense of Suits. The Agency shall promptly, upon request of the Authority or the Assignee, from time to time take or cause to be taken such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Project whether now existing or hereafter developing and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and, to the extent permitted by law, shall indemnify or cause to be indemnified the Authority and the Assignee for all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceedings.

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

Section 7.05. No Additional Waiver Implied by One Waiver. If any agreement contained in this Installment Sale Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 7.06. Liability Limited to Net Revenues. Notwithstanding any provision of this Installment Sale Agreement, the Agency's liability to pay the Installment Payments and other amounts hereunder shall be limited solely to Net Revenues as provided in Sections 3.06 and 3.07 hereof. If Net Revenues are insufficient at any time to pay an Installment Payment in full, the Agency shall not be liable to pay or prepay such Installment Payment other than from Net Revenues.

Section 7.07. Pro Rata Application of Net Revenues. If, at any time, there is a deficiency in Net Revenues available to pay the Installment Payments, any amounts due with respect to Parity Obligations (which may require the consent of the Assignee as set forth in Section 3.09(b)(iv)), or amounts required to replenish any reserve fund established for Parity Obligations, available Net Revenues shall be applied on a pro rata basis to the payment of such Installment Payments, to the payment of amounts due with respect to Parity Obligations, and to the replenishment of any reserve fund established for Parity Obligations.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Assignment, Sale or Lease by the Agency.

(a) Assignment or Sale. This Installment Sale Agreement may not be assigned by the Agency, and the Enterprise may not be sold by the Agency during the Term of this Installment Sale Agreement.

(b) Lease. The Agency may lease the Project, or any portion thereof, with the written consent of the Assignee, subject to all of the following conditions:

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

(ii) The Agency shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Authority and the Trust Administrator a true and complete copy of the documents accomplishing such lease;

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

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

Section 8.02. Amendment of Installment Sale Agreement. The Agency will not alter, modify or cancel or agree or consent to alter, modify or cancel this Installment Sale Agreement, except as permitted by Section 5.07, without the written consent of the Assignee and the Authority,

Section 8.03. Binding Effect. This Installment Sale Agreement shall inure to the benefit of and shall be binding upon the Authority and the Agency and their respective successors and assigns.

Section 8.04. Applicable Law. This Installment Sale Agreement shall be governed by and construed in accordance with the laws of the State.

Section 8.05. Severability. If any provision of this Installment Sale Agreement is held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 8.06. Captions. The captions or headings in this Installment Sale Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provision, Article or Section of this Installment Sale Agreement.

Section 8.07. Net Contract. This Installment Sale Agreement shall be deemed and construed to be a "net contract" and the Agency hereby agrees that the Installment Payments shall be an absolute net return to the Authority, free and clear of any expenses, charges or set-offs whatsoever.

Section 8.08. Further Assurances and Corrective Instruments. The Authority and the Agency agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project hereby sold or intended so to be or for carrying out the expressed intention of this Installment Sale Agreement.

Section 8.09. Authority and Agency Representatives. Whenever under the provisions of this Installment Sale Agreement the approval of the Authority or the Agency is required, or the Authority or the Agency is required to take some action at the request of the other, such approval or such request shall be given for the Authority by an Authority Representative and for the Agency by an Agency Representative, and any party hereto shall be authorized to rely upon any such approval or request.

Section 8.10. Notices. All notices, certificates or other communications hereunder shall be sufficiently given and shall be deemed to have been received 48 hours after deposit in the United States mail with postage fully prepaid:

If to the Agency:	Sonoma County Water Agency 404 Aviation Blvd. Santa Rosa, CA 95403 Attention: Division Manager – Administration & Finance
If to the Authority:	Sonoma County Water and Wastewater Financing Authority 404 Aviation Blvd. Santa Rosa, CA 95403 Attention: Division Manager – Administration & Finance
If to the Assignee:	Branch Banking and Trust Company 5130 Parkway Plaza Blvd. Charlotte, NC 28205 Attention: William DaSilva

The Authority, the Agency and the Assignee, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 8.11. Waiver of Jury Trial; Agreement for Judicial Reference To the fullest extent permitted by law, the Agency hereby waives its right to trial by jury in any action, proceeding and/or hearing on any matter whatsoever arising out of, or in any way connected with, this Agreement or any related documents, or the enforcement of any remedy under any law, statute, or regulation. To the extent such waiver is not enforceable, the Agency hereby consents to the adjudication of any and all such matters pursuant to Judicial Reference as provided in Section 638 of the California Code of Civil Procedure, and the judicial referee shall

be empowered to hear and determine any and all issues in such Judicial Reference whether fact or law.

To the extent the foregoing waiver of a jury trial is unenforceable under applicable California law, the Agency agrees to refer, for a complete and final adjudication, any and all issues of fact or law involved in any litigation or proceeding (including all discovery and law and motion matters, pretrial motions, trial matter and post-trial motions up to and including final judgment), brought to resolve any dispute (whether based on contract, tort or otherwise) between the parties hereto arising out of, in connection with or otherwise related or incidental to this Agreement to a judicial referee who shall be appointed under a general reference pursuant to California Code of Civil Procedure Section 638, which referee's decision will stand as the decision of the court. Such judgment will be entered on the referee's statement of judgment in the same manner as if the action had been tried by the court. The Agency and the Assignee shall select a single neutral referee, who shall be a retired state or federal judge with at least five years of judicial experience in civil matters; provided that the event the Agency and the Assignee cannot agree upon a referee, the referee will be appointed by the court.

Section 8.12. Execution in Counterparts. This Installment Sale Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

IN WITNESS, the Authority has caused this Installment Sale Agreement to be duly executed in its name by its duly authorized officer; and the Agency has caused this Installment Sale Agreement to be duly executed in its name by its duly authorized officer; all as of the date first above written.

SONOMA COUNTY WATER AND
WASTEWATER FINANCING AUTHORITY,
as Seller

Attest

By _____
Secretary

By _____
Executive Director

SONOMA COUNTY WATER AGENCY,
as Purchaser

Attest

By _____
Clerk

By _____
General Manager

:

EXHIBIT A

DESCRIPTION OF THE PROJECT

The Project consists of the following improvements to the Enterprise:

Improvements known as the Storage, Reclamation, and Treatment Facilities, Tertiary Treatment Plant Upgrade Project, consisting of upgrading the existing pond treatment system from secondary to tertiary treatment by adding microfiltration facilities, a microfiltration building, a chlorine contact tank, an effluent pump station, an emergency generator, an emergency generator building, site piping, related electrical work, conversion to a primary power supply, and construction of approximately 3,430 linear feet of a recycled water main pipeline. The project was constructed to manage existing flows into the treatment plant under certain weather conditions and to meet projected future flows expected as development within the Airport/Larkfield/Wikiup Sanitation Zone occurred.

EXHIBIT B
SCHEDULE OF INSTALLMENT PAYMENTS

(Interest Rate is 2.33% per annum)

Payment Date	Principal	Interest	Total Payment	Annual Total
10/01/2017	$333,305.68	$42,276.10	$375,581.78	--
04/01/2018	--	39,109.63	39,109.63	$414,691.41
10/01/2018	343,721.50	39,109.63	382,831.13	--
04/01/2019	--	35,105.28	35,105.28	417,936.41
10/01/2019	347,802.76	35,105.28	382,908.04	--
04/01/2020	--	31,053.37	31,053.37	413,961.41
10/01/2020	359,796.29	31,053.37	390,849.66	--
04/01/2021	--	26,861.75	26,861.75	417,711.41
10/01/2021	361,195.85	26,861.75	388,057.60	--
04/01/2022	--	22,653.82	22,653.82	410,711.42
10/01/2022	371,987.43	22,653.82	394,641.25	--
04/01/2023	--	18,320.16	18,320.16	412,961.41
10/01/2023	377,089.18	18,320.16	395,409.34	--
04/01/2024	--	13,927.07	13,927.07	409,336.41
10/01/2024	391,417.28	13,927.07	405,344.35	--
04/01/2025	--	9,367.06	9,367.06	414,711.41
10/01/2025	394,953.50	9,367.06	404,320.56	--
04/01/2026	--	4,765.85	4,765.85	409,086.41
10/01/2026	409,086.18	4,765.85	413,852.03	413,852.03
	$3,690,355.65	$444,604.08	$4,134,959.73	$4,134,959.73

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

SONOMA COUNTY WATER AND WASTEWATER FINANCING AUTHORITY, *as Seller*

Attest SHERYL BRATTON

By by: _____
Secretary

By _____
Executive Director

SONOMA COUNTY WATER AGENCY,
as Purchaser

Attest SHERYL BRATTON

By by: _____
Clerk

By _____
General Manager

BRANCH BANKING AND TRUST COMPANY,
a North Carolina banking corporation,
as Assignee

By _____

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

SONOMA COUNTY WATER AND WASTEWATER FINANCING AUTHORITY, *as Seller*

Attest SHERYL BRATTON

By by: _____
Secretary

By _____
Executive Director

SONOMA COUNTY WATER AGENCY,
as Purchaser

Attest SHERYL BRATTON

By by: _____
Clerk

By _____
General Manager

BRANCH BANKING AND TRUST COMPANY,
a North Carolina banking corporation,
as Assignee

By _____