



**SPECIAL MEETING
OF
BOARD OF DIRECTORS
MONTECITO WATER DISTRICT
583 SAN YSIDRO ROAD
MONTECITO, CALIFORNIA**

**FRIDAY OCTOBER 12, 2018
9:30 A.M.**

AGENDA

1. CALL TO ORDER, ROLL CALL, DETERMINATION OF QUORUM

2. PUBLIC FORUM

This portion of the agenda may be utilized by any member of the public to address and ask questions of the Board of Directors on any matter not on the agenda within the jurisdiction of the Montecito Water District. Depending upon the subject matter, the Board of Directors may be unable to respond at this time, or until the specific item is placed on the agenda at a future MWD Board meeting in accordance with the Ralph M. Brown Act.

3. DISTRICT OPERATIONS AND GENERAL MANAGER'S REPORTS

- A. BOARD ACTION: Adoption of Resolution No. 2171 authorizing the execution and delivery of an installment purchase agreement and related documents with Holman Capital Corporation for the Smart Metering Program.

4. LEGAL MATTERS

- A. CLOSED SESSION: Pursuant to Government Code Section 54956.9(d)(2) Conference with Legal Counsel – Anticipated Litigation, 2 cases.

5. ADJOURNMENT

Note: This agenda was posted at the Montecito Water District front counter and outside display case at 9:30 a.m. on October 9, 2018. The Americans with Disabilities Act provides that no qualified individual with a disability shall be excluded from participation in, or denied the benefits of, the District's programs, services or activities because of any disability. If you need special assistance to participate in this meeting, please contact the District Office at 805-969-2271. Notification at least twenty-four (24) hours prior to the meeting will enable the District to make appropriate arrangements.

Supporting documents for agenda items are available at the District front counter during normal business hours.

Materials related to an item on this agenda submitted to the Board after distribution of the agenda packet are available for public inspection in the Montecito Water District offices located at 583 San Ysidro Road, Montecito, during normal business hours.

**MONTECITO WATER DISTRICT
MEMORANDUM**

SECTION: 3-A

DATE: OCTOBER 12, 2018

TO: BOARD OF DIRECTORS

FROM: BUSINESS MANAGER

**SUBJECT: ADOPTION OF RESOLUTION NO. 2171 AUTHORIZING THE
EXECUTION OF AN INSTALLMENT PURCHASE AGREEMENT WITH
HOLMAN CAPITAL CORPORATION WITH RESPECT TO THE SMART
METERING PROGRAM**

RECOMMENDATION:

Adopt Resolution No. 2171 authorizing the execution and delivery of an installment purchase and related documents with Holman Capital Corporation for financing the Smart Metering Program.

DISCUSSION:

On September 25, 2018, the Board approved Holman Capital Corporation as the source of financing for the Smart Meter Program. Attached is copy of the proposed Installment Purchase Agreement provided by Holman Capital Corporation. Also attached is proposed Resolution No. 2171 authorizing the District enter into the referenced agreement.

The attached resolution and Installment Purchase Agreement have been reviewed by legal counsel.

ATTACHMENTS

1. Resolution No. 2171
2. Holman Capital Corporation Installment Purchase Agreement
3. Draft of District Counsel Opinion Letter

RESOLUTION NO. 2171

**RESOLUTION OF THE BOARD OF DIRECTORS OF MONTECITO WATER DISTRICT,
AUTHORIZING THE EXECUTION AND DELIVERY OF AN INSTALLMENT
PURCHASE AGREEMENT AND RELATED DOCUMENTS WITH RESPECT TO THE
SMART METER REPLACEMENT PROGRAM; AND AUTHORIZING THE TAKING OF
ALL OTHER ACTIONS NECESSARY TO CONSUMMATE THE TRANSACTIONS
CONTEMPLATED BY THIS RESOLUTION**

WHEREAS, the Montecito Water District (the "*District*"), is a County Water District organized and existing under Water Code §§30000 – 33901, and is authorized by the laws of the State of California to purchase, acquire, and finance personal property for the benefit of the District and those it provides services to, and to enter into contracts with respect thereto [Water Code §§31000, 31001, 31004, 31020, and 31042];

WHEREAS, the District desires to purchase, acquire and finance certain equipment constituting personal property necessary for the District to perform essential governmental functions; including without limitation 4,605 new water meters and the Advanced Metering Infrastructure ("*AMI*") to read those meters in an automated and cost effective manner, which includes meter radios, AMI hardware, associated software, and installation services, as well as any and all other equipment and services as the Designated Officers may deem necessary and/or desirable in an amount not more than \$3,000,000.00 (the "*Project*");

WHEREAS, in order to acquire such Project, the District proposes to enter into that certain Installment Purchase Agreement (together with all related exhibits, schedules, and certificates attached thereto, the "*Agreement*") with Holman Capital Corporation (the "*Corporation*") and one Escrow Agreement (together the Disbursement/Payment Request Form and Acceptance Certificate, the "*Escrow Agreement*") with the Corporation;

WHEREAS, the Agreement and Escrow Agreement are referred to in this Resolution collectively as the "Transaction Documents";

WHEREAS, the Governing Body of the District deems it for the benefit of the District and for the efficient and effective administration thereof to enter into the above referenced Transaction Documents for the purchase and installation of the Project on the terms and conditions therein described and provided;

NOW, THEREFORE, BE IT RESOLVED by the Governing Body of the Montecito Water District as follows:

Section 1. Approval of Documents. The Governing Body of the District hereby authorizes and directs W. Douglas Morgan, President of the Board of Directors of Montecito Water District, and such other persons as he may delegate (the "Designated Officers"), and each of them individually, for and in the name of and on behalf of the District, to execute and deliver the Transaction Documents, and any related Certificate, Exhibits, or other documents attached thereto in such forms with such changes, modification, negotiations, insertions, revisions, corrections, or amendments as shall be approved by the officer executing them. The execution of the foregoing by a Designated Officer shall constitute conclusive evidence of such officer's and the Governing Body's approval of any such changes, insertions, revisions, corrections, negotiations, or amendments to the respective forms of agreements presented to this meeting.

Section 2. Other Actions Authorized. The officers and employees of the District shall take all action necessary or reasonably required by the parties to the Transaction Documents to carry out, give effect to, and consummate the transactions contemplated thereby (including the execution and delivery of Certificates of Acceptance and Disbursement/Payment Requests, Notice and Acknowledgements of Assignments, and any tax certificate and agreement, each with respect to and as contemplated in the Agreement and/or Escrow Agreement) and to take all action necessary in conformity therewith, including, without limitation, the execution and delivery of any closing and other documents required to be delivered in connection with the Transaction Documents. The Designated Officers and all other officers and employees of the District are hereby directed and authorized to take and shall take all action necessary or reasonably required in order to select, purchase, and take delivery of the Project. All actions heretofore taken by officers, employees, and agents of the District that are in conformity with the purposes and intent of this resolution are hereby approved, confirmed, and ratified.

Section 3. No General Liability. Nothing contained in this Resolution No. 2171 the Transaction Documents, nor any other instrument shall be construed with respect to the District as incurring a pecuniary liability or charge upon the general credit of the District or against its taxing power, nor shall the breach of any agreement contained in this Resolution No. 2171, the Transaction Documents, or any other instrument or document executed in connection therewith impose any pecuniary liability upon the District or any charge upon its general credit or against its taxing power, except to the extent that the installment sale payments payable under the Transaction Documents are special limited obligations of the District as provided therein.

Section 4. Appointment of Authorized District Representatives. The following individuals are the Designated Officers of the District as contemplated under this

Resolution: Nicholas Turner, General Manager and Daryl Smith, Finance Manager. The Designated Officers are each hereby designated to act as authorized representatives of the District for purposes of the Transaction Documents until such time as the Governing Body of the District shall designate any other or different authorized representative for purposes of the Transaction Documents.

Section 5. Severability. If any section, paragraph, clause, or provision of this Resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Resolution No. 2171.

Section 6. Repealer. All bylaws, orders, and resolutions or parts thereof, inconsistent herewith, are hereby repealed to the extent only of such inconsistency. This repealer shall not be construed as reviving any bylaw, order, resolution, or ordinance or part thereof.

Section 7. Effective Date. This Resolution 2171 shall be effective immediately upon its approval and adoption.

The foregoing Resolution was duly passed and adopted at a meeting of the Board of Directors (the "Governing Body") of Montecito Water District held on October 12, 2018, by the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

W. Douglas Morgan, President

ATTEST:

By: _____
Nicholas Turner, Secretary

INDEX TO CLOSING DOCUMENTS

\$3,000,000 2018 INSTALLMENT PURCHASE AGREEMENT FINANCING THE WATER METER REPLACEMENT PROJECT ISSUED BY THE MONTECITO WATER DISTRICT TO HOLMAN CAPITAL CORPORATION

Loan Documents:

- Tab A: Exhibit A-1 – 2018 Installment Purchase Agreement;
- Tab B: Exhibit B-1 – Authorizing Resolution of the Montecito Water District;
- Tab C: Exhibit C-1 – General Certificate of the District;
- Tab D: Exhibit D-1 – Tax Agreement and Arbitrage Certificate;
- Tab E: Exhibit E-1 – Opinion of Issuer’s Counsel;
- Tab F: Exhibit F-1 – Form 8038-G;
- Tab G: Exhibit G-1 – Bank Qualified Certificate;
- Tab H: Exhibit H-1 – Closing Memorandum;
- Tab I: Exhibit I-1 – Insurance Certificate
- Tab J: Exhibit J-1 – Escrow Agreement, together with related exhibits

Assignment Documents (Lessor and Investor Only):

- Tab K: Assignment Agreement with Schedule A thereto.



HOLMAN CAPITAL CORPORATION

TAB A:

INSTALLMENT PURCHASE AGREEMENT

between

MONTECITO WATER DISTRICT

and

HOLMAN CAPITAL CORPORATION

Dated October 17, 2018

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INSTALLMENT PURCHASE AGREEMENT

This INSTALLMENT PURCHASE AGREEMENT, dated October 17, 2018, between the MONTECITO WATER DISTRICT, a county water district formed under Division 12 of the California Water Code (the “District”), and HOLMAN CAPITAL CORPORATION, a corporation duly organized and existing under the laws of the State of Delaware (the “Corporation”), (each individually a “Party” and collectively the “Parties”). There are no other parties to this Installment Purchase Agreement.

W I T N E S S E T H:

WHEREAS, the District owns and operates an enterprise comprising property and works necessary to provide domestic water service within the District (the “Water System”);

WHEREAS, the District has determined to undertake the acquisition and installation of new water meters and related improvements throughout its service area, (collectively, the “2018 Project”) as more particularly described in Exhibit A, attached hereto and by this reference incorporated herein;

WHEREAS, the District and the Corporation are entering into this Installment Purchase Agreement, pursuant to which the Corporation will finance the acquisition of the 2018 Project and sell it to the District upon the terms and conditions set forth herein;

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

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Installment Purchase Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Parties hereto are now duly authorized to execute and enter into this Installment Purchase Agreement;

NOW, THEREFORE, in consideration of these promises and of the mutual agreements and covenants contained herein and for other valuable consideration, the Parties hereto do hereby agree as follows:

**ARTICLE I
DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICABILITY**

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto, and of any report or other document mentioned herein or therein, have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein.

Accountant’s Report means a report signed by an Independent Certified Public Accountant.

Assignee means American River Bank, as assignee of the Corporation’s interests hereunder, and its successors and assigns.

Assignment Agreement means the Assignment Agreement dated October 17, 2018, between the Corporation and the Assignee.

Board President means the President of the Board of Directors of the District, or any other person designated by the Board President to act on behalf of the Board President.

Corporation means Holman Capital Corporation, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware.

District means Montecito Water District, a county water district formed under Division 12 of the California Water Code, which is a body corporate and politic and a political subdivision duly organized and existing under and by virtue of the laws of the State of California.

Effective Interest Rate means the rate of interest per annum specified in Exhibit B.

Engineer's Report means a report signed by an Independent Engineer.

Escrow Agreement means the Escrow Agreement dated October 17, 2018, between the District, the Corporation and American River Bank, as escrow agent.

Escrow Fund means the fund by that name established pursuant to the Escrow Agreement.

Event of Default means an event described in Section 8.1.

Fiscal Year means the period beginning on July 1 of each year and ending on June 30 of each year, or any other twelve-month period selected and designated as the official Fiscal Year of the District.

Funding Date means October 17, 2018.

Independent Certified Public Accountant means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State of California, appointed and paid by the District, and who, or each of whom:

- (1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the District;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the District; and
- (3) is not connected with the District as a member, officer or employee of the District, but who may be regularly retained to audit the accounting records of and make reports thereon to the District.

Independent Engineer means a registered engineer or firm of registered engineers generally recognized to be well-qualified in engineering matters relating to water systems, appointed and paid by the District, and who:

- (1) is in fact independent and not under the domination of the District or any member thereof;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the District; and
- (3) is not connected with the District as an officer or employee of the District or any member thereof, but who may be regularly retained to make reports to the District.

Independent Financial Consultant means an individual or firm generally recognized to be well-qualified in public agency and municipal financial matters, including determinations concerning the effects of rates on such agency's or municipality's revenues, appointed and paid by the District, and who:

- (1) is in fact independent and not under the domination of the District or any member thereof;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the District; and
- (3) is not connected with the District as an officer or employee of the District or any member thereof, but who may be regularly retained to make reports to the District.

Installment Payment Dates mean twice annually, on the seventeenth (17th) day of each April and each October, commencing April 17, 2019.

2018 Installment Payments means the installment payments of interest and principal scheduled to be paid by the District under and pursuant to this Installment Purchase Agreement.

Installment Purchase Agreement means this Installment Purchase Agreement dated October 17, 2018, between the District and the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

Manager means the General Manager of the District, or any other person designated by the General Manager to act on behalf of the General Manager.

Net Proceeds 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 Water Revenues means, for any Fiscal Year, the income, rents, rates, fees, charges, taxes and other moneys generated by the District, less operating and maintenance expenses.

Operation and Maintenance Costs means all expenses and costs of management, operation, maintenance and repair of the Water System and all incidental costs, fees and expenses properly chargeable to the Water System (but excluding debt service or other similar payments on Parity Debt or other obligations and depreciation and obsolescence charges or reserves therefor and amortization of intangibles and inter-fund transfers or other bookkeeping entries of a similar nature).

Parity Debt means the payments made pursuant to any other indebtedness or other obligations (including leases and installment sale agreements), currently outstanding or hereafter issued or incurred (specifically including District's Series 2010A Certificates of Participation), which are payable from and secured by a pledge of and lien on Net Water Revenues equally and ratably with the 2018 Installment Payments.

Purchase Price means the principal amount plus interest thereon owed by the District to the Corporation under the terms hereof as provided in Section 3.3.

Resolution means the resolution adopted by the District's Board of Directors on October 12, 2018 approving this Installment Purchase Agreement, approving the financing, and approving related documents.

Water Revenues means all gross income and revenue received by the District from the ownership and operation of the Water System, including, without limiting the generality of the foregoing,

- (1) all income, rents, rates, fees, charges or other moneys derived from the Water Service;
- (2) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by, or pursuant to, the law to the Water System; and
- (3) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Water System; and
- (4) but excluding customers' deposits or any other deposits subject to refund until such deposits have become the property of the District.

Water Service means the water furnished, made available, or provided by the Water System.

Water System means the whole and each and every part of the water supply, treatment, and delivery system owned and operated by the District, including all additions, betterments, extensions and improvements to the Water System or any part thereof hereafter acquired or constructed.

Section 1.2. Benefits of Installment Purchase Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the District, the Corporation or the Assignee 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 Parties.

Section 1.3. Successor Is Deemed Included in all References to Predecessor. Whenever either the District or the Corporation is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the District or the Corporation, and all agreements and covenants required hereby to be performed by or on behalf of the District or the Corporation shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 1.4. Waiver of Personal Liability. No director, officer or employee of the District shall be individually or personally liable for the payment of the 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 1.5. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to the Installment Purchase Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 1.6. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District or the Corporation shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or

portions thereof and shall in no way affect the validity hereof. The District and the Corporation hereby declare that they would have executed this Installment Purchase Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 1.7. California Law. This Installment Purchase Agreement shall be construed and governed in accordance with the laws of the State of California.

Section 1.8. Notices. All written notices to be given hereunder shall be given by mail to the Party entitled thereto at its address set forth below, or at such other address as such Party may provide to the other Party in writing from time to time, namely:

If to the District: Montecito Water District
583 San Ysidro Road
Montecito, CA 93108
Attention: General Manager

If to the Corporation: Holman Capital Corporation
25201 Paseo de Alicia, Suite 290
Laguna Hills, CA 92653
Attention: Lance S. Holman

If to the Assignee: American River Bank
520 Capitol Mall, Suite 200
Sacramento, CA 95814
Attention: Jonathan Leckey

Section 1.9. Execution in Counterparts. This Installment Purchase Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

ARTICLE II REPRESENTATIONS BY THE DISTRICT AND THE CORPORATION

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

- (a) The District is a duly organized and existing county water district under and pursuant to the laws of the State of California, and is a political subdivision and body corporate and politic of the State of California;
- (b) The District has full legal right, power and authority to enter into this Installment Purchase Agreement and to carry out its obligations hereunder;
- (c) With the exception of the pledge of the Net Water Revenues hereunder and any pledge made with respect to Parity Debt, the Net Water Revenues have not otherwise been pledged and there are no other liens against the Net Water Revenues;

- (d) The District is not currently, and has not been at any time, in default under any long-term debt obligations;
- (e) By entering into this Agreement and the contemplated purchase transaction for the Project, the District is not violating or breaching any agreement pertaining to Parity Debt, specifically including its Series 2010A Certificates of Participation, and the District has fulfilled all requirements under those Certificates of Participation before entering into this Agreement;
- (f) The District's audited financial statements for the period ended June 30, 2017, present fairly the financial condition of the District and the Water System as of the date thereof and the results of operation for the period covered thereby. Except as has been disclosed to the Assignee, there has been no change in the financial condition of the District or the Water System since June 30, 2017, that will in the reasonable opinion of the District materially impair its ability to perform its obligations under this Installment Purchase Agreement. All information provided by the District to the Assignee with respect to the financial performance of the Water System is accurate in all material respects as of its respective date and does not omit any information necessary to make the information provided not misleading. However, Corporation and Assignee are advised that rates for public services, such as water and sewer service, are subject to certain legal restrictions in the State of California, including but not limited to Propositions 218 and 26 which require that majority protest and other procedures and limitations be followed.
- (g) As currently conducted, the District's activities with respect to the Water System are in all material respects, to the District's best knowledge, in compliance with all applicable laws, administrative regulations of the State and of the United States and any agency or instrumentality of either, and any judgment or decree to which the District is subject; and
- (h) By proper action, the District has duly authorized the execution, delivery and due performance of this Installment Purchase Agreement.

Section 2.2. Representations by the Corporation. The Corporation makes the following representations and warranties:

- (a) The Corporation is a corporation duly organized and existing under the laws of the State of Delaware.
- (b) The Corporation has full legal right, power and authority to enter into this Installment Purchase Agreement and to carry out its obligations hereunder.
- (c) By proper action, the Corporation has duly authorized the execution, delivery and due performance of this Installment Purchase Agreement.

ARTICLE III
ACQUISITION OF THE 2018 PROJECT; PURCHASE OF THE 2018 PROJECT;
2018 INSTALLMENT PAYMENTS

Section 3.1. Acquisition of the 2018 Project. (a) Funding. To fund the acquisition of the 2018 Project and associated financing costs, the Corporation hereby agrees to cause to be deposited or paid the Project Cost in the amount of \$3,000,000.00 to be deposited into the Escrow Fund for the acquisition costs associated with the 2018 Project.

(b) Acquisition Process. The Corporation hereby agrees to cause the 2018 Project to be acquired by the District as its agent. The District shall enter into contracts and provide for, as agent for the Corporation, the complete acquisition of the 2018 Project. The District hereby agrees that it will cause the acquisition of the 2018 Project to be diligently performed, and that it will use its best efforts to cause the acquisition of the 2018 Project to be completed within three years from the date of execution of this Installment Purchase Agreement, unforeseeable events or delays beyond the reasonable control of the District excepted. It is hereby expressly understood and agreed that the Corporation shall be under no liability of any kind 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 amount deposited in the Escrow Fund is sufficient to pay all such costs and expenses associated with the 2018 Project.

(c) Changes to the 2018 Project. The District may delete capital facilities that are portions of the 2018 Project described in Exhibit A hereto and substitute other facilities therefor, provided that the following conditions are met:

(i) the District provides written notice to the Corporation of the capital facilities of the 2018 Project to be deleted and substituted, which notice shall include a statement that the estimated cost of acquisition of any substituted capital facilities are not less than such costs for the capital facilities deleted; and

(ii) the District shall deliver an opinion of counsel to the effect that the substitution will not adversely affect the exclusion by the recipients of the 2018 Installment Payments of the interest portion thereof from gross income for federal income tax purposes.

(d) Title. All right, title, and interest in each component of the 2018 Project shall vest in the District immediately upon acquisition or construction thereof. Such vesting shall occur automatically without further action by the Corporation or the District, but the Corporation shall, if requested by the District or if necessary to assure vesting of title to each component of the 2018 Project in the District, deliver any documents required to assure vesting of title to each component of the 2018 Project in the District.

Section 3.2. Purchase of the 2018 Project. The Corporation hereby transfers its interest in and title to the 2018 Project to the District, and the District hereby purchases the 2018 Project from the Corporation at the Purchase Price set forth in Section 3.3 (Purchase Price) herein.

Section 3.3. Purchase Price. (a) Aggregate Purchase Price. The Purchase Price to be paid by the District is the sum of the aggregate 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 IV (Prepayment of 2018 Installment Payments) herein.

(b) Principal Component. The principal amount of the 2018 Installment Payments to be made by the District hereunder is Three Million Dollars \$3,000,000.00, plus an additional Five Thousand Dollar (\$5,000.00) cost of issuance deposit.

(c) Interest Component. The interest to accrue on the unpaid balance of such principal amount of 2018 Installment Payments is set forth in Exhibit B hereto. The interest components of the 2018 Installment Payments are paid as, and constitute, interest on the principal amount of the District's obligations hereunder.

Section 3.4. 2018 Installment Payments. The District shall, subject to any rights of prepayment provided in Article IV (Prepayment of 2018 Installment Payments) herein, pay the Purchase Price in 2018 Installment Payments, which comprise principal and interest components, in immediately available funds, on the dates and in the amounts set forth in Exhibit B.

Each 2018 Installment Payment shall be paid to the Assignee, as assignee of the Corporation pursuant to the Assignment Agreement, in lawful money of the United States of America by check or wire transfer of immediately available funds. If the District fails to make any of the payments required to be made by it under this section, such payment shall continue as an obligation of the District until such amount shall have been fully paid, and the District agrees to pay the same plus interest thereon at the Effective Interest Rate.

Section 3.5. Obligation to Pay. (a) Obligation Limited to Net Water Revenues. Notwithstanding any other provisions contained herein, the obligation of the District to make the 2018 Installment Payments is a special obligation of the District payable solely from Net Water Revenues and does not constitute a debt of the District or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

The District shall not be required to advance any moneys derived from any source of income other than the Net Water Revenues for the payment of the 2018 Installment Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The District may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the District for such purpose.

(b) Obligation Otherwise Unconditional. The obligation of the District to make the 2018 Installment Payments from the Net Water Revenues 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 5 (Discharge of Obligations) herein), the District will not abate, discontinue, or suspend any 2018 Installment Payments required to be made by it under this Installment Purchase Agreement when due, whether or not the 2018 Project or any part thereof is operating or operable or has been completed, or its use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, whether by reason of material damage to, material destruction of, taking under the power of eminent domain (or sale to any entity threatening the use of such power), material title defect, or other reason. The 2018 Installment Payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

Section 3.6. Net Contract. The Installment Purchase Agreement shall be deemed and construed to be a net contract, and the District shall pay absolutely during the term hereof the 2018 Installment Payments and all other payments required hereunder, free of any deductions and without any abatement, diminution, counterclaims, or set-off whatsoever.

Section 3.7. Late Payments. Whenever any rental payment or other amount payable to Corporation by District hereunder is not paid within ten (10) days after such due date, District agrees to pay Corporation a late charge on the delinquent amount at the "Default Rate," which is one percent (1%) per month, or the maximum amount permitted under applicable law, whichever is less. Such amount(s)

shall be payable solely from legally available funds in addition to all amounts payable by District as a result of the exercise of any of the remedies herein provided.

ARTICLE IV

PREPAYMENT OF 2018 INSTALLMENT PAYMENTS

Section 4.1. Prepayment. (a) The District may or shall, as the case may be, prepay principal components of the unpaid 2018 Installment Payments as a whole or in part (such that the remaining 2018 Installment Payments after such partial prepayment are substantially equal) on any date from Net Proceeds as provided herein at a prepayment price equal to the sum of the principal components prepaid plus accrued interest thereon to the date of prepayment.

(b) Optional Prepayment. On any Installment Payment Date, the District may prepay its obligations hereunder in whole, but not in part, by paying to the Corporation the 2018 Installment Payment due on such date together with the amount shown as the “Purchase Option Price” for such date on Exhibit B, plus the amount of any 2018 Installment Payments then in default, together with all past due amounts, additional interest, and late charges (if any).

Section 4.2. Notice of Prepayment. Before making any prepayment pursuant to Article 4 (Prepayment of 2018 Installment Payments) herein, the District shall give written notice to the Corporation not less than thirty (30) calendar days prior to the date of prepayment, or such shorter time as is consented to by the Corporation. The District may provide a conditional notice of prepayment to satisfy the requirements of this Section. 4.2.

ARTICLE V

DISCHARGE OF OBLIGATIONS

Section 5.1. Discharge of Obligations. (a) Payment of All 2018 Installment Payments. If the District shall pay or cause to be paid all the 2018 Installment Payments at the times and in the manner provided herein and also pay or cause to be paid all other sums payable hereunder by the District, then the right, title, and interest of the Corporation herein shall cease, terminate, become void, and be completely discharged and satisfied. Notwithstanding the satisfaction and discharge of this Installment Purchase Agreement, the covenants of the District to preserve the exclusion of the interest component of the 2018 Installment Payments from gross income for federal income tax purposes contained in Section 7.10 (Tax Covenant) shall survive.

(b) Prepayment Escrow. All or any portion of unpaid 2018 Installment Payments shall, prior to their scheduled payment dates, be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this Section 5.1 (except that the District shall remain liable for the 2018 Installment Payments, but only out of the money or securities deposited as described below for their payment), if there shall have been irrevocably deposited with an escrow agent or other fiduciary sufficient moneys and securities guaranteed by the full faith and credit of the United States the principal of and interest on which when due will provide money sufficient to pay such 2018 Installment Payments when due or prepay such 2018 Installment Payments in accordance with Section 4.1(b) (Optional Prepayment) herein.

**ARTICLE VI
SECURITY**

Section 6.1. Pledge of Net Water Revenues & Lien on Escrow Fund. The District hereby irrevocably pledges all of the Net Water Revenues to the payment of the 2018 Installment Payments. This pledge shall constitute a first priority lien on the Net Water Revenues for the payment of the 2018 Installment Payments and any Parity Debt. Additionally, the District hereby irrevocably grants to Corporation a first, priority and perfected lien and security interest in the 2018 Project Proceeds in the Escrow Fund, until such time as the funds therein are used to complete the 2018 Project.

Section 6.2. Additional Debt. (a) No Superior Obligations. The District shall not issue or incur any additional or future obligations secured by a pledge of Water Revenues or Net Water Revenues that is superior to the pledge securing the 2018 Installment Payments, without the prior written consent of the Corporation and Assignee.

(b) Additional Parity Debt. The District shall not incur additional Parity Debt unless:

(1) the District is not in default under the terms of this Installment Purchase Agreement, and

(2) the Net Water Revenues for the latest Fiscal Year or any more recent 12-month period selected by the District ending not more than 60 days prior to the adoption of the resolution approving the instrument pursuant to which such proposed Parity Debt is to be issued or incurred, plus, at the option of the District, the additional allowance described below, shall have amounted to at least 1.25 times the sum of the amount of the 2018 Installment Payments becoming due and payable in the current or future Fiscal Year in which that amount is at its maximum and the maximum annual debt service on all Parity Debt outstanding immediately subsequent to the incurring of such additional obligations, as evidenced by a calculation prepared by an Independent Certified Public Accountant.

Either or both of the following items may be added to Net Water Revenues by the District for the purpose of applying the restriction in Subsection (b)(2) above:

(1) An allowance for revenues from any additions to or improvements or extensions of the Water System to be constructed with the proceeds of such additional obligations, and also for net revenues from any such additions, improvements or extensions, but that, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 100% of the estimated additional average annual Net Water Revenues to be derived from such additions, improvements and extensions for the first 36-month period following closing of the proposed Parity Debt, all as shown by the certificate or opinion of an Independent Financial Consultant employed by the District; and/or

(2) An allowance for earnings arising from any increase in the charges made for service from the Water System that has become effective prior to the incurring of such additional obligations but that, 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 Water Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year and any period prior to the incurring of such additional obligations, as shown by the certificate or opinion of an Independent Financial Consultant.

(c) Refundings. The District may incur obligations secured by the Net Water Revenues to

discharge or defease any Parity Debt, if the District either meets the requirements of subsection (b) above or an Accountant's Report is filed with the Corporation to the effect that the District's debt service (that is, the amount needed to pay all principal and interest owing on the District's debts) for each future Fiscal Year following such discharge or defeasance shall be less than or equal to the District's debt service for that Fiscal Year if such discharge or defeasance did not occur.

(d) Subordinate Obligations. The District may incur obligations secured by the Net Water Revenues on a junior or subordinate basis, if the District meets the requirements of subsection (b) above but reducing the coverage ratio required therein from 1.25 to 1.00.

ARTICLE VII COVENANTS OF THE DISTRICT

Section 7.1. Compliance with Installment Purchase Agreement and Resolution. The District will punctually pay the 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 Installment Purchase Agreement for any cause. The District will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Resolution resolved therein to be observed and performed by it.

Section 7.2. Compliance with Law and Contracts; Preservation of Rights. The District will faithfully comply with, keep, observe, and perform all valid and lawful obligations or regulations now or hereafter imposed on its operation of the Water System by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board, or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right, or privilege now owned or hereafter acquired by it, including its right to exist and carry on its business, to the end that such franchises, rights, and privileges shall be maintained and preserved and shall not become abandoned, forfeited, or in any manner impaired.

Section 7.3. Against Sale or Other Disposition of Property. The District will not sell, lease, encumber, or otherwise dispose of the Water System, the 2018 Project, or any part thereof, or interest therein essential to the proper operation of the Water System or to the maintenance of the Water Revenues. The District will not enter into any agreement or lease that impairs the operation of the Water System or any part thereof necessary to secure adequate Water Revenues for the payment of the 2018 Installment Payments or that would otherwise impair the rights of the Corporation with respect to the Water Revenues or the operation of the Water System. The District may sell or otherwise dispose of any real or personal property that has become nonoperative or that is not needed for the efficient and proper operation of the Water System or any material or equipment that has become worn out.

Section 7.4. Operation and Maintenance 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 of the Water System as they become due and payable.

Section 7.5. Payment of Claims. The District will pay and discharge any and all lawful claims for labor, materials or supplies that, if unpaid, might become a lien on the Water Revenues or any part thereof or on any funds in the hands of the District prior or superior to the lien of the 2018 Installment Payments or that might impair the security of the 2018 Installment Payments.

Section 7.6. Insurance; Application of Net Proceeds.

(a) Casualty and Liability Insurance. The District will procure and maintain or cause to be procured and maintained insurance on the Water System with responsible insurers in such amounts and against such risks (including accident to or destruction of the Water System) as are usually covered in connection with water systems similar to the Water System so long as such insurance is available from reputable insurance companies. In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair, or replacement of the damaged or destroyed portion of the Water System. The District shall begin such reconstruction, repair, or replacement promptly after such damage or destruction shall occur; 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 may be applied in part to the prepayment of 2018 Installment Payments as provided in Article 4 (Prepayment of 2018 Installment Payments) and in part to such other fund or account as may be appropriate and used for the retirement of Parity Debt. 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 2018 Installment Payments as well as the entire obligations evidenced by all District contracts for Parity Debt 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 2018 Installment Payments as provided in Article 4 (Prepayment of 2018 Installment Payments) and to the retirement of such Parity Debt.

(b) Other Insurance. The District will procure and maintain such other insurance that it deems 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) Self-Insurance. Any insurance required to be maintained pursuant to paragraph (a) above and any insurance maintained pursuant to paragraph (b) above will be maintained under a self-insurance or pooled risk program so long as such self-insurance or pooled risk program is maintained in the amounts and manner usually maintained in connection with water systems similar to the Water System.

(d) Notice of Cancellation. All policies of insurance required to be maintained herein shall provide that the Corporation shall be given at least thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

Section 7.7. 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 obtains and files with the Corporation an Engineer's Report or Accountant's Report showing (i) the estimated loss of annual Net Water 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 Water Revenues to be derived from such additions, betterments, extensions, or improvements, and (2) the District, on the basis of such Engineer's Report or Accountant's Report filed with the Corporation, determines in good faith that the estimated additional annual Net Water Revenues will sufficiently offset the estimated loss of annual Net Water 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 Engineer's Report or Accountant's Report 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 District's water enterprise fund.

(b) If (1) the District obtains and files with the Corporation an Engineer's Report or Accountant's Report containing an estimate of annual Net Water Revenues after the taking by eminent domain and (2) the District, on the basis of such Engineer's Report or Accountant's Report, determines in good faith that Net Water Revenues after the taking will equal at least one hundred twenty-five percent (125%) of the 2018 Installment Payments and debt service on all Parity Debt outstanding for each Fiscal Year in which 2018 Installment Payments are due, then the District may use such Net Proceeds for any lawful purpose.

(c) If the conditions of neither of the foregoing subsections are met, then such Net Proceeds shall be applied in part to the prepayment of 2018 Installment Payments as provided in Article IV (Prepayment of 2018 Installment Payments) and in part to such other fund or account as may be appropriate and used for the retirement of Parity Debt in the same proportion as the aggregate unpaid principal balance of 2018 Installment Payments then bears to the aggregate unpaid principal amount of such Parity Debt. For avoidance of doubt, any prepayment triggered under this Section 7.7 may be in whole or in part, with partial prepayments being made in the pro rata portion of the Purchase Option Price.

Section 7.8. Rates, Fees and Charges.

(a) The District covenants that it shall prescribe, revise and collect such charges for the Water Service that, after allowances for contingencies and error in the estimates, shall produce Water Revenues sufficient in each Fiscal Year to provide Net Water Revenues equal to at least 125% of the sum of (1) the 2018 Installment Payments becoming due and payable in such Fiscal Year, and (2) all debt service and any additional payments required with respect to Parity Debt for such Fiscal Year.

(b) The District will have in effect, at all times, rules and regulations requiring each customer located on any premises connected with the Water System to pay the rates, fees and charges applicable to the Water Service to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The District will not permit any part of the Water System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State of California and any city, county, district, political subdivision, public corporation or agency of any thereof); provided, that the District may without charge use the Water Service.

(c) The District covenants and agrees to raise water rates (subject to the legal restrictions and requirements incumbent thereon, including but not limited to the discretion provided District under Water Code 31007) and take other legally available steps necessary to not only cover operating expenses, capital expenditures, and maintenance expenses, but also to faithfully and punctually pay and perform all of its obligations under this Installment Purchase Agreement, including, without limitation, meeting all debt service, rate and other financial covenants contained herein.

Section 7.9. Protection of Security and Rights of the Corporation. The District will preserve and protect the security hereof and the rights of the Corporation to the 2018 Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 7.10. Tax Covenant. The District shall at all times do and perform all acts and things permitted by law (and not permit any omissions required under applicable laws) that are necessary and desirable in order to assure that interest paid with respect to the 2018 Installment Payments will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being so excluded. District agrees to (a) execute and deliver to Corporation, upon Corporation's request, a tax certificate and agreement in form and content acceptable to Corporation and District, relating to the establishment and maintenance of the excludability from gross income of the interest component of the installment payments hereunder for federal income tax purposes; (b) complete and file in a timely manner an information reporting return as required by the Internal Revenue Code of 1986 (as from time to time amended, the "Code"); and (c) make any arbitrage, yield, or rebate payments (if applicable) to the federal government if required by, and in accordance with, Section 148(f) of the Code, and make the determinations and maintain the records required by the Code. For avoidance of doubt, the representations and warranties of the District in the Tax and Arbitrage Certificate related hereto is incorporated by reference herein.

The District represents that it does not have on hand any property, including cash and securities, that is legally required or otherwise restricted (no matter where held or the source thereof) to be used directly or indirectly to purchase the 2018 Project. The District has not and will not establish any funds or accounts (no matter where held or the source thereof) the use of which is legally required or otherwise restricted to pay directly or indirectly 2018 Installment Payments hereunder. The District further certifies that, so long as any installment payments hereunder remain unpaid, moneys on deposit in the Escrow Fund will not be used in a manner that will cause this Installment Purchase Agreement to be classified as an "arbitrage bond" within the meaning of Section 148(a) of the Code.

Should the interest or other income attributable to the 2018 Installment Payments be included in the gross income of the Corporation, the Assignee, or any subsequent assignee hereunder, the District agrees to pay promptly after any such determination of taxability and on each rental payment date thereafter to Corporation, its Assignee, or any assignee thereof an additional amount determined by Corporation, its Assignee, or any assignee thereof to compensate such owner or owners for the loss of such excludability (including without limitation, compensation relating to interest expense, penalties or additions to tax), which determination shall be conclusive (absent manifest error). The covenants and agreements in this Section 7.10 will survive the payment in full of the 2018 Installment Payments.

Section 7.11. Indemnification of the Corporation. The District shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save, and keep harmless the Corporation, the Assignee and their directors, officers, and employees from and against any and all liability, obligations, losses, claims, and damages whatsoever, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest, arising out of or as the result of the actions or omissions of District related to entering into of this Installment Purchase Agreement or any other agreement entered into in connection herewith or therewith, the design or ownership of the 2018 Project, the ordering, acquisition, use, operation, condition, purchase, delivery, rejection, storage, or return of any part of the 2018 Project, or any accident in connection with the operation, use, condition, possession, storage, or return of any item of the 2018 Project resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the District or the Corporation; any claim for patent, trademark, or copyright infringement; and any claim arising out of strict liability in tort. Notwithstanding the forgoing, this indemnification and hold harmless shall not include any liability arising out of or resulting from the

negligence, willful misconduct, or wrongful acts of the Corporation, its directors, officers, employees, or agents. The indemnification arising under this section shall continue in full force and effect notwithstanding the full payment of all obligations under this Installment Purchase Agreement or the termination of the term of this Installment Purchase Agreement for any reason. The District and the Corporation mutually agree to promptly give notice to each other of any claim or liability hereby indemnified against following either's learning thereof.

Section 7.12. Additional Information. The District agrees to furnish to the Assignee (i) the audited financial statements of the District within six (6) months after the end of the Fiscal Year, or as soon as practicable thereafter, together with a certificate that the District is in compliance with the covenants contained herein, and (ii) promptly, from time to time, but no more than one (1) time per quarter, such information regarding the operations, financial condition and property of the District and the Water System as the Assignee may reasonably request. Any audited financial statements furnished to the Assignee shall be prepared in accordance with generally accepted accounting principles, consistently applied, and shall fairly present the District's financial condition as of the date of the statements.

Section 7.13. Further Assurances. The District will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Corporation of the rights and benefits provided to it herein.

Section 7.14. Opinion of District's Attorney. The District will cause to be delivered an opinion of the District's Attorney dated the Funding Date and addressed to the Corporation and the Assignee to the effect that:

(i) the District is a county water district duly organized and existing under the laws of the State of California;

(ii) the Resolution was duly adopted at a meeting of the Board of the District that was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout;

(iii) there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or, to the best knowledge of such counsel after reasonable investigation, threatened against or affecting the District, to restrain or enjoin the payment of the 2018 Installment Payments under this Installment Purchase Agreement, or in any way contesting or affecting the validity of the Resolution or this Installment Purchase Agreement, and

(iv) the execution of this Installment Purchase Agreement, the consent to the Assignment Agreement, the adoption of the Resolution and compliance by the District with the provisions of the foregoing, under the circumstances contemplated thereby, do not and will not constitute on the part of the District a breach or default under any agreement or other instrument to which the District is a Party or by which it is bound (that are known to the District's Attorney) or any existing law, regulation, court order or consent decree to which the District is subject.

ARTICLE VIII
EVENTS OF DEFAULT AND REMEDIES OF THE CORPORATION

Section 8.1. Events of Default and Remedies. (a) Events of Default. The following shall be Events of Default hereunder:

(1) Failure by the District to pay any 2018 Installment Payment or debt service on any Parity Debt at the time specified herein, or in such Parity Debt instrument.

(2) Failure by the District to observe and perform any covenant, condition or agreement on its part contained herein or in an agreement or instrument pursuant to which Parity Debt is issued, other than in clause (1) of this subsection, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation; provided, however, that the Corporation and the District may agree that action by the District to cure such failure may be extended beyond such thirty-day period.

(3) Any violation of any applicable rule, regulation, law, statute or ordinance applicable to the District or the Water System or the Parity Debt that could lead to a breach under subsections (1) and/or (2) and that are not cured in accordance with subsections (1) and/or (2)

(b) Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Corporation shall have the right, at its option upon notice to the District, to:

(1) declare the entire principal amount of the unpaid 2018 Installment Payments and the accrued interest thereon to be accelerated and immediately due and payable, whereupon the same shall immediately become due and payable; and/or

(2) for the account of the District, incur and pay reasonable expenses for repair, maintenance, and operation of the Water System and such other reasonable expenses as may be necessary to cure the cause of default; and/or

(3) take all actions and pursue all other rights and remedies that Corporation may have, at law or in equity, including, without limitation, seeking a mandamus, requesting specific performance, or taking action to enjoin the District from taking any action not permitted or contradictory to the express terms, conditions and requirements hereunder.

The provisions of the preceding clause (1) are subject to the condition that if, at any time after the principal amount of the unpaid 2018 Installment Payments shall have been so declared due and payable pursuant to the preceding clause (1), 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 2018 Installment Payments coming due prior to such declaration, 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 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 8.2. Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 8.1, all Water Revenues thereafter received by the District shall be applied in the following order:

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

Second, to the payment, without preference or priority, 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; and

Third, to the payment of the entire principal amount of the unpaid 2018 Installment Payments and the unpaid principal amount of any other obligations secured by the Net Water Revenues and the accrued interest thereon, with interest on the overdue installments at the rate of interest applicable to the 2018 Installment Payments and such other obligations if paid in accordance with their respective terms.

Section 8.3. Other Remedies of the Corporation. The Corporation shall have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the District, and to compel the District to carry out its duties under the agreements and covenants required to be performed by it contained herein;

(b) by suit in equity to enjoin any acts or things that 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 board members, officers and employees to account as the trustee of an express trust.

Section 8.4. Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the 2018 Installment Payments to the Corporation at the respective due dates or upon prepayment, or shall affect or impair the right of the Corporation, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

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

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

Section 8.5. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the law.

**ARTICLE IX
ASSIGNMENT; AMENDMENTS**

Section 9.1. Assignment.

(a) The District hereby consents to the assignment by the Corporation of its rights under this Installment Purchase Agreement to the Assignee, which rights are evidenced by the Assignment Agreement. The District will not assign its duties and obligations under this Installment Purchase Agreement without the prior written consent of the Corporation, the Assignee, or any permitted assignee thereof, and such assignment by the District will be subject to the holder's then existing credit underwriting criteria and require an opinion from a nationally recognized tax or bond counsel that such transfer or assignment will not cause the interest paid with respect to the 2018 Installment Payments to be included in the gross income calculations of the Corporation, Assignee, or any assignee thereof for federal income tax purposes.

(b) The Assignee may further assign its right, title and interest in this Installment Purchase Agreement, the 2018 Installment Payments and other amounts due hereunder in whole to one or more assignees or subassignees at any time, without the consent of the District. Upon such assignment the assignee of such assignment shall be entitled to all rights of the Assignee set forth herein and shall be entitled to all notices required to be sent to the Assignee pursuant to this Installment Purchase Agreement. The District shall cooperate with the Assignee either now or hereafter by acknowledging any agreement relating thereto which in no way will alter or affect the terms and conditions of this Installment Purchase Agreement and the assignment of this Installment Purchase Agreement by the Assignee. No such assignment shall be effective as against the District unless and until the entity or person making the assignment shall have filed with the District written notice thereof. During the term of this Installment Purchase Agreement, the District shall keep a record of all such notices of assignment and shall make payments to the assignee. Subject always to the foregoing, this Installment Purchase Agreement inures to the benefit of, and is binding upon the successors and assigns of the Parties hereto.

Section 9.2. Amendments Permitted.

(a) This Installment Purchase Agreement and the rights and obligations of the Corporation and the District and of the Assignee may be modified or amended at any time but only with the written consent of the District and Assignee. No such modification or amendment shall (1) extend the payment dates for the 2018 Installment Payments or reduce the amounts thereof without the consent of the District and the Assignee, or (2) modify any of the rights or obligations of the Corporation or the Assignee (as applicable) without its written consent thereto.

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

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

(2) to cure, correct or supplement any ambiguous or defective provision contained in this Installment Purchase Agreement or in regard to questions arising under this Installment

Purchase Agreement, as the Corporation or the District may deem necessary or desirable and that shall not adversely affect the interests of the Assignee; and

(3) to make such other amendments or modifications as may be in the best interests of the Assignee.

[Signature Page Follows]

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

MONTECITO WATER DISTRICT

HOLMAN CAPITAL CORPORATION

By: _____
Name: W. Douglas Morgan
Title: President

By: _____
Name: Lance Holman
Title: President & CEO

[Signature Page to Installment Purchase Agreement]

EXHIBIT A

DESCRIPTION OF THE 2018 PROJECT

The 2018 Project consists of the purchase and installation of 4,605 new water meters and the Advanced Metering Infrastructure (“AMI”) to read those meters in an automated and cost-effective manner. The cost for the 2018 Project includes the new meters, meter radios, AMI hardware, associated software and installation services.

EXHIBIT B
2018 INSTALLMENT PAYMENTS

The rental payments shall be made for the Equipment as follows:

2018 Installment Payment No.	2018 Installment Payment Date	2018 Installment Payment	Amount Attributable to Interest	Amount Attributable to Principal	Purchase Option Price
0	10/17/2018				
1	4/17/2019	\$ 183,027.82	\$ 59,250.00	\$ 123,777.82	\$2,962,508.85
2	10/17/2019	\$ 183,027.82	\$ 56,805.39	\$ 126,222.43	\$2,832,499.74
3	4/17/2020	\$ 183,027.82	\$ 54,312.50	\$ 128,715.32	\$2,699,922.96
4	10/17/2020	\$ 183,027.82	\$ 51,770.37	\$ 131,257.45	\$2,564,727.79
5	4/17/2021	\$ 183,027.82	\$ 49,178.03	\$ 133,849.79	\$2,426,862.51
6	10/17/2021	\$ 183,027.82	\$ 46,534.50	\$ 136,493.32	\$2,286,274.39
7	4/17/2022	\$ 183,027.82	\$ 43,838.76	\$ 139,189.06	\$2,142,909.65
8	10/17/2022	\$ 183,027.82	\$ 41,089.77	\$ 141,938.05	\$1,996,713.46
9	4/17/2023	\$ 183,027.82	\$ 38,286.50	\$ 144,741.32	\$1,847,629.90
10	10/17/2023	\$ 183,027.82	\$ 35,427.85	\$ 147,599.97	\$1,695,601.93
11	4/17/2024	\$ 183,027.82	\$ 32,512.76	\$ 150,515.06	\$1,540,571.42
12	10/17/2024	\$ 183,027.82	\$ 29,540.08	\$ 153,487.74	\$1,382,479.05
13	4/17/2025	\$ 183,027.82	\$ 26,508.70	\$ 156,519.12	\$1,221,264.36
14	10/17/2025	\$ 183,027.82	\$ 23,417.45	\$ 159,610.37	\$1,056,865.68
15	4/17/2026	\$ 183,027.82	\$ 20,265.14	\$ 162,762.68	\$889,220.12
16	10/17/2026	\$ 183,027.82	\$ 17,050.58	\$ 165,977.24	\$718,263.56
17	4/17/2027	\$ 183,027.82	\$ 13,772.53	\$ 169,255.29	\$543,930.61
18	10/17/2027	\$ 183,027.82	\$ 10,429.74	\$ 172,598.08	\$366,154.59
19	4/17/2028	\$ 183,027.82	\$ 7,020.93	\$ 176,006.89	\$184,867.49
20	10/17/2028	\$ 183,027.82	\$ 3,544.82	\$ 179,483.00	\$ -
Grand Totals		\$ 3,660,556.40	\$ 660,556.40	\$ 3,000,000.00	

Effective Interest Rate: 3.95%.

TAB B:



Form of Resolution Provided by District, Bond Counsel or Holman.

TAB C:

GENERAL CERTIFICATE

2018 Installment Purchase Agreement Financing the
Water Meter Replacement Project
in the
Aggregate Principal Amount of \$3,000,000

The undersigned is the President of the Montecito Water District (the “Issuer”), and certifies as follows:

I

I am the duly appointed President and as such am generally familiar with its books and corporate records.

II

The District is a duly created and validly existing county water district, which constitutes a political subdivision of the State of California vested with the rights and powers conferred upon county water districts by the laws of California.

III

A duly noticed meeting of the Board was duly called and held on October 12, 2018. At such meeting, the Board held a public hearing for the issuance of certain indebtedness. Attached hereto as Exhibit A is the agenda for said meeting, posted in accordance with the requirements of the Government Code. Following the public hearing, the Board considered a resolution for the issuance of certain indebtedness and attached hereto as Exhibit B is a true and complete copy of a resolution dated October 12, 2018 adopted by a majority of the members of the Board present and voting during such meeting (the “Resolution”) relating to such matters. A summary of the members present or absent at such meeting, and the recorded vote with respect to the Resolution, is included therewith. The Resolution constitutes the only resolution adopted by the Board relating to the matters referred to therein. The Resolution has not been repealed, revoked, rescinded or amended and is in full force and effect on the date hereof.

IV

Except as has otherwise been disclosed to Holman Capital Corporation (the “Purchaser”), no litigation or other proceedings are pending or, to our knowledge, threatened against the Issuer in any court or other tribunal of competent jurisdiction, State or Federal, in any way (i) restraining or enjoining the issuance, sale, execution or delivery of the Installment Purchase Agreement (the “IPA”), or (ii) questioning or affecting the validity of the IPA or the Resolution, or (iii) questioning or affecting the validity of any of the proceedings for the authorization, sale, execution, issuance or delivery of the IPA

V

All other representations and warranties of the Issuer in the Resolution are correct as of the date

hereof.

VI

There has been no material adverse change in the financial condition of the Issuer since the copies of its financials were last published following the Fiscal Year ending June 30, 2017.

VII

The following is a correct list of the names of the members of the Issuer's Board of Directors and of the date of expiration of their respective terms of office:

<u>NAME</u>	<u>TITLE</u>	<u>ENDING DATE OF CURRENT TERM</u>
W. Douglas Morgan	President	December 2018
Floyd Wicks	Vice President	December 2020
Richard Shaikewitz	Director	December 2018
Sam Frye	Director	December 2018
Tobe Plough	Director	December 2020

Each of the persons named above has qualified for office by taking the oath, if any, required by law on or before the day on which his or her term of office began.

VIII

I have been the President of the Issuer since 12-5-17.

IX

The Issuer has complied with all agreements and has satisfied all conditions on its part to be observed or satisfied under the Resolution and as required by applicable law.

X

The Resolution has been duly adopted and has not been repealed, revoked, rescinded or altered in any manner.

XI

The Issuer is not in default, and has not been in default at any time as to principal of and interest on any of its indebtedness.

XII

The IPA is signed with the manual signatures of the President of the Issuer, and the foregoing specimen is his genuine and correct signature:

_____.

XIII

Issuer agrees: (a) that it has not been and it will continue to ensure that it will not be, listed on the Specially Designated Nationals and Blocked Person List maintained by the Office of Foreign Assets Control, Department of Treasury, and/or any other similar lists maintained by the Office of Foreign Assets Control; (b) that it will comply with the USA Patriot Act, and international trade control and anti-money laundering laws, as applicable; and (c) that it will not be a person designated under Section 1(b), (c), or (d) of Executive Order No. 13224 (9/23/01) or under any related enabling legislation or any other similar Executive Orders. Issuer also agrees to comply with all Bank Secrecy Act laws, regulations and governmentally imposed guidelines on or in connection with Bank Secrecy Act compliance, and on the prevention and detection of money laundering violations.

IN WITNESS WHEREOF, I hereby certify attest to the foregoing information as of this 17th day of October, 2018.

Name: W. Douglas Morgan
Title: President

Attest:

Attestor: Nicholas Turner, Secretary

TAB D:

TAX AND ARBITRAGE CERTIFICATE

2018 Installment Purchase Agreement Financing the
Water Meter Replacement Project
in the
Aggregate Principal Amount of \$3,000,000

The undersigned is the President of the Montecito Water District (the “Issuer”), being duly charged, with others, with the responsibility for issuing the Issuer’s \$3,000,000 2018 Installment Purchase Agreement (Financing the 2018 Project), the (“IPA”), HEREBY CERTIFY, pursuant to Section 148 of the Internal Revenue Code of 1986, as amended (the “Code”) and Sections 1 148-0 through 1 148-11 of the Income Tax Regulations (the “Regulations”), as follows:

1. The IPA is being issued pursuant to the Constitution and laws of the State of California and that certain resolution (the “Resolution”) adopted on October 12, 2018 at the Issuer’s Special Meeting of the Board of Directors. Unless otherwise specifically defined, all capitalized terms used in this Certificate shall have the meanings as set forth in the IPA. The proceeds of IPA will be used for the purpose of:
 - a.) financing the acquisition and installation of water meters and the advanced metering infrastructure to read those meters in an automated and cost-effective manner (collectively, the “2018 Project”);
 - b.) paying the costs of issuing the IPA (the “Issuance Expenses”)
2. On the basis of the facts, estimates and circumstances in existence on the date hereof, the Board of Directors of Issuer reasonably expects the following with respect to the IPA being issued this day and as to the use of the proceeds thereof:
 - a.) Proceeds in the amount of \$3,000,000 (the “Sale Proceeds”) are expected to be derived by the Issuer from the sale of the IPA to Holman Capital Corporation (the “Purchaser”) and will be deposited into the Escrow Fund and used to acquire and equip the 2018 Project and expended within three years from the date hereof to pay for the 2018 Project.
 - b.) The total Sale Proceeds to be received from the sale of the IPA to the Purchaser do not exceed the amount necessary for the purposes described above.
 - c.) The Issuer does not expect to sell or otherwise dispose of any property compromising a part of the 2018 Project financed with the proceeds of the IPA prior to the final maturity date of the IPA.
3. Binding contracts or commitments obligating the expenditure of not less than 5 percent of the Sale Proceeds of the IPA toward the cost of the 2018 Project will be entered into by the Issuer’s within 6 months from the date hereof. Work on the 2018 Project will proceed with due diligence. It is expected that the 2018 Project will be acquired/completed and at least 85

percent of the Sale Proceeds of the IPA will be allocated to 2018 Project expenditures within three years of the date hereof.

4. Not more than 50 percent of the proceeds of the IPA will be invested in obligations having a substantially guaranteed yield for 4 years or more.
5. The IPA provides that the Issuer will utilize Net Water Revenues for each payment on 2018 Installment Payment Dates on the IPA sufficient to pay principal of and interest on the IPA. No separate funds or accounts will be held or reserved by the Issuer from which payments of principal and interest on the IPA will be made.
6. There are no funds or accounts established pursuant to the IPA or the Resolution or otherwise which are reasonably expected to be used to pay debt service on the IPA, or which are pledged as collateral for the IPA (or subject to a negative pledge) and for which there is a reasonable assurance on the part of the Purchaser that amounts therein will be available to pay debt service on the IPA if the Issuer encounters financial difficulties.
7. Except for preliminary expenditures, such as architectural, engineering, surveying, soil testing, and similar costs, proceeds of the IPA will not be used to reimburse the Issuer of the 2018 Project costs paid prior to 60 days before October 17, 2018.
8. In the event that amounts drawn under the IPA are not immediately used to pay or reimburse costs of the 2018 Project, the following represents the expectations of the Issuer with respect to the investment of such proceeds of the IPA:
 - a.) Proceeds derived from the sale of the IPA to be applied to pay Issuance Expenses may be invested at an unrestricted yield for a period not to exceed three years from the date hereof.
 - b.) Proceeds derived from the sale of the IPA deposited into a 2018 Project fund (if any) to pay 2018 Project costs may be invested at an unrestricted yield for a period of time not to exceed three years from the date hereof;
 - c.) Investment earnings on obligations acquired with amounts described in subparagraphs (a) and (b) above may be invested at an unrestricted yield for a period of three years from the date hereof or one year from the date of receipt, whichever period is longer
 - d.) Amounts described in subparagraphs (a) through (c) that may not be invested at an unrestricted yield pursuant to such subparagraphs, may be invested at an unrestricted yield to the extent such amounts do not exceed \$100,000 (the "Minor Portion"); and
 - e.) Amounts described in subparagraph (d), not invested at an unrestricted yield pursuant to such subparagraph, shall be invested at a yield not in excess of the yield on the IPA plus 1/8 of one percentage point

To the extent that any amounts described in this Paragraph 8 are not permitted to be invested at an unrestricted yield, the Issuer may satisfy the applicable yield restriction by causing the appropriate amount of yield reduction payments to be made to the United States as permitted by Section 1.148-5 c of the Regulations.

9. For purposes of this Certificate, “yield” means that yield which when used in computing the present worth of all payments of principal and interest to be paid on an obligation produces an amount equal to the purchase price of such obligation. The yield on obligations acquired with the proceeds derived from the sale of the IPA and the yield on the IPA shall be calculated by the use of the same frequency interval of compounding interest. In the case of the IPA, the purchase price is \$3,000,000. The purchase price of the IPA and the interest rate thereon were arrived at as a result of an arm’s length negotiation between the Issuer and the Purchaser. The Purchaser is acquiring the IPA primarily for its own account and is not acting as a broker or other intermediary for the purpose of reselling the IPA to other investors, except that such IPA will be immediately assigned to the Assignee as defined in the IPA. Any investments acquired with amounts that may not be invested at an unrestricted yield pursuant to Paragraph 8 above shall be purchased at prevailing market prices and shall be limited to securities for which there is an established market, shall be United States Treasury Obligations - State and Local Government Series, or shall be tax-exempt obligations under 103(a) of the Code the interest on which is not an item of tax preference within the meaning of Section 57(a) (5) of the Code.
10. No portion of the proceeds of the IPA will be used as a substitute for other moneys of the Issuer which were otherwise to be used to acquire or construct the 2018 Project and which have been or will be used to acquire directly or indirectly, obligations producing a yield in excess of the yield on the IPA.
11. There are no other obligations of the Issuer that (i) are being sold at substantially the same time as the IPA (within 15 days) (ii) are being sold pursuant to a common plan of financing together with the IPA, and (iii) will be paid out of substantially the same source of funds as the IPA.
12. The Issuer has covenanted in the IPA that so long as the IPA remains outstanding, the moneys on deposit in any fund or account maintained in connection with the IPA, will not be used in any manner that would cause the IPA to be “arbitrage IPAs” within the meaning of Section 148 of the Code or IPA not described under Section 103(a) of the Code and the applicable regulations promulgated from time to time thereunder.
13. Neither the Issuer nor any person related to the Issuer has entered or is expected to enter into any hedging transaction (such as an interest rate swap, cap or collar transaction) with respect to the IPA.
14. The weighted average maturity of the IPA does not exceed 120 percent of the reasonably expected economic life of the 2018 Project (within the meaning of Section 147(b) of the Code).
15. None of the proceeds of the IPA will be used (directly or indirectly) to acquire any property which prior to its acquisition was used (or held for use) by a person other than a state or local governmental unit in connection with an output facility. For purposes of this Certificate, the term “output facility” means electric and gas generation, transmission, and related facilities.
16. None of the proceeds of the IPA will be used (directly or indirectly) to make or finance loans to any person.
17. Not more than 10% of the proceeds of the IPA will be used (directly or indirectly) in a trade or business (or to finance facilities which are used in a trade business) carried on by any

- person other than a governmental unit. Not more than 5% of the proceeds of the IPA will be used (directly or indirectly) in trade or business (or to finance facilities which are used in a trade or business) carried on by any person other than a governmental unit which private business use is not related to any governmental use or is disproportionate to governmental use, all as described in Section 141(b)(3) of the Code (“Unrelated or Disproportional Use”). For the purpose of this Paragraph, use by nongovernmental person as a member of the general public shall not be taken into account.
18. Paragraph 17 shall apply only if the payment of 10% or more (5% or more in the case of Unrelated or Disproportional Use) of the principal of or interest on the IPA is (under the terms of such IPA or any underlying arrangement) directly or indirectly secured by any interest in property used or to be used for a private business use or in payments in respect of such property or derived from payments whether or not to the Issuer in respect of property or borrowed money used or to be used for a private business use.
 19. The Issuer reasonably expects that the 2018 Project will be owned and operated throughout the term of the IPA in a manner which complies with the requirements set forth in Paragraph 17 above. The Issuer will not change the ownership or use all or any portion of the Project manner that fails to comply with Paragraph 17 above, unless it receives an opinion of Issuer Counsel that such change of ownership or use will not adversely affect the exclusion of interest on the IPA from the gross income for federal income tax purposes.
 20. The payment of the principal or interest on the IPA is not and will not be guaranteed directly or indirectly by the federal government within the meaning of Section 149(b) of the Code.
 21. This Certificate is, in part, to serve as a guideline in implementing the requirements of Sections 141 to 150 of the Code. If regulations, rulings, announcements and notices validly promulgated under the Code contain requirements which differ from those outlined here which must be satisfied for the IPA to be tax-exempt or in order to avoid the imposition of penalties under Section 148 of the Code, pursuant to the covenants contained in the IPA, the Issuer is obligated to take such steps as are necessary to comply with such requirements. If under those pronouncements, compliance with any of the requirements of this Certificate is not necessary to maintain the exclusion of interest on the IPA from gross income and alternative minimum taxable income (except to the extent of certain adjustments applicable to corporations) or to avoid the imposition of penalties on the Issuer under Section 148 of the Code, the Issuer shall not be obligated to comply with that requirement. The Issuer has been advised to seek the advice of competent counsel with a nationally recognized expertise in matters affecting exclusion of interest on municipal bonds from gross income in fulfilling its obligations under the Code to take all steps as are necessary to maintain the tax-exempt status of the IPA.
 22. The Issuer will timely file for each payment schedule issued under the IPA a Form 8038-G relating to the IPA with the Internal Revenue Service in accordance with Section 149(e) of the Internal Revenue Code of 1986, as amended (the “Code”).
 23. The Issuer has not issued, and reasonably anticipates that it and its subordinate entities, if any, will not issue, tax-exempt obligations (including the IPA) in the amount of more than \$10,000,000 during the current calendar year. The Issuer hereby designates the IPA as a “qualified tax-exempt obligation” within the meaning of Section 265(b)(3) of the Code and agrees that it and its subordinate entities, if any, will not designate more than \$10,000,000 of their obligations as “qualified tax-exempt obligations” during the current calendar year.

24. The Issuer has adopted, or will adopt in a reasonable period post-closing, by resolution, separate written procedures regarding ongoing compliance with federal tax requirements necessary to keep, ensure and maintain the interest portions of the payments under the IPA as excluded from Purchaser's gross income for federal income tax purposes, and will, on an annual basis, conduct an audit of the IPA to ensure compliance with such procedures
25. To the best of our knowledge, information and belief, the above expectations are reasonable.

IN WITNESS WHEREOF, we have hereunto set our hands this 17th day of October, 2018.

MONTECITO WATER DISTRICT

By: _____
W. Douglas Morgan, President

[Signature Page to Tax and Arbitrage Certificate]

TAB E:

(PRINT ON LEGAL COUNSEL'S LETTERHEAD)

FORM OF OPINION OF ISSUER'S COUNSEL

October 17, 2018

Lance S. Holman
Holman Capital Corporation
25201 Paseo de Alicia
Suite 290
Laguna Hills, CA 92653

Johnathan Leckey
American River Bank
520 Capitol Mall, Suite 200
Sacramento, CA 95814

2018 Installment Purchase Agreement Financing the
Water Meter Replacement Project
in the
Aggregate Principal Amount of \$3,000,000

Ladies and Gentlemen:

I have participated as counsel for the Montecito Water District (the "District") in connection with the issuance of its \$3,000,000 2018 Installment Purchase Agreement dated October 17, 2018 between the District and Holman Capital Corporation (the "IPA"), pursuant to the Constitution of the State of California, as amended, other applicable provisions of California law, and a Resolution duly adopted by the Board of Directors of the Issuer on October 12, 2018 (the "Resolution"). Any capitalized terms used herein not otherwise defined shall have the meaning set forth in the Resolution.

In rendering this opinion, I have examined such proceedings and records of District and made such inquiry of the District as I deem necessary.

In giving the opinions expressed below, I do not purport to be an expert in or generally familiar with or qualified to express legal opinions based on the laws of any jurisdiction (including, but not limited to, the laws of the United States) other than the laws of the State of California.

Based on such participation, examination, and inquiry, I am of the opinion, as of the date hereof, that:

1. The District is a duly formed and validly existing county water district of the State of California, formed under Division 12 of the California Water Code, which makes it a body corporate and politic and a political subdivision of the State of California, as such term is defined under the Section 103 of the Internal Revenue Code of 1986, as amended, with the full right, power, and authority to adopt the

Resolution, to issue the IPA, to perform its obligations under the IPA and under the Resolution and to consummate the transactions contemplated by such instruments.

2. The Resolution was duly adopted by the Board of Directors of the District at a duly called meeting following proper notice, and has not been otherwise amended or repealed and is in full force and effect as of the date hereof. The Resolution and IPA constitute legal, valid and binding obligations of the District enforceable in accordance with their terms.

3. The IPA has been duly authorized, executed, and delivered by the District and constitutes a legal, valid and binding obligation of the District enforceable in accordance with its terms (subject only to enforceability of any remedies to any applicable bankruptcy or insolvency laws or other laws affecting creditor's rights generally, from time to time in effect).

4. The adoption of the Resolution, and the authorization, execution, and delivery of the IPA, and compliance with the provisions thereof, will not conflict with, or constitute a breach of or default under, any law, administrative regulations, consent, decree, ordinance, resolution, constitutional provision, or any agreement or other instrument to which the District was or is subject, as the case may be, nor will such enactment, adoption, execution, delivery authorization or compliance result in the creation or imposition of an invalid, illegal or unauthorized lien, charge, or other security interest or encumbrance of any nature whatsoever upon any property or assets of the District, or under the terms of any law, administrative regulation, ordinance, resolution or instrument, except as expressly and legally provided for in the IPA.

5. All approvals, consents, authorizations and order of any governmental authority or agency having jurisdiction in any matter which would constitute a condition precedent to the performance by the District of its obligation under the IPA and Resolution have been obtained and are in full force and effect.

6. The District is lawfully empowered to acquire, complete and engage in all manners incidental to the 2018 Project and to pay associated costs of issuance.

7. There is no litigation pending or threatened, to restrain or enjoin the issuance or sale of the IPA, or in any way, affecting any authority for or the validity of the IPA, the Resolution, or the pledge of and covenants related to the Net Water Revenues, as defined in the IPA.

8. Neither the corporate existence nor the title of any present Director, the Board President, the General Manager, or other officials thereof to their respective office is being contested.

This opinion may be relied upon by addressees hereof as well as by their successors and assigns, but only respect to the matters expressly set forth herein.

Very truly yours,

TAB F:

[IRS Form 8038-G is to be prepared by Holman Capital Corporation]

TAB G:

BANK-QUALIFIED DESIGNATION

The MONTECITO WATER DISTRICT, as issuer, (the “*District*”) under that certain Installment Purchase Agreement (the “IPA”) dated as of October 17, 2018 to which this Designation is attached, hereby designates the IPA as a “qualified tax-exempt obligation” for the purposes and within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended. The District hereby represents that the District reasonably anticipates that the District and other entities that the District controls will not issue tax-exempt obligations (including the IPA) the aggregate principal amount of which exceed \$10,000,000 during the calendar year in which the IPA is executed and delivered and interest commences to accrue thereunder.

This Designation is attached to and made a part of the IPA and inures to the benefit of the Purchaser and its successors and/or assigns.

EXECUTED as of this 17th day of October, 2018.

MONTECITO WATER DISTRICT

By: _____
Name: W. Douglas Morgan
Title: President

TAB H:

CLOSING MEMORANDUM

**\$3,000,000 2018 INSTALLMENT PURCHASE AGREEMENT
FINANCING THE WATER METER REPLACEMENT PROJECT
ISSUED BY THE MONTECITO WATER DISTRICT TO
HOLMAN CAPITAL CORPORATION**

Pre-Closing: Pre-Closing will be held on or before October 15, 2018 as all documents will be executed and originals will be overnighted to Holman Capital, Attn: Aditya Kajaria, 25201 Paseo de Alicia, Suite 290, Laguna Hills, California 92653, and held in trust until such time as the wires and original documents are released by the Parties.

Closing: By internal funds transfer, the morning of October 17, 2018. Counsel for each of the Parties will confirm by e-mail the release of all original documents held in trust, when such funds and/or documents are in the possession of each of the Parties. On the morning of October 17, 2018, American River Bank will and is authorized by District to transfer for the purchase of the District's 2018 Installment Purchase Agreement, per the transfer instructions herein, in the amount of \$3,000,000 in 2018 Project Proceeds to American River Bank, as escrow agent:

Bank Name: American River Bank
ABA No:
Account No:
Account Name: Montecito Water District

Montecito Water District shall, at Closing, pay the Costs of Issuance in the amount of \$5,000.00 directly to Holman Capital Corporation pursuant to the instructions in the Invoice attached hereto.

Sources and Uses of Funds:

Par Value/Principal Amount of IPA	\$3,000,000.00
TOTAL SOURCES	\$3,000,000.00
2018 Project Costs	\$3,000,000.00
TOTAL IPA PROCEEDS	\$3,000,000.00

Attest:

MONTECITO WATER DISTRICT

By: _____
W. Douglas Morgan, President

TAB I:

Insurance Certificate Provided by the District

TAB J:

ESCROW AGREEMENT

CORPORATION:

Holman Capital Corporation
25201 Paseo de Alicia
Suite 290
Laguna Hills, CA 92653

ESCROW AGENT:

American River Bank
520 Capitol Mall
Suite 200
Sacramento, CA 95814

DISTRICT:

Montecito Water District
583 Ysidro Road
Montecito, CA 93108

THIS ESCROW AGREEMENT (this "*Escrow Agreement*") is made as of October 17, 2018 between Holman Capital Corporation ("*Corporation*"), Montecito Water District ("*District*"), and American River Bank (the "*Escrow Agent*").

Corporation and District have heretofore entered into that certain Installment Purchase Agreement dated October 17, 2018 (the "*Purchase Agreement*"). The Purchase Agreement contemplates that certain real or personal property described therein (the "*2018 Project*") is to be acquired from the vendor(s) or manufacturer(s) thereof. On or about October 17, 2018, the Purchase Agreement and the Escrow Agreement will be assigned to American River Bank (the "*Assignee*").

After acceptance of the 2018 Project by District, the 2018 Project is to be financed by Corporation for the District pursuant to the terms of the Purchase Agreement.

The Purchase Agreement contemplates that Corporation will deposit with the Escrow Agent cash in the amount of \$3,000,000.00 (the "*Deposit Amount*"), for deposit into the escrow fund (the "*Escrow Fund*"), to be held in escrow by the Escrow Agent and applied on the express terms and conditions set forth herein. Such deposit into the Escrow Fund, together with all interest and additions received with respect thereto, is to be applied from time to time to pay the vendor(s) or manufacturer(s) of the 2018 Project its invoice cost (a portion of which may, if required, be paid prior to final acceptance of the 2018 Project by District). The Escrow Fund is to be held for the account and benefit of District, and, by its execution hereto, the District has granted to Corporation a first, priority and perfected lien on the Deposit Amount and security interest in the Escrow Fund.

The parties desire to set forth the terms on which the escrow is to be created and to establish the rights and responsibilities of the parties hereto.

NOW, THEREFORE, the parties agree as follows:

1. The Escrow Agent hereby agrees to serve as escrow agent upon the terms and conditions set forth herein. The Escrow Agent agrees that the Escrow Fund shall be held irrevocably for the account and benefit of District, but subject to the Corporation's first position priority and perfected lien and security interest therein, and all interest earned with respect to the Escrow Fund shall accrue to the benefit of District and shall be applied as expressly set forth herein.

To the limited extent required to perfect the first, priority security interest hereby granted by District to Corporation in the cash and negotiable instruments from time to time held in the Escrow Fund, Corporation hereby appoints the Escrow Agent as its security agent, and the Escrow Agent hereby accepts the appointment as security agent, and agrees to hold physical possession of such cash and negotiable instruments on behalf of Corporation.

2. On such day as determined to the mutual satisfaction of the parties (the “Commencement Date”), Corporation shall deposit with the Escrow Agent cash in the amount of the Deposit Amount to be held by the Escrow Agent on the express terms and conditions set forth herein. The Escrow Agent agrees to accept the deposit of the Deposit Amount by Corporation with the Escrow Agent, and further agrees to hold the amount so deposited together with all interest and other additions received with respect thereto in escrow on the express terms and conditions set forth herein.
3. The Escrow Agent shall at all times segregate the Escrow Fund into an account maintained for that express purpose, which shall be clearly identified on the books and records of the Escrow Agent as being held in its capacity as Escrow Agent. Securities and other negotiable instruments held in the Escrow Fund from time to time shall be held or registered in the name of the Escrow Agent (or its nominee). The Escrow Fund shall not, to the extent permitted by applicable law, be subject to levy or attachment or lien by or for the benefit of any creditor of any of the parties hereto (except with respect to the security interest therein held by Corporation).
4. District hereby directs the Escrow Agent to invest the cash held in the Escrow Fund from time to time in an American River Bank non-interest bearing demand deposit account with no fees or, in the event such fund is not at the time available, such other investments as District may specify in writing, to the extent the same are at the time legal for investment of the funds being invested. Interest or other amounts earned and received by the Escrow Agent with respect to the Escrow Fund shall be deposited in and become a part of the Escrow Fund. No investment shall be made that would cause the Purchase Agreement to be deemed to be an arbitrage bond within the meaning of Section 148(a) of the Internal Revenue Code of 1986, as amended.
5. Corporation and District hereby authorize the Escrow Agent to take the following actions with respect to the Escrow Fund:
 - a. From time to time, the Escrow Agent shall pay the vendor or manufacturer of the 2018 Project payments then due and payable, or reimburse District for amounts that it has paid to the vendor or manufacturer of the 2018 Project, upon receipt of the following: (a) a duly executed Certificate of Acceptance and Payment Request in the form attached as Exhibit A hereto, (b) the vendor(s) or manufacturer(s) invoice(s) specifying the acquisition price of the 2018 Project described in the requisition request, and (c) any additional documentation required by Corporation.
 - b. If Corporation provides to the Escrow Agent written notice of the occurrence of an Event of Default or breach of any term, condition or covenant by District under the Purchase Agreement, the Escrow Agent shall thereupon promptly remit to Corporation the entire balance of the Escrow Fund.
 - c. Upon receipt by the Escrow Agent of a duly executed Certificate of Acceptance and Payment Request identified as the final such request, the Escrow Agent shall transfer the then remaining balance of the Escrow Fund to District, upon the express condition that District hereby agrees to use such excess amount solely for capital expenditures as shall be approved by District or, at the written direction of District, for application against the

interest component of the District's payment obligation under the Purchase Agreement, as provided therein, unless otherwise agreed by Corporation.

6. The Escrow Agent shall have no liability for acting upon any written instruction presented by District and Corporation in connection with this Escrow Agreement that the Escrow Agent in good faith believes to be genuine. Furthermore, the Escrow Agent shall not be liable for any act or omission in connection with this Escrow Agreement except for its own gross negligence, willful misconduct, or bad faith. The Escrow Agent shall not be liable for any loss or diminution in value of the Escrow Fund as a result of the investments made pursuant to Section 4.
7. To the extent authorized by law, District hereby agrees to indemnify and save the Escrow Agent harmless against any liabilities that it may incur in the exercise and performance of its powers and duties hereunder and that are not due to the Escrow Agent's gross negligence or willful misconduct. No indemnification will be made under this Section or elsewhere in this Escrow Agreement for damages arising solely out of gross negligence, willful misconduct, or bad faith by the Escrow Agent, its officers, agents, employees, successors or assigns.
8. The Escrow Agent may at any time resign by giving at least 30 days' prior written notice to District and Corporation, but such resignation shall not take effect until the appointment of the successor Escrow Agent. The substitution of another bank or trust company to act as Escrow Agent under this Escrow Agreement may occur by written agreement of Corporation and District. In addition, the Escrow Agent may be removed at any time, with or without cause, by instrument in writing executed by Corporation and District. Such notice shall set forth the effective date of the removal. In the event of any resignation or removal of the Escrow Agent, a successor Escrow Agent shall be appointed by an instrument in writing executed by Corporation and District. Such successor Escrow Agent shall indicate its acceptance of such appointment by an instrument in writing delivered to Corporation, District and the predecessor Escrow Agent.

Upon the effective date of resignation or removal, the Escrow Agent will transfer the Escrow Fund then held by it to the successor Escrow Agent selected by Corporation and District.

9. This Escrow Agreement shall terminate upon receipt by the Escrow Agent of the written notice from Corporation specified in Section 5(b) or Section 5(c) hereof.
10. All notices hereunder shall be in writing, sent by certified mail, return receipt requested, or by mutually recognized overnight carrier addressed to the other party at its respective address shown on page 1 of this Escrow Agreement or at such other address as such party shall from time to time designate in writing to the other parties; and shall be effective on the date of receipt.
11. This Escrow Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns. No rights or obligations of the Escrow Agent under this Escrow Agreement may be assigned without the prior written consent of Corporation and District.
12. This Escrow Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof, and no waiver, consent, modification, or change of terms hereof shall bind any party unless in writing signed by all parties.
13. The Escrow Agent may employ agents, attorneys and accountants in connection with its duties hereunder and shall not be liable for any action taken or omitted in good faith in accordance with the advice of counsel, accountants, or other skilled persons.
14. This Escrow Agreement shall be governed by and be construed and interpreted in accordance with the internal laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have caused this Escrow Agreement to be duly executed as of the day and year first above set forth.

CORPORATION:
HOLMAN CAPITAL CORPORATION

DISTRICT:
MONTECITO WATER DISTRICT

By: _____
Lance S. Holman
President & CEO

By: _____
Name: W. Douglas Morgan
Title: President

ESCROW AGENT:
AMERICAN RIVER BANK

By: _____
Name: Dan McGregor
Title: Chief Credit Officer

[Signature Page of Escrow Agreement]

EXHIBIT A

CERTIFICATE OF ACCEPTANCE AND PAYMENT REQUEST

The following payment request is directed to American River Bank (the “Escrow Agent”), as escrow agent under that certain Escrow Agreement dated October 17, 2018 (the “Escrow Agreement”), between the Montecito Water District (“District”), Holman Capital Corporation (“Corporation”), and the Escrow Agent. Because Holman Capital Corporation has assigned all of its right, title, and interest in and to the Escrow Agreement to the American River Bank, all references herein to “Corporation” shall mean American River Bank.

The Escrow Agent is hereby requested to pay from the Escrow Fund established and maintained under the Escrow Agreement the amount set forth below to the named payee(s). The amount shown is due and payable under a purchase order or contract (or has been paid by and not previously reimbursed to District). The portion of the 2018 Project described below is part or all of the 2018 Project financed pursuant to that certain Installment Purchase Agreement October 17, 2018 (the “Purchase Agreement”), between Corporation and District:

QUANTITY	DESCRIPTION OF 2018 PROJECT	AMOUNT	PAYEE
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District hereby certifies and represents to and agrees with Corporation as follows with respect to the 2018 Project described above: (i) the 2018 Project has been delivered to the location(s) set forth in the Purchase Agreement; (ii) a present need exists for the 2018 Project, which need is not temporary or expected to diminish in the near future; (iii) the 2018 Project is essential to and will be used by District only for the purpose of performing one or more governmental functions of District consistent with the permissible scope of District’s authority; (iv) the estimated useful life of the 2018 Project based upon the manufacturer’s representations and District’s projected needs is not less than the term of the Purchase Agreement; (v) District has conducted such inspection and/or testing of the 2018 Project as it deems necessary and appropriate and hereby acknowledges that it accepts the 2018 Project for all purposes as of the date of this Certificate; (vi) the 2018 Project is covered by insurance in the types and amounts required by the Purchase Agreement; (vii) no Event of Default, as those terms are defined in the Purchase Agreement, and no event that with the giving of notice or lapse of time or both, would become an Event of Default, has occurred and is continuing on the date hereof; and (viii) sufficient funds have been appropriated by District for the payment of all Installment Payments due under the Purchase Agreement during District’s current Fiscal Year.

Based on the foregoing, the Escrow Agent is hereby authorized and directed to fund the acquisition of the 2018 Project set forth above by paying, or causing to be paid, the manufacturer(s)/vendor(s) the amounts set forth on the attached invoices from the Escrow Fund held under the Escrow Agreement in accordance with its terms.

The following documents are attached hereto and made a part hereof: (a) Original Invoice(s) and (b) Copies of Certificate(s) of Ownership, designating Corporation as legal owner, and evidence of filing.

IF REQUEST IS FINAL REQUEST, CHECK HERE . The undersigned hereby certifies that the items of 2018 Project described above, together with the items of 2018 Project described in and accepted by Certificates of Acceptance and Payment Requests previously filed by District with

Corporation constitute all of the 2018 Project subject to the Purchase Agreement.

Date: _____

Approved:

AMERICAN RIVER BANK, as Corporation

MONTECITO WATER DISTRICT, as District

By: _____

By: _____

Name: _____

Name: _____

Title: _____

Title: _____

NOTICE AND ACKNOWLEDGEMENT OF
ASSIGNMENT OF ESCROW AGREEMENT

Holman Capital Corporation (“*Corporation*”), Montecito Water District (“*District*”), and American River Bank (“*Escrow Agent*”) have entered into an Escrow Agreement dated October 17, 2018 (the “*Escrow Agreement*”), pursuant to which Corporation has deposited cash into the Escrow Fund established thereunder, which funds are to be used by District to pay the Issuance Costs and acquire/complete the 2018 Project.

Escrow Agent is hereby notified that Corporation has assigned all of its right, title, and interest in and to, but not its obligations under, the Escrow Agreement to American River Bank (“*Assignee*”), including, in particular, but without limitation, Corporation’s security interest in the Escrow Fund and Corporation’s right to approve all payment requests submitted by District.

Date: October 17, 2018

CORPORATION:
HOLMAN CAPITAL CORPORATION

DISTRICT:
MONTECITO WATER DISTRICT

By: _____
Name: Lance S. Holman
Title: President & CEO

By: _____
Name: W. Douglas Morgan
Title: President

Acknowledged:

AMERICAN RIVER BANK

By: _____
Name: Dan McGregor
Title: Chief Credit Officer

**American River Bank
Waiver of Securities for Deposit of Public Moneys**

Pursuant to State of California Government Code Section 53653, the undersigned does hereby agree to waive the security collateralization requirement for that portion of any deposits maintained by the Depositor as are insured pursuant to federal law. This waiver refers to the deposit levels covered by FDIC insurance (currently \$250,000.00).

The undersigned also affirms that he/she is duly authorized to grant this waiver. All moneys belonging to the Depository, and on deposit in excess of the FDIC insurance levels, shall be collateralized by pledged securities in accordance with the Local Agency Deposit Security Law and applicable California Government Code and Code of Regulations.

IN WITNESS WHEREOF, the Authorized Signor in his/her official capacity has signed this contract in duplicate and the Depository has caused this contract to be executed in like number by its duly authorized officers.

LENDER: HOLMAN CAPITAL
CORPORATION

BORROWER: MONTECITO WATER
DISTRICT

By: _____
Lance S. Holman
President & CEO

By: _____
W. Douglas Morgan, President

DEPOSITORY: AMERICAN RIVER BANK

By: _____
Name: Dan McGregor
Title: Chief Credit Officer

COHEN & BURGE, LLP
ATTORNEYS AT LAW

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Of Counsel:
GORDON S. WRIGHT
GRANT T. BURTON

October 17, 2018

Lance S. Holman
Holman Capital Corporation
25201 Paseo de Alicia
Suite 290
Laguna Hills, CA 92653

Johnathan Leckey
American River Bank
520 Capitol Mall, Suite 200
Sacramento, CA 95814

DRAFT

**2018 Installment Purchase Agreement Financing the
Water Meter Replacement Project
in the
Aggregate Principal Amount of \$3,000,000**

Ladies and Gentlemen:

I have participated as counsel for the Montecito Water District (the “District”) in connection with the issuance of its \$3,000,000 2018 Installment Purchase Agreement dated October 12, 2018 between the District and Holman Capital Corporation (the “IPA”), pursuant to the Constitution of the State of California, as amended, other applicable provisions of California law, and a Resolution duly adopted by the Board of Directors of the Issuer on October 12, 2018 (the “Resolution”). Any capitalized terms used herein not otherwise defined shall have the meaning set forth in the Resolution.

In rendering this opinion, I have examined such proceedings and records of the District and made such inquiry of the District as I deem necessary.

In giving the opinions expressed below, I do not purport to be familiar with or qualified to express legal opinions based on the laws of any jurisdiction (including, but not limited to, the laws of the United States) other than the laws of the State of California.

Lance S. Holman
Holman Capital Corporation

Johnathan Leckey
American River Bank

October 17, 2018, Page 2

Based on such participation, examination, and inquiry, I am of the opinion, as of the date hereof, that:

1. The District is a duly formed and validly existing county water district of the State of California, formed under Division 12 of the California Water Code, which makes it a body corporate and politic and a political subdivision of the State of California, as such term is defined under the Section 103 of the Internal Revenue Code of 1986, as amended, with the full right, power, and authority to adopt the Resolution, to issue the IPA, to perform its obligations under the IPA and under the Resolution, and to consummate the transactions contemplated by such instruments.
2. The Resolution was duly adopted by the Board of Directors of the District at a duly called meeting following proper notice, and has not been otherwise amended or repealed and is in full force and effect as of the date hereof. The Resolution and IPA constitute legal, valid and binding obligations of the District enforceable in accordance with their terms.
3. The IPA has been duly authorized, executed, and delivered by the District and constitutes a legal, valid and binding obligation of the District enforceable in accordance with its terms (subject only to enforceability of any remedies to any applicable bankruptcy or insolvency laws or other laws affecting creditors' rights generally, from time to time in effect).
4. The adoption of the Resolution, and the authorization, execution, and delivery of the IPA, and compliance with the provisions thereof, will not conflict with, or constitute a breach of or default under, any law, administrative regulations, consent, decree, ordinance, resolution, constitutional provision, or any agreement or other instrument to which the District was or is subject, as the case may be, nor will such enactment, adoption, execution, delivery authorization or compliance result in the creation or imposition of an invalid, illegal or unauthorized lien, charge, or other security interest or encumbrance of any nature whatsoever upon any property or assets of the District, or under the terms of any law, administrative regulation, ordinance, resolution or instrument, except as expressly and legally provided for in the IPA.
5. All approvals, consents, authorizations and orders of any governmental authority or agency having jurisdiction in any matter which would constitute a condition precedent to the performance by the District of its obligation under the IPA and Resolution have been obtained and are in full force and effect.
6. The District is lawfully empowered to acquire, complete and engage in all manners incidental to the 2018 Project and to pay associated costs of issuance.

Lance S. Holman
Holman Capital Corporation

Johnathan Leckey
American River Bank

October 17, 2018, Page 3

7. There is no litigation pending or threatened, to restrain or enjoin the issuance or sale of the IPA, or in any way, affecting any authority for or the validity of the IPA, the Resolution, or the pledge of and covenants related to the Net Water Revenues.

8. Neither the corporate existence nor the title of any present Director, the Board President, the General Manager, or other officials thereof to their respective office is being contested.

This opinion may be relied upon by addressees hereof as well as by their successors and assigns, but only respect to the matters expressly set forth herein.

Very truly yours,

ROBERT M. COHEN

DRAFT