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CREDIT AGREEMENT

by and between

MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY

and

BANK OF THE WEST

Dated as of May 1, 2017

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## **CREDIT AGREEMENT**

This CREDIT AGREEMENT, dated as of May 1, 2017 (this “Agreement”), is entered into by and between the MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY, a joint powers agency duly organized and existing under and pursuant to the laws of the State of California (the “Agency”) and BANK OF THE WEST (the “Bank”).

### **RECITALS**

A. The Agency wishes to obtain a revolving line of credit (the “Line of Credit”) from the Bank hereunder and the Bank is willing, upon the terms and subject to the conditions set forth below, to provide the Line of Credit to the Agency to pay the costs of the Pure Water Monterey Groundwater Replenishment Project (as defined herein) reimbursable from a SRF Loan (as defined herein) (the “Project Costs”).

B. All obligations of the Agency to repay Advances, Revolving Loans and the Term Loan and to pay all other amounts payable to the Bank arising under or pursuant to this Agreement or the promissory note to be issued by the Agency to the Bank hereunder (all such obligations are hereinafter collectively referred to as the “Payment Obligations”) are created under and will be evidenced by this Agreement and such promissory note and will be secured by a pledge of and subordinate lien on the Net Revenues and a pledge of and senior lien on the other Collateral (as defined herein) all in accordance with the terms and conditions hereof.

NOW, THEREFORE, in consideration of the foregoing Recitals and other consideration, the receipt and sufficiency of which is hereby acknowledged, and to induce the Bank to extend to the Agency the Line of Credit, the Agency and the Bank hereby agree as follows:

## **ARTICLE I**

### **DEFINITIONS**

SECTION 1.1. Definitions. The following terms shall have the following meanings as used herein:

“Act” means the Joint Exercise of Powers Act (being Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, as amended) and all laws amendatory thereof or supplemental thereto.

“Additional Agreement” has the meaning set forth in Section 8.17 hereof.

“Additional Revenues” means, with respect to the issuance or incurrence of any Net Revenue Debt secured by a pledge of and lien upon any portion of the Net Revenues on a basis subordinate to or on a parity with the lien on the Net Revenues securing the Payment Obligations, any or all of the following amounts:

(a) An allowance for Net Revenues from any additions or improvements to or extensions of the Wastewater System to be made with the proceeds of such Net Revenue Debt and also for Net Revenues from any such additions, improvements or extensions which have

been made from moneys from any source but in any case which, during all or any part of the latest Fiscal Year or for any more recent consecutive 12 month period selected by the Agency, were not in service, all in an amount equal to 75% of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first 36 month period in which each addition, improvement or extension is respectively to be in operation, all as shown by the certificate or opinion of a qualified independent engineer employed by the Agency.

(b) An allowance for Net Revenues arising from any increase in the charges made for service from the Wastewater System which has become effective prior to the incurring of such Net Revenue Debt but which, during all or any part of the latest Fiscal Year or for any more recent consecutive 12 month period selected by the Agency, was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12 month period, all as shown by the certificate or opinion of an Independent Accountant or Financial Consultant employed by the Agency.

“Additional Rights” has the meaning set forth in Section 8.17 hereof.

“Advance” means an advance requested by the Agency under the terms hereof for the payment of the Project Costs.

“Advance Date” means the date on which the Bank honors a Request for Advance and makes the funds requested available to the Agency.

“Advance Period” means the period from the Effective Date through and including the Commitment Termination Date.

“Agency” means the Monterey Regional Water Pollution Control Agency and its successors and assigns permitted hereunder.

“Agreement” means this Credit Agreement, dated as of May 1, 2017, by and between the Agency and the Bank, as the same may be amended or supplemented from time to time.

“Anti-Terrorism Laws” means any laws relating to terrorism or money laundering including the Executive Order and the Patriot Act.

“Applicable Margin” means with respect to each Revolving Loan, 0.50% and with respect to the Term Loan, 3.00%.

“Applicable Rate” means the interest rate applicable to each Revolving Loan or the Term Loan, as designated in a Request for Advance delivered by the Agency pursuant to Section 2.4(a) hereof or in a Loan Conversion Notice delivered by the Agency from time to time pursuant to Section 2.4(b) or 2.4(c) hereof or deemed designated pursuant to Section 2.4(b) or 2.4(c) hereof, which interest rate shall be equal to (a) for each Revolving Loan or the Term Loan designated as a LIBOR Rate Loan borrowing, a fixed per annum rate of interest equal to the sum of: (i) the LIBOR Rate for the applicable Interest Period as designated in a Request for Advance delivered by the Agency pursuant to Section 2.4(a) hereof or in an Interest Period Designation Notice delivered by the Agency from time to time pursuant to Section 2.4(b) hereof or deemed

designated pursuant to Section 2.4(b) or 2.4(c) hereof, plus (ii) the Applicable Margin, or (b) for each Revolving Loan or the Term Loan designated as a Base Rate Loan borrowing, a variable per annum rate of interest equal to the sum of (i) the Base Rate in effect from time to time plus (ii) the Applicable Margin. Upon the occurrence or during the continuance of any Event of Default hereunder, the Applicable Rate shall be equal to the Default Rate. If during the applicable Interest Period for any Revolving Loan or the Term Loan designated as a LIBOR Rate Loan borrowing, the Applicable Rate becomes equal to the Default Rate pursuant to the definition of Applicable Rate hereunder, the Agency shall also pay all amounts due under Sections 2.4(d), 3.6 and 4.7 hereof in accordance with the terms thereof due to such change in the interest rate. Interest shall be adjusted concurrently with any change in the Applicable Rate. If the Bank determines that (1) U.S. Dollar Deposits are not being offered to banks in the London interbank offered market for the applicable amount and Interest Period or (2) adequate and reasonable means do not exist for determining the LIBOR Rate for any Interest Period, then the Bank will promptly so notify the Agency in writing, in which event the Agency shall be deemed to have designated such Revolving Loan or the Term Loan to convert to a Base Rate Loan borrowing and the Applicable Rate shall thereupon be equal to a variable per annum rate of interest equal to the sum of (i) the Base Rate in effect from time to time plus (ii) the Applicable Margin, and the Agency shall also pay all amounts due under Sections 2.4(d), 3.6 and 4.7 hereof in accordance with the terms thereof due in connection therewith.

“Authorized Representative” means the Chief Financial Officer or General Manager of the Agency or any other person designated by the Board of Directors as an Authorized Representative under the terms of a resolution of the Agency; provided, that a copy of such resolution shall have been provided to the Bank.

“Available Commitment” means, on the Effective Date, an initial amount equal to the Commitment Amount less the Initial Advance, and thereafter as adjusted from time to time as follows: (a) downward in an amount equal to any Advance (other than the Initial Advance) made hereunder; (b) upward in an amount equal to the principal amount of any Revolving Loan that is prepaid; (c) downward in an amount equal to any reduction of the Available Commitment effected pursuant to Section 2.6 or Section 10.2 hereof; and (d) downward to zero upon termination of the Commitment in accordance with the terms hereof.

“Bank” means Bank of the West, and its successors and assigns.

“Base Rate” means, for any day, a fluctuating rate of interest per annum equal to the greater of: (a) the Prime Rate and (b) the sum of (i) the Federal Funds Rate plus (ii) 0.50%, calculated on the basis of a 360-day year and actual days elapsed.

“Base Rate Loan” means any Revolving Loan or the Term Loan bearing interest at a variable per annum rate of interest set forth in clause (b) of the definition of “Applicable Rate” herein.

“Board of Directors” means the Board of Directors of the Agency which is the governing board of the Agency.



“Bureau Loan” means the loan from the United States Department of the Interior to the Agency in the original aggregate principal amount of \$20,444,141.34 pursuant to the Contract Between the United States and the Monterey Regional Water Pollution Control Agency for a Loan for Construction of a Small Reclamation Project (Contract No. 5-07-W1284), dated as of June 2, 1995, as amended from time to time.

“Business Day” means any day other than a Saturday or Sunday, on which commercial banks are open for business in California.

“Change in Law” has the meaning set forth in Section 6.3 hereof.

“Code” means the Internal Revenue Code of 1986, as amended.

“Collateral” means (i) the Net Revenues; (ii) all proceeds of any PWMGRP SRF Loan and (iii) all other funds of the Agency which are legally available for payment of the Payment Obligations and other Net Revenue Debt, including but not limited to investment earnings thereon and any proceeds of any of the foregoing, including but not limited to investment earnings thereon and any proceeds of any of the foregoing.

“Commitment” means the obligation of the Bank to make future Advances of the unfunded portion of the Available Commitment hereunder subject to the terms and conditions of this Agreement.

“Commitment Amount” means \$10,000,000.

“Commitment Termination Date” means the earlier of (i) the Stated Commitment Expiration Date, (ii) the date Commitment terminates or the date the Available Commitment is reduced to zero in accordance with the terms hereof.

“Commitment Fee” has the meaning set forth in Section 2.5(a) hereof.

“Conversion Date” means the date on which the Revolving Loans are converted to the Term Loan pursuant to Article IV.

“Debt” means all items that would be classified as a liability in accordance with generally accepted accounting principles, including, without limitation, (a) indebtedness or liability for borrowed money, or for the deferred purchase price of property or services (including trade obligations); (b) obligations as lessee under leases which should have been, or should be, recorded as capital leases in accordance with generally accepted accounting principles; (c) current liabilities in respect of unfunded benefits under employee benefit, retirement or pension plans; (d) obligations issued for the account of any other Person; (e) all obligations arising under acceptance facilities; (f) all guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any other Person or otherwise to assure a creditor against loss; (g) obligations secured by any mortgage, lien, pledge, security interest or other charge or encumbrance on property, whether or not the obligations have been assumed and (h) obligations of the Agency under any Swap Contract.

“Debt Service” means, for any Fiscal Year, the sum of (1) the interest falling due during such Fiscal Year on all Net Revenue Debt (which are outstanding under the Net Revenue Debt Issuing Documents), assuming that all outstanding serial Net Revenue Debt are retired as scheduled and that all outstanding term Net Revenue Debt are redeemed from sinking fund payments as scheduled (except to the extent that such interest has been fully capitalized and invested in Federal Securities which mature at times and in such amounts as are necessary to pay the interest to which such amounts are pledged), (2) the principal amount of all serial Net Revenue Debt (which are outstanding under the Net Revenue Debt Issuing Documents) falling due by their terms during such Fiscal Year, (3) the minimum amount of term Net Revenue Debt (which are outstanding under the Net Revenue Debt Issuing Documents) required to be paid or called and redeemed during such Fiscal Year, together with the redemption premiums, if any, thereon; provided that, whenever interest as described herein accrues at other than a fixed rate, such interest shall be assumed to be a rate equal to the greater of (i) the actual rate on the date of calculation, or if the Net Revenue Debt are not yet outstanding, the initial rate (if established and binding), (ii) if the Net Revenue Debt have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of calculation, and (iii) (x) if interest on the Net Revenue Debt is excludable from gross income for federal income tax purposes, the most recently published The Bond Buyer Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (y) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities, plus fifty (50) basis points, (4) the Payment Obligations (except to the extent that interest has been fully capitalized and is invested in Federal Securities which mature at times and in such amounts as are necessary to pay the interest to which such amounts are pledged) required to be paid hereunder during such Fiscal Year.

“Default” means any condition or event which, with the giving of notice or lapse of time or both would unless cured or waived become an Event of Default.

“Default Rate” means, for any day, a fluctuating rate of interest per annum equal to the sum of (i) the Base Rate plus (ii) 5.00%, calculated on the basis of a 360-day year and actual days elapsed.

“Dodd-Frank Act” means the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, as enacted by the United States Congress, and signed into law on July 21, 2010, and all statutes, rules, guidelines or directives promulgated thereunder.

“Effective Date” means May 11, 2017.

“Environmental Laws” means any and all federal, state, local and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes into the environment, including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes or the clean up or other remediation thereof.

“Event of Default” means any event or circumstance specified in Section 10.1 hereof.

“Event of Insolvency” means, with respect to any Person, the occurrence of one or more of the following events:

(a) the issuance, under the laws of any state or under the laws of the United States of America, of an order of rehabilitation, liquidation or dissolution of such Person;

(b) the commencement by or against such Person of a case or other proceeding seeking liquidation, reorganization or other relief with respect to such Person or its debts under any bankruptcy, insolvency or other similar state or federal law now or hereafter in effect, including, without limitation, the appointment of a trustee, receiver, liquidator, custodian or other similar official for such Person or any substantial part of its property or there shall be appointed or designated with respect to it, an entity such as an organization, board, commission, authority, agency or body to monitor, review, oversee, recommend or declare a financial emergency or similar state of financial distress with respect to it or there shall be declared or introduced or proposed for consideration by it or by any legislative or regulatory body with competent jurisdiction over it, the existence of a state of financial emergency or similar state of financial distress in respect of it;

(c) the making of an assignment for the benefit of creditors by such Person;

(d) the failure of such Person to generally pay its debts as they become due;

(e) a debt moratorium, debt adjustment, debt restructuring or comparable restriction with respect to the payment of any indebtedness of such Person is declared or imposed by such Person or by any governmental authority having jurisdiction over such Person;

(f) such Person shall admit in writing its inability to pay its debts when due; or

(g) the initiation of any actions to authorize any of the foregoing by or on behalf of such Person.

“Executive Order” means the Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001, as the same has been, or shall hereafter be, renewed, extended, amended or replaced.

“Federal Funds Rate” means, for any day, the rate per annum equal to the weighted average (rounded upwards, if necessary to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Bank from three Federal funds brokers of recognized standing selected by it.

“Federal Securities” means direct obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States), or

obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America.

“Financial Consultant” means any consultant or firm of such consultants appointed by the Agency and who, or each of whom: (a) is judged by the Agency to have experience in matters relating to the financing of wastewater enterprises; (b) is in fact independent and not under domination of the Agency; (c) does not have any substantial interest, direct or indirect, with the Agency; and (d) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

“Fiscal Year” means the period commencing on July 1 of each year and terminating on the next succeeding June 30.

“Fitch” means Fitch Inc., or its successors.

“General Fund” means the fund of the Agency into which it deposits Gross Revenues.

“Gross Revenues” means all gross charges received for, and all other gross income and receipts derived by the Agency from, the ownership and operation of the Wastewater System or otherwise arising from the Wastewater System, including but not limited to investment earnings on such income and receipts; but excluding (a) the proceeds of any special assessments or special taxes levied upon real property within any improvement district served by the Agency levied for the purpose of paying special assessment bonds or special tax obligations of the Agency relating to the Wastewater System, and (b) any taxes levied for the sole purpose of providing for payment of principal and interest on any voter-approved indebtedness incurred by the Agency, which taxes would not otherwise be subject to levy but for the issuance of such indebtedness. Gross Revenues shall include interest with respect to any Parity Obligations reimbursed to or on behalf of the Agency by the United States of America. Gross Revenues shall also include any loans, reimbursements or other amounts received by the Agency from any other Person, including without limitation, the State of California, acting by and through its State Water Resources Control Board, derived by the Agency from, the ownership and operation of the Wastewater System or otherwise arising from the Wastewater System.

“Indemnified Party” has the meaning set forth in Section 6.2 hereof.

“Independent Accountant” means any accountant or firm of such accountants appointed and paid by the Agency, and who, or each of whom (a) is in fact independent and not under domination of the Agency; (b) does not have any substantial interest, direct or indirect, with the Agency; and (c) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make annual or other audits of the books of or reports to the Agency.

“Initial Advance” means the initial Advance in the amount of \$2,000,000 made by the Bank hereunder on the Effective Date.

“Interest Period” means, with respect to any Revolving Loan or the Term Loan designated as a LIBOR Rate Loan borrowing, the period commencing on the related Advance Date or the first day of a subsequent Interest Period, and ending on the date one (1), three (3) or

six (6) months thereafter, as designated in a Request for Advance pursuant to Section 2.4(a) hereof or in an Interest Period Designation Notice delivered by the Agency from time to time pursuant to Section 2.4(b) hereof or deemed designated pursuant to Section 2.4(b) hereof, as applicable; provided that (i) any Interest Period that would otherwise end on a day that is not a Business Day shall be extended to the next succeeding Business Day unless such Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Business Day; (ii) any Interest Period that begins on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall end on the last Business Day of the calendar month at the end of such Interest Period; and (iii) no Interest Period shall extend beyond the Revolving Loan Maturity Date or the Term Loan Maturity Date, as applicable.

“Interest Period Designation Notice” means a designation of a subsequent Interest Period made by the Agency to the Bank, in the form of Exhibit C hereof, executed and delivered on behalf of the Agency by an Authorized Representative of the Agency.

“JPA Agreement” means the Joint Exercise of Powers Agreement for the Monterey Regional Water Pollution Control Agency, as amended from time to time.

“Last Advance Request Date” means (a) for an Advance to result in a Revolving Loan designated as a LIBOR Rate Loan borrowing, the Business Day which is three (3) Business Days immediately prior to the day of the requested Advance and (b) for an Advance to result in a Revolving Loan designated as a Base Rate Loan borrowing, the Business Day which is one (1) Business Day immediately prior to the day of the requested Advance. If a Request for Advance is received by the Bank prior to 8:00 a.m., California time, on any Business Day, such Business Day shall be counted towards such Business Day requirement.

“Last Conversion Designation Date” means (a) for designation of a conversion of any Revolving Loan or the Term Loan designated as a Base Rate Loan borrowing to a LIBOR Rate Loan borrowing, the Business Day which is two (2) Business Days immediately prior to the day of the proposed conversion, and (b) for designation of a conversion of any Revolving Loan or the Term Loan designated as a LIBOR Rate Loan borrowing to a Base Rate Loan borrowing, the Business Day which is one (1) Business Day immediately prior to the last day of the then-current Interest Period.

“Last Interest Period Designation Date” means for any Revolving Loan or the Term Loan designated as a LIBOR Rate Loan borrowing, the Business Day which is two (2) Business Days immediately prior to the last day of the then-current Interest Period.

“Last Prepayment Notice Date” means (a) for prepayment of any Revolving Loan or the Term Loan designated as a LIBOR Rate Loan borrowing, the Business Day which is two (2) Business Days immediately prior to the Prepayment Date, and (b) for prepayment of any Revolving Loan or the Term Loan designated as a Base Rate Loan borrowing, the Business Day which is one (1) Business Day immediately prior to the Prepayment Date.

“LIBOR Rate Loan” means any Revolving Loan or the Term Loan bearing interest at a fixed per annum rate of interest set forth in clause (a) of the definition of “Applicable Rate” herein.

“LIBOR Rate” means, with respect to any Revolving Loan or the Term Loan, the interest rate that is the rate per annum for the applicable Interest Period (rounded upwards, if elected by the Bank and as necessary, to the nearest one one-hundredth of 1.00%) determined by the Bank for deposits in U.S. Dollars in an amount approximately equal to the principal amount of such Revolving Loan or the Term Loan (for delivery on the first day of such Interest Period) with a term equivalent to such Interest Period, such determination by the Bank to be made at approximately 11:00 a.m. (London time) on the date that is two Business Days prior to the beginning of such Interest Period by reference to Reuters Screen LIBOR01 Page (or such other page as may replace Reuters Screen LIBOR01 Page or such other service or services as may be nominated by the ICE Benchmark Administration Limited for the purpose of displaying London interbank offered rates for United States dollar deposits); provided that, if an interest rate is not ascertainable pursuant to the foregoing provisions of this definition, then “LIBOR Rate” shall be the interest rate per annum determined by the Bank to be the average of the rates per annum at which deposits in U.S. Dollars in an amount approximately equal to the principal amount of such Revolving Loan or the Term Loan (for delivery on the first day of such period), with a term equivalent to such Interest Period, are offered to major banks in the London interbank offered market in London, England at approximately 11:00 a.m. (London time) on the date that is two Business Days prior to the beginning of such period. Each determination by the Bank pursuant to this definition shall be conclusive absent manifest error.

“Line of Credit” has the meaning provided in the Recitals hereto.

“Loan Conversion Notice” means notice of the conversion of any Revolving Loan or the Term Loan designated as a Base Rate Loan borrowing to a LIBOR Rate Loan borrowing or a LIBOR Rate Loan borrowing to a Base Rate Loan borrowing, in the form of Exhibit L hereof, executed and delivered on behalf of the Agency by an Authorized Representative of the Agency.

“Loan Documents” means this Agreement, the Note, the Resolution, the PWMGRP SRF Loan Documents and any documents related thereto.

“Material Adverse Effect” means an event or occurrence which adversely affects in a material manner (a) the assets, liabilities, condition (financial or otherwise), business or operations of the Wastewater System (including the Net Revenues generated therefrom), (b) the ability of the Agency to carry out its business as of the date of this Agreement or as proposed herein to be conducted or to meet or perform its obligations under this Agreement or any of the other Loan Documents on a timely basis, (c) the validity or enforceability of this Agreement or any other Loan Document or (d) the rights or remedies of the Bank under this Agreement, the Note or any other Loan Document.

“Maximum Annual Debt Service” means the largest annual Debt Service on the Net Revenue Debt during the period from the date of such determination through the final maturity date of the Net Revenue Debt; provided, that for purposes of such calculation, the principal amount of the outstanding Payment Obligations due and payable on the Revolving Loan

Maturity Date or the Term Loan Maturity Date, as applicable, shall be assumed to be paid in equal annual installments sufficient to fully amortize such principal over a ten (10) year term commencing on the Stated Commitment Expiration Date.

“Moody’s” means Moody’s Investors Service, Inc., or its successors.

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

“Net Revenue Debt” means any bonds, notes, leases, installment sale agreements or other obligations, Debt or indebtedness of the Agency payable from and secured by a pledge of and lien upon any of the Net Revenues, including the Payment Obligations, and any Senior Debt and any Subordinate Debt entered into or issued or incurred under and in accordance with Section 9.2.

“Net Revenue Debt Issuing Documents” means, collectively, the indenture of trust, trust agreement, loan agreement, installment sale agreement, resolution or other document authorizing or evidencing the issuance or incurrence of any Net Revenue Debt.

“Net Revenues” means, for any period, all of the Gross Revenues during such period less all of the Operation and Maintenance Costs during such period.

“Note” has the meaning set forth in Section 3.2 hereof.

“One-Time Revenues” means, for any period, the portion of Gross Revenues during such period that are one-time, extraordinary or nonrecurring revenues.

“Operation and Maintenance Costs” means the reasonable and necessary costs and expenses paid by the Agency for maintaining and operating the Wastewater System, including but not limited to (a) costs of electricity and other forms of energy supplied to the Wastewater System, (b) the reasonable expenses of management and repair and other costs and expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and (c) the reasonable administrative costs of the Agency attributable to the operation and maintenance of the Wastewater System; but in all cases excluding (i) debt service payable on the Senior Debt, the Subordinate Debt and any other obligations incurred by the Agency with respect to the Wastewater System, (ii) depreciation, replacement and obsolescence charges or reserves therefor, (iii) amortization of intangibles or other bookkeeping entries of a similar nature, and (iv) costs and expenses which are treated by the Agency as capital expenditures.

“Participant” means any entity to which the Bank has granted a participation in the obligations of the Bank hereunder and of the Agency hereunder and under the Note.

“Patriot Act” has the meaning set forth in Section 11.12 hereof.

“Payment Date” means the last calendar day of the month which is six months after the month in which a Conversion Date occurs and the last calendar day of every sixth month thereafter.

“Payment Obligations” has the meaning provided in the Recitals hereto.

“Person” means any individual, partnership, firm, corporation, association, joint venture, trust or other entity, or any government (or political subdivision or agency, department or instrumentality thereof).

“Prepayment Date” means any Business Day the Agency prepays any Revolving Loan or the Term Loan, as applicable, in whole or in part.

“Prime Rate” means an index for a variable interest rate which is quoted, published or announced by the Bank as its prime rate and as to which loans may be made by the Bank at, above or below such rate.

“Prior Credit Agreement” means that certain Credit Agreement, dated as of February 1, 2016, by and between the Agency and the Bank, as the same may be amended or supplemented from time to time. As of the Effective Date, there are advances and revolving loans outstanding in an aggregate principal amount of \$1,000,000.

“Prior Note” means the promissory note of the Agency to the Bank issued on February 11, 2016, payable to the Bank in a principal amount of \$2,000,000 (or, if less, the aggregate unpaid principal amount of all advances and revolving loans made by the Bank from time to time under the Prior Credit Agreement). As of the Effective Date, the Prior Note evidences advances and revolving loans outstanding in an aggregate principal amount of \$1,000,000.

“Project Costs” means the costs of the Pure Water Monterey Groundwater Replenishment Project reimbursable from a SRF Loan.

“Pure Water Monterey Groundwater Replenishment Project” is a water recycling project, jointly developed by the Monterey Peninsula Water Management District and the Agency, which project will provide (i) purified recycled water for replenishment of the Seaside Groundwater Basin that serves as drinking water supply for the residents of the Monterey Peninsula and (ii) recycled water to augment the existing Castroville Seawater Intrusion Project’s agricultural irrigation supply. The Project components include: conveyance of three potential types of source waters to the Agency’s Regional Treatment Plant for treatment, the new Advanced Water Treatment Facility and other improvements to the Agency’s Regional Treatment Plant; a purified recycled water conveyance system, including pipelines and pump station; groundwater injection and monitoring wells.

“PWMGRP SRF Loan” means any proposed state revolving fund loan anticipated to be made by the State of California, acting by and through its State Water Resources Control Board, to the Agency in an aggregate principal amount not less an amount sufficient to repay in full the outstanding Advances, Revolving Loans and the Term Loan evidenced by the Note and to pay all other Payment Obligations, for the purpose of financing the costs of the Pure Water Monterey Groundwater Replenishment Project, as entered into or issued or incurred under and in accordance with Section 9.2(c) and as the same may be amended from time to time.



“PWMGRP SRF Loan Documents” means the loan contract and all amendments or supplements thereto evidencing any PWMGRP SRF Loan.

“Qualified Engineer” means a consulting engineer of recognized skill and experience in the field of engineering matters related to the construction and maintenance of systems similar to the Wastewater System who is selected by the Agency and approved by the Bank and who may be an employee of the Agency.

“Quarterly Payment Date” means the first Business Day of each January, April, July and October, commencing on July 3, 2017.

“Rating Agency” means Fitch, Moody’s or S&P or any other nationally recognized rating agency with a Senior Debt Long-Term Credit Rating then in effect.

“Request for Advance” means any request for an Advance made by the Agency to the Bank, in the form of Exhibit B hereto, executed and delivered on behalf of the Agency by an Authorized Representative of the Agency.

“Resolution” means the resolution of the Agency adopted by the Board of Directors of the Agency on January 26, 2016, together with any other resolutions or proceedings taken by the Agency in connection with the execution and delivery of this Agreement, the Note and the other Loan Documents.

“Revolving Loan” has the meaning set forth in Section 3.1 hereof.

“Revolving Loan Maturity Date” means, with respect to any Revolving Loan, the Commitment Termination Date or any earlier date on which all amounts due under the Loan Documents (including without limitation all Advances and Revolving Loans) are accelerated pursuant to Section 10.2 hereof.

“S&P” means S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, or its successors.

“Senior Debt” means any bonds, notes, leases, installment sale agreements or other obligations, Debt or indebtedness of the Agency payable from and secured by a pledge of and lien upon any of the Net Revenues on a basis senior to the lien on Net Revenues securing the Payment Obligations, entered into or issued or incurred under and in accordance with Section 9.2, and which constitutes Parity Obligations under the Net Revenue Debt Documents, including without limitation the Series 2012 Bonds, the Series 2013 Bonds, the Bureau Loan (but only so long as the Agency’s Salinas Valley Reclamation Project is included as part of the Wastewater System), the SVRP SRF Loan (but only so long as the Agency’s Salinas Valley Reclamation Project is included as part of the Wastewater System) and the PWMGRP SRF Loan.

“Senior Debt Issuing Documents” means, collectively, the indenture of trust, trust agreement, loan agreement, installment sale agreement, resolution or other document authorizing or evidencing the issuance or incurrence of any Senior Debt.

“Senior Debt Long-Term Credit Rating” means unenhanced long-term credit ratings issued by one or more rating agencies for any Senior Debt.

“Series 2012 Bonds” means the \$8,855,000 original aggregate principal amount of Monterey Regional Water Pollution Control Agency Taxable Wastewater Refunding Revenue Bonds, Series 2012 currently outstanding in the aggregate principal amount of \$7,330,000.

“Series 2013 Bonds” means the \$12,241,618.58 original aggregate principal amount of Monterey Regional Water Pollution Control Agency Wastewater Revenue Refunding Bonds, Series 2013 currently outstanding in the aggregate principal amount of \$9,448,551.

“SRF Loans” means (a) the SVRP SRF Loan; (b) the PWMGRP SRF Loan, and (c) such other future state revolving fund loan program loan contracts entered into between the State, acting by and through its State Water Resources Control Board, and the Agency for the purpose of financing and refinancing the costs of capital improvements to the Wastewater System, in each case as entered into or issued or incurred under and in accordance with Section 9.2(e) and as the same may be amended from time to time.

“State” means the State of California.

“Stated Commitment Expiration Date” means May 10, 2019 unless extended as provided herein.

“Subordinate Debt” means any bonds, notes, leases, installment sale agreements or other obligations, Debt or indebtedness of the Agency payable from and secured by a pledge of and lien upon any of the Net Revenues on a parity with the lien on Net Revenues securing the Payment Obligations, entered into or issued or incurred under and in accordance with Section 9.2, including without limitation, the Payment Obligations.

“Subordinate Debt Issuing Documents” means, collectively, the indenture of trust, trust agreement, loan agreement, installment sale agreement, resolution or other document authorizing or evidencing the issuance or incurrence of any Subordinate Debt.

“SVRP SRF Loan” means the revolving loan from the State Water Resources Control Board to the Agency in the original aggregate principal amount of \$9,319,708.22 pursuant to the State Revolving Fund Loan Program Loan Contract between the State Water Resources Control Board and Monterey Regional Water Pollution Control Agency (Contract No. 5-804-550-0, Loan No. C-06-4071-210), dated April 18, 1995, as amended from time to time.

“Swap Contract” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and

(b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “Master Agreement”), including any such obligations or liabilities under any Master Agreement.

“Taxes” has the meaning provided in Section 6.5 hereof.

“Term Loan” has the meaning provided in Section 4.1 hereof.

“Term Loan Maturity Date” means the date that is no later than three (3) years after the Conversion Date, or any earlier date on which all amounts due under the Loan Documents (including without limitation the Term Loan) are accelerated pursuant to Section 10.2 hereof.

“United States” means the United States of America.

“Wastewater System” means the entire wastewater collection, transmission, treatment, disposal and reclamation system owned and operated by the Agency, including but not limited to all facilities, properties and improvements at any time owned or operated by the Agency for the collection, treatment and disposal of wastewater within the service area of the Agency, together with any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto hereafter acquired, constructed or installed by the Agency; provided, that the Agency’s Salinas Valley Reclamation Project shall not be considered as part of the Wastewater System. The Pure Water Monterey Groundwater Replenishment Project shall be considered a part of the Wastewater System.

SECTION 1.2. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time, applied on a consistent basis.

SECTION 1.3. Interpretation. The following rules shall apply to the construction of this Agreement unless the context requires otherwise: (i) the singular includes the plural, and the plural the singular; (ii) words importing any gender include the other gender; (iii) references to statutes are to be construed as including all statutory provisions consolidating and amending, and all regulations promulgated pursuant to, such statutes; (iv) references to “writing” include printing, photocopy, typing, lithography and other means of reproducing words in a tangible visible font; (v) the words “including,” “includes” and “include” shall be deemed to be followed by the words “without limitation;” (vi) references to the introductory paragraph, recitals, articles, sections (or clauses or subdivisions of sections), exhibits, appendices, annexes or schedules are to those of this Agreement unless otherwise indicated; (vii) references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications to such instruments, but only to the extent that such amendments and other modifications are permitted or not prohibited by the terms of this Agreement; (viii) section headings in this Agreement are included herein for convenience of reference only and shall not

constitute a part of this Agreement for any other purpose; (ix) references to Persons include their respective permitted successors and assigns; and (x) in the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” each means “to but excluding.” All references to “funds” herein shall include all accounts and subaccounts therein unless the context clearly requires otherwise.

## ARTICLE II

### APPLICATION AND ISSUANCE OF THE LINE OF CREDIT; PAYMENTS

SECTION 2.1. Application. The Agency hereby applies to the Bank for, and authorizes and instructs the Bank to issue for its account, the Commitment in the initial Available Commitment.

SECTION 2.2. Making of Advances; Use of Proceeds.

(a) Subject to the terms and conditions of this Agreement and in reliance upon the representations, warranties and agreements set forth herein, including without limitation satisfaction of the conditions set forth in Section 2.3(b) hereof, the Bank hereby agrees to make Advances from time to time on any Business Day during the Advance Period, in amounts not to exceed at any time outstanding the then-outstanding Available Commitment, in accordance with the procedures set forth in Section 2.2(c) hereof. Each Advance requested shall be in an amount equal to or greater than \$500,000 and integral multiples of \$500,000 in excess thereof. The Initial Advance shall be made solely for the purpose of providing funds in the amount of \$1,000,000 to repay in full the outstanding advances evidenced by the Prior Note and to pay \$1,000,000 of the Project Costs. Each Advance (other than the Initial Advance) shall be made solely for the purpose of providing funds to pay the Project Costs. The amount of any Advance made on any Advance Date shall not exceed the applicable Available Commitment (calculated without giving effect to any Advance made on such date) at 8:00 a.m. (California time) on such date.

(b) Reborrowing. Within the limits of this Section 2.2, the Agency may borrow, prepay pursuant to Section 3.4 hereof and reborrow under this Section 2.2. Upon any prepayment of a Revolving Loan, the Available Commitment shall be reinstated as set forth in the definition thereof.

(c) Method of Borrowing. The Agency hereby requests the Initial Advance in the amount of \$2,000,000 on the Effective Date to provide funds in the amount of \$1,000,000 to repay in full the outstanding advances evidenced by the Prior Note and to pay \$1,000,000 of the Project Costs. For any Advance (other than the Initial Advance), upon receipt of a Request for Advance by the Bank not later than 8:00 a.m. (California time) on the Last Advance Request Date for such Advance, the Bank subject to the terms and conditions of this Agreement, including without limitation, satisfaction of the conditions precedent set forth in Section 2.3(b) hereof, shall be required to make an Advance by 11:30 a.m. (California time) on the day of the proposed Advance for the account of the Agency in an amount equal to the amount of the requested Advance. With respect to any such Request for Advance received by the Bank after 8:00 a.m. (California time) on the Last Advance Request Date for such Advance, the Agency

will be deemed to have submitted such Request for Advance not later than 8:00 a.m. (California time) on the following Business Day. Any Request for Advance shall be signed by an Authorized Representative. On the Effective Date, the Bank shall be deemed to have applied the proceeds of the Initial Advance in the amount of \$1,000,000 to repay in full the outstanding advances evidenced by the Prior Note. Each Advance (other than the Initial Advance) shall be made by the Bank by wire transfer of immediately available funds to the Agency in accordance with the instructions set forth in the Request for Advance. Each Advance shall be made from the Bank's own funds. If, after examination, the Bank shall have determined that a request for advance does not conform to the terms and conditions hereof, then the Bank shall use its best efforts to give notice to the Agency to the effect that negotiation was not in accordance with the terms and conditions hereof and stating the reasons therefor. The Agency may attempt to correct any such nonconforming request for advance, if, and to the extent that, the Agency is entitled (without regard to the provisions of this sentence) and able to do so.

### SECTION 2.3. Conditions Precedent.

(a) Conditions Precedent to Effective Date. The obligations of the Bank to make the Commitment available hereunder shall be subject to the fulfillment of each of the following conditions precedent on or before the Effective Date in a manner satisfactory to the Bank:

(i) The Bank shall have received a fully executed original of this Agreement and the original Note, duly issued by the Agency, and confirmation that the Note is not held book-entry, that no CUSIP number has been assigned to the Note, that the Note is not rated and that the Note is in a single denomination and is not divisible or transferable except to a bank, financial institution or a qualified investor and fully executed and full executed originals of the other Loan Documents or acknowledged copies of such other Loan Documents certified by an Authorized Representative as true, correct and complete copies thereof, and certifying that such documents were duly issued, adopted or executed and delivered, have not been modified, amended or rescinded and are in full force and effect on and as of the Effective Date.

(ii) The Bank shall have received a copy of the Resolution of the Agency authorizing the execution and delivery of this Agreement, the Note and the other Loan Documents, certified as of the Effective Date by an Authorized Representative.

(iii) The Bank shall have received certified copies of all approvals, authorizations and consents of any trustee, or holder of any indebtedness or obligation of the Agency or any governmental agency or public authority, necessary for the Agency to enter into each of the Loan Documents and the transactions contemplated herein and therein.

(iv) The Bank shall have received certified copies of legally required filings relating to the Agency and otherwise in form reasonably acceptable to the Bank, including without limitation, a "Roster of Facts, Public Agencies" and the most recent "Notice of Joint Powers Agreement" with the California Secretary of State.

(v) The Bank shall have received an opinion addressed to the Bank and dated the Effective Date of counsel to the Agency as to the due authorization, execution and delivery, validity and enforceability with respect to the Agency of this Agreement and the Note and the other Loan Documents, and such other matters as the Bank may reasonably request, in form and substance satisfactory to the Bank.

(vi) The following statements shall be true and correct on the Effective Date, and the Bank shall have received a certificate incorporating by reference the definitions of the capitalized terms defined in this Agreement, signed by an Authorized Representative, dated the Effective Date, certifying the name, incumbency and specimen signature of each individual authorized to sign this Agreement, the Note and the other Loan Documents and the other documents or certificates to be delivered by the Agency pursuant hereto or thereto, on behalf of the Agency, and of each individual authorized to act on behalf of the Agency for purposes of this Agreement, on which the Bank may conclusively rely until a revised certificate is similarly delivered and as to the matters set forth in Sections 2.3(a)(xiii), (xiv), (xv) and (xvi) hereof:

(vii) The Bank shall have received an opinion addressed to the Bank and dated the Effective Date of bond counsel as to the due authorization, execution and delivery, validity and enforceability with respect to the Agency of this Agreement and the Note and of the pledge of and subordinate lien on the Net Revenues and the pledge of and senior lien on the other Collateral to secure the Payment Obligations as described in Section 5.1 hereof and such other matters as the Bank may reasonably request, in form and substance satisfactory to the Bank.

(viii) The Bank shall have received such authorization documents, certifications, incumbency certificates and opinions with respect to the other parties to the Transactions as the Bank may reasonably request, in form and substance satisfactory to the Bank.

(ix) The Bank shall have received a copy of the most recent unaudited financial statements for the Agency and the Wastewater System and the audited financial statements for the Agency and the Wastewater System for Fiscal Years ending June 30, 2016, 2015 and 2014, a copy of the Agency's investment policy in effect on the Effective Date and a copy of the most recent annual operating budget of the Wastewater System.

(x) The Bank shall have received evidence satisfactory to the Bank that as of the Effective Date the only Net Revenue Debt are the Series 2012 Bonds, the Series 2013 Bonds, the Bureau Loan (but only so long as the Agency's Salinas Valley Reclamation Project is included as part of the Wastewater System), the SVRP SRF Loan (but only so long as the Agency's Salinas Valley Reclamation Project is included as part of the Wastewater System) and the PWMGRP SRF Loan.

(xi) The Bank shall have received certified copies of the proceedings of the Board of Directors of the Agency approving all rate adjustments to become effective after the Effective Date.

(xii) The Bank shall have received evidence satisfactory to the Bank that the Agency maintains with responsible insurers all such insurance on the Wastewater System required by Section 8.13 hereof and evidence satisfactory to the Bank that the Bank will receive thirty (30) days' prior written notice of any cancellation of any such insurance policy and evidence satisfactory to the Bank that all premiums necessary to be paid for the effectiveness of such insurance have been paid by the Agency.

(xiii) The representations and warranties of the Agency contained in each of the Loan Documents and each certificate, letter, other writing or instrument delivered by the Agency to the Bank pursuant hereto or thereto are true and correct on and as of the Effective Date as though made on and as of such date;

(xiv) No Default or Event of Default has occurred and is continuing or would result from the execution and delivery of this Agreement or the making of the Commitment; and

(xv) Since the most current date of the information, financial or otherwise, supplied by the Agency to the Bank, there has been no change in the assets, liabilities, financial position or results of operations of the Agency which might reasonably be anticipated to cause a Material Adverse Effect and the Agency has not incurred any obligations or liabilities which might reasonably be anticipated to cause a Material Adverse Effect.

(xvi) The Bank shall have received a financing commitment for the financing of Project Costs under the State Revolving Fund Loan Program and eligibility to receive SRF Loans described in clause (b) of the definition thereof.

(xvii) All necessary action on the part of the Agency shall have been taken as required for the valid pledge of and subordinate lien on the Net Revenues and the pledge of and senior lien on the other Collateral to secure the Payment Obligations as described in Section 5.1 hereof.

(xviii) The Bank shall have received from the Agency one (1) Business Day's written notice of the prepayment of \$1,000,000 of outstanding revolving loans under the Prior Credit Agreement in the form of Exhibit K to the Prior Credit Agreement and payment of any amounts due and owing under the Prior Credit Agreement, including, without limitation, any accrued commitment fee due and owing under the Prior Credit Agreement through the Effective Date and any costs to the Bank arising under Section 2.4(c) of the Prior Credit Agreement and in addition, the Bank shall have received accrued interest on all prepayments of principal under the Prior Credit Agreement through the Effective Date which was required to be paid by the Agency under the Prior Credit Agreement on July 3, 2017.

(xix) The Bank shall be reasonably satisfied that the fee of the California Debt and Investment Advisory Commission shall have been paid and that payment will be made promptly after demand therefor after the Effective Date of fees and expenses of the Bank and its counsel.

(xx) All other legal matters pertaining to the execution and delivery of each of the Loan Documents and the adoption and implementation of the Resolution shall be reasonably satisfactory to the Bank and its counsel.

(xxi) The Bank shall have received such other documents, certificates, opinions (including reliance letters), approvals (and if requested by the Bank, certified duplicates of executed copies of such approvals) and filings with respect to this Agreement, the Note and the other Loan Documents as the Bank may reasonably request, in form and substance satisfactory to the Bank.

(b) Conditions Precedent to Each Advance. The obligation of the Bank to make an Advance on any date is subject to the following conditions precedent:

(i) Other than for the Initial Advance, the Agency shall have delivered to Bank an Request for Advance signed by an Authorized Representative not later than 8:00 a.m. (California time) on the Last Advance Request Date for such Advance.

(ii) At the time any Advance is to be made and as a result thereof, immediately thereafter, all representations and warranties of the Agency set forth in Article VII hereof are true and correct as though made on the date of such Request for Advance and on the date of the proposed Advance and no Default or Event of Default shall have occurred and be continuing.

(iii) The Commitment and the obligation of the Bank to make Advances hereunder shall not have terminated pursuant to Section 10.2 hereof.

(iv) The aggregate amount of the Advance requested pursuant to the Request for Advance does not exceed the Available Commitment.

Unless the Agency shall have otherwise previously advised the Bank in writing, delivery to the Bank of a Request for Advance shall be deemed to constitute a representation and warranty by the Agency that on the Effective Date and on the date of such Request for Advance and on the date of the proposed Advance each such condition is satisfied.

#### SECTION 2.4. Loan Designations; Compensation for Losses.

(a) Initial Designation. The Agency hereby designates the Revolving Loan resulting from the Initial Advance as a LIBOR Rate Loan borrowing with an initial Interest Period of one (1) month. The Agency shall designate a Revolving Loan resulting from an Advance (other than the Initial Advance) as a LIBOR Rate Loan borrowing or a Base Rate Loan borrowing in the related Request for Advance, and for any LIBOR Rate Loan borrowing, the Agency shall designate the length of the initial Interest Period for such Revolving Loan in the related Request for Advance.

(b) Designations While a LIBOR Rate Loan. For each Revolving Loan or the Term Loan designated as a LIBOR Rate Loan borrowing that the Agency intends to continue as a LIBOR Rate Loan borrowing, the Agency shall designate the length of each subsequent Interest Period by delivery of an Interest Period Designation Notice to the Bank not later than 8:00 a.m.,



California time, on the Last Interest Period Designation Date for such Revolving Loan or the Term Loan, as applicable. If no designation is received by the Bank by 8:00 a.m., California time on the Last Interest Period Designation Date for such Revolving Loan or the Term Loan, as applicable, the Agency shall be deemed to have designated an Interest Period of one (1) month for such Revolving Loan or the Term Loan, as applicable. For each Revolving Loan or the Term Loan designated as a LIBOR Rate Loan borrowing that the Agency intends to convert to a Base Rate Loan borrowing, the Agency shall designate such conversion by delivery of a Loan Conversion Notice to the Bank not later than 8:00 a.m., California time, on the Last Conversion Designation Date for such conversion. Any such designation received by the Bank after 8:00 a.m., California time on the Last Conversion Designation Date for such conversion shall be ineffective and the Agency shall be deemed to intend to continue as a LIBOR Rate Loan borrowing and shall be further deemed to have designated an Interest Period of one (1) month for such Revolving Loan or the Term Loan, as applicable. The Agency may not designate a final Interest Period that would extend beyond the Revolving Loan Maturity Date or the Term Loan Maturity Date, as applicable, and the Agency shall be deemed to have designated such Revolving Loan or the Term Loan, as applicable, to convert to a Base Rate Loan borrowing for such final Interest Period.

(c) Designations While a Base Rate Loan. For each Revolving Loan or the Term Loan designated as a Base Rate Loan borrowing that the Agency intends to continue as a Base Rate Loan borrowing, no designation by the Agency shall be required. For each Revolving Loan or the Term Loan designated as a Base Rate Loan borrowing that the Agency intends to convert to a LIBOR Rate Loan borrowing, the Agency shall designate such conversion by delivery of a Loan Conversion Notice to the Bank not later than 8:00 a.m., California time, on the Last Conversion Designation Date for such conversion. Any such designation received by the Bank after 8:00 a.m., California time on the Last Conversion Designation Date for such conversion shall be ineffective. The Agency may not designate a conversion of any Revolving Loan or the Term Loan designated as a Base Rate Loan borrowing to a LIBOR Rate Loan borrowing with a final Interest Period that would extend beyond the Revolving Loan Maturity Date or the Term Loan Maturity Date, as applicable.

(d) Compensation for Losses. For each Revolving Loan or the Term Loan designated as a LIBOR Rate Loan borrowing, upon demand of the Bank from time to time, the Agency shall promptly compensate the Bank for and hold the Bank harmless from any loss, cost or expense incurred by it as a result of: (a) any payment or prepayment of such Revolving Loan or the Term Loan, designation of a subsequent Interest Period, conversion to a Base Rate Loan borrowing, or change in the Applicable Rate on any day other than the last day of the applicable Interest Period (whether voluntary, mandatory, automatic, by reason of acceleration or otherwise); or (b) any failure of the Agency (for a reason other than the failure of the Bank to make an Advance) to prepay or borrow any portion of the principal amount of such Revolving Loan or the Term Loan, designate a subsequent Interest Period or cause a change in the Applicable Rate on the date or in the amount or on other terms notified by the Agency; including, in each of the foregoing cases, any loss of anticipated profits and any loss or expense arising from the liquidation or reemployment of funds obtained by it to maintain such portion of such Revolving Loan or the Term Loan or from fees payable to terminate the deposits from which such funds were obtained. The Agency shall also pay any customary administrative fees charged by the Bank in connection with the foregoing. For purposes of calculating amounts payable by the Agency to the Bank

under this Section 2.4(d), the Bank shall be deemed to have funded such Revolving Loan or the Term Loan at the LIBOR Rate used in determining the LIBOR Rate for such Interest Period by a matching deposit or other borrowing in the London interbank offered market for a comparable amount and for a comparable period, whether or not such amount was in fact so funded.

#### SECTION 2.5. Fees.

(a) Commitment Fee. The Agency agrees to pay to the Bank a nonrefundable annual fee (the "Commitment Fee"), payable quarterly in arrears on each Quarterly Payment Date and on the Commitment Termination Date, accruing at a rate of 0.25% per annum on the Available Commitment in effect on each day during the preceding quarterly period. The Commitment Fee shall be calculated on the basis of 365-day year and actual days elapsed.

(b) Advance Fees. Upon each Advance made by the Bank hereunder, the Agency agrees to pay to the Bank an advance fee of \$250, payable without any requirement of notice or demand by the Bank on the day on which such Advance is made by the Bank; provided, however, that the Agency shall not be required to pay more than \$2,500 in advance fees during any calendar year.

(c) Amendment, Consent or Waiver Fee. Upon each amendment hereof, consent or waiver hereunder or under any Loan Document, the Agency shall pay or cause to be paid attorneys' fees and expenses, if any, incurred by the Bank in processing such amendment, consent or waiver.

#### SECTION 2.6. Reduction and Termination.

(a) The Available Commitment shall be reduced from time to time as requested by the Agency within three (3) days of the Agency's written notice to the Bank requesting such reduction in the form of Exhibit G hereto; provided, that (i) each such reduction amount shall be in an amount equal to \$500,000 or an integral multiple of \$100,000 in excess thereof, and (ii) any reduction in the Available Commitment shall not be effective until the Bank delivers to the Agency a notice in the form attached hereto as Exhibit H reflecting such reduction.

(b) The Agency may at any time and at its sole option terminate the Commitment and reduce the Available Commitment to zero upon three (3) days' prior written notice to the Bank in the form of Exhibit G hereto; provided, that any termination of the Commitment and reduction of the Available Commitment to zero shall not be effective until the Bank delivers to the Agency a notice in the form attached hereto as Exhibit I reflecting such termination. As a condition to any such termination, the Agency shall pay or cause to be paid all Payment Obligations owed to the Bank.

SECTION 2.7. Extension of Stated Commitment Expiration Date. The Agency may request an extension of the Stated Commitment Expiration Date in writing in the form of Exhibit E hereto not more than 120 days prior to the then current Stated Commitment Expiration Date and not less than 60 days prior to the then current Stated Commitment Expiration Date. The Bank will make reasonable efforts to respond to such request within 60 days after receipt of all information necessary, in the Bank's judgment, to permit the Bank to make an informed credit decision. If the Bank fails to definitively respond to such request within such 60-day period, the

Bank shall be deemed to have refused to grant the extension requested. The Bank may, in its sole and absolute discretion, decide to accept or reject any such proposed extension and no extension shall become effective unless the Bank shall have consented thereto in writing in the form of Exhibit F hereto or otherwise. The Bank's consent, if granted, shall be conditioned upon the preparation, execution and delivery of documentation in form and substance satisfactory to the Bank.

### **ARTICLE III**

#### **REVOLVING LOANS**

SECTION 3.1. Making of Revolving Loans. Each Advance shall constitute a loan made by the Bank to the Agency on the date of such Advance (individually, a "Revolving Loan" and collectively, the "Revolving Loans").

SECTION 3.2. Revolving Loans Evidenced By Note. The Revolving Loans shall be evidenced by a promissory note of the Agency to the Bank in substantially the form set forth in Exhibit A hereto (as amended or supplemented from time to time, the "Note") to be issued on the Effective Date, payable to the Bank in a principal amount of \$10,000,000 (or, if less, the aggregate unpaid principal amount of all Advances, Revolving Loans and the Term Loan made by the Bank from time to time hereunder) and otherwise duly completed. All Revolving Loans made by the Bank and all payments and prepayments made on account of principal thereof shall be recorded by the Bank as set forth in Section 11.1 hereof. The Note shall not be divisible or transferable except to a bank, financial institution or a qualified investor.

SECTION 3.3. Interest On Revolving Loans. Each Revolving Loan shall bear interest from the related Advance Date to the date the Bank is reimbursed therefor at a rate per annum equal to the Applicable Rate for each Interest Period. Interest on each Revolving Loan shall be paid to the Bank quarterly in arrears on each Quarterly Payment Date, on the Revolving Loan Maturity Date and on any Prepayment Date.

SECTION 3.4. Repayment of Revolving Loans. The principal of each Revolving Loan shall be repaid in full on the Revolving Loan Maturity Date; provided, that if the conditions to the making of the Term Loan set forth in Section 4.2 hereof are satisfied on the Revolving Loan Maturity Date, the principal of all Revolving Loans shall be paid from the proceeds of the Term Loan. Immediately upon receipt thereof, the Agency covenants to apply all proceeds of any PWMGRP SRF Loan to prepay Revolving Loans outstanding under this Agreement pursuant to Section 3.5 hereof and such proceeds of any PWMGRP SRF Loan may not be used for any other purpose.

SECTION 3.5. Prepayment of Revolving Loans. The Agency may prepay any Revolving Loan, in whole or in part, on any Business Day, without cost, penalty or premium, provided written notice is provided by the Agency to the Bank in the form of Exhibit K hereto not later than 8:00 a.m., California time, on the Last Prepayment Notice Date, and, in the case of any Revolving Loan designated as a LIBOR Rate Loan borrowing, such prepayment occurs on the final Business Day of the then applicable Interest Period to which such prepayment will be applied or if paid on a day other than the final Business Day of the then applicable Interest

Period, such prepayment includes any costs to the Bank arising under Section 2.4(d) hereof. Each such notice of optional prepayment shall be irrevocable and shall bind the Agency to make such prepayment in accordance with such notice. Accrued interest on all prepayments of principal to the Prepayment Date shall be payable on the earlier of the Revolving Loan Maturity Date or the Quarterly Payment Date next following the Prepayment Date.

SECTION 3.6. Indemnification for LIBOR Rate Costs. During any period of time in which interest is accruing on any Revolving Loan on the basis of the LIBOR Rate, the Agency shall, upon the Bank's request, promptly pay to and reimburse the Bank for all costs incurred and payments made by the Bank by reason of any future assessment, reserve, deposit or similar requirement or any surcharge, tax or fee imposed upon the Bank or as a result of the Bank's compliance with any directive or requirement of any regulatory authority pertaining or relating to funds used by the Bank in quoting and determining the LIBOR Rate.

## ARTICLE IV

### THE TERM LOAN

SECTION 4.1. Term Loan. The Agency shall have the option to convert to a term loan (the "Term Loan") any principal amount owing for all Revolving Loans under this Agreement on the Revolving Loan Maturity Date if the conditions set forth in Section 4.2 hereof are satisfied on the Conversion Date.

SECTION 4.2. Conditions Precedent to Term Loan. The obligation of the Bank to convert the principal amount owed for all Revolving Loans to the Term Loan shall be subject to the fulfillment of each of the following conditions precedent on or before the Revolving Loan Maturity Date (the "Conversion Date"), in a manner satisfactory to the Bank:

(a) The following statements shall be true and correct on the Conversion Date:

(i) the representations and warranties of the Agency contained herein and in each of the other Loan Documents and each certificate, letter, other writing or instrument delivered by the Agency to the Bank pursuant hereto or thereto are true and correct on and as of the Conversion Date as though made on and as of such date; and

(ii) no Default or Event of Default has occurred and is continuing or would result from converting the Revolving Loans to the Term Loan as requested.

(b) The Bank shall have received a certificate incorporating by reference the definitions of the capitalized terms defined in this Agreement, signed by an Authorized Representative and dated the Conversion Date, to the effect that the statements set forth in Section 4.2(a) are true and correct on the Conversion Date.

SECTION 4.3. Term Loan Evidenced By Note. The principal amount of the Term Loan shall also be evidenced by the Note. The Term Loan made by the Bank and all payments and prepayments made on account of principal thereof shall be recorded by the Bank as set forth in Section 11.1 hereof.

SECTION 4.4. Interest on Term Loan. The Term Loan shall bear interest from the Conversion Date to the date the Bank is reimbursed therefor at a rate per annum equal to the Applicable Rate for each Interest Period. Interest on the Term Loan shall be paid to the Bank quarterly in arrears on each Quarterly Payment Date, on the Term Loan Maturity Date and on any Prepayment Date.

SECTION 4.5. Repayment of Term Loan. The principal of the Term Loan shall be paid in 12 equal quarterly installments on each Quarterly Payment Date following the Conversion Date; provided, that any unpaid principal shall be paid on the Term Loan Maturity Date. The Agency acknowledges that the foregoing payment schedule may result in a final payment substantially higher than the preceding payments. Immediately upon receipt thereof, the Agency covenants to apply all proceeds of any PWMGRP SRF Loan to prepay the Term Loan outstanding under this Agreement pursuant to Section 3.5 hereof and such proceeds of any PWMGRP SRF Loan may not be used for any other purpose.

SECTION 4.6. Prepayment of Term Loan. The Agency may prepay the Term Loan, in whole or in part, on any Business Day, without cost, penalty or premium, provided written notice is provided by the Agency to the Bank in the form of Exhibit K hereto not later than 8:00 a.m., California time, on the Last Prepayment Notice Date, and, in the case of the Term Loan designated as a LIBOR Rate Loan borrowing, such prepayment occurs on the final Business Day of the then applicable Interest Period to which such prepayment will be applied or if paid on a day other than the final Business Day of the then applicable Interest Period, such prepayment includes any costs to the Bank arising under Section 2.4(d) hereof. Each such notice of optional prepayment shall be irrevocable and shall bind the Agency to make such prepayment in accordance with such notice. Accrued interest on all prepayments of principal to the Prepayment Date shall be payable on the earlier of the Term Loan Maturity Date or the Quarterly Payment Date next following the Prepayment Date.

SECTION 4.7. Indemnification for LIBOR Rate Costs. During any period of time in which interest is accruing on the Term Loan on the basis of the LIBOR Rate, the Agency shall, upon the Bank's request, promptly pay to and reimburse the Bank for all costs incurred and payments made by the Bank by reason of any future assessment, reserve, deposit or similar requirement or any surcharge, tax or fee imposed upon the Bank or as a result of the Bank's compliance with any directive or requirement of any regulatory authority pertaining or relating to funds used by the Bank in quoting and determining the LIBOR Rate.

## ARTICLE V

### SECURITY AND PLEDGE

SECTION 5.1. Security and Pledge. To secure the payment of all Payment Obligations, the Agency hereby pledges, grants and assigns in favor of the Bank: (i) a subordinate lien on the Net Revenues, subject only to the prior lien and security interest granted therein to secure the Senior Debt and the parity lien and security interest granted therein to secure the Subordinate Debt; (ii) a senior lien and security interest in all proceeds of any PWMGRP SRF Loan, and (iii) a senior lien and security interest in any other Collateral not described in clauses (i)-(iii) above. No filing, registering, recording or publication of this

Agreement is required to establish the pledge hereunder or to perfect, protect or maintain the lien created hereby on the Collateral. The pledge and lien hereby granted shall remain effective for so long as any Payment Obligations remain unpaid. No obligations of the Agency are entitled to the benefit of a prior lien and charge on any portion of the Collateral other than Senior Debt entered into or issued or incurred under and in accordance with Section 9.2(d) hereof. No portion of the Collateral is subject to any lien or security interest granted by or contractual obligation incurred by the Agency other than any lien or security interest in the Net Revenues granted for the benefit of Net Revenue Debt entered into or issued or incurred under and in accordance with Section 9.2(e) hereof; provided that the Gross Revenues may be applied for the purposes set forth in Section 8.12 hereof.

## ARTICLE VI

### LIABILITY, INDEMNITY AND PAYMENT

SECTION 6.1. Liability of the Agency. The Agency and the Bank agree that the obligation of the Agency to pay the Payment Obligations are contractual obligations of the Agency payable solely from the Collateral, shall not constitute a full faith and credit general obligation of the Agency and shall not be affected by, and the Bank shall not be responsible for, among other things, (i) the validity, genuineness or enforceability of this Agreement, the Note or documents, notices or endorsements relating thereto (even if this Agreement or any documents, notices endorsements relating thereto should in fact prove to be in any and all respects invalid, fraudulent or forged), (ii) the use to which the amounts disbursed by the Bank may be put, or (iii) any other circumstances or happenings whatsoever, whether or not similar to any of the foregoing.

SECTION 6.2. Indemnification by the Agency.

(a) To the fullest extent permitted by law, the Agency agrees to indemnify and hold harmless the Bank, the Participants and their respective officers, directors, employees, representatives and agents (collectively, the “Indemnified Parties” and, individually, an “Indemnified Party”), from and against any and all claims, damages, penalties, actions, judgments, suits, disbursements, losses, liabilities, costs or expenses whatsoever (including reasonable attorneys’ fees) which any of them may incur (or which may be claimed against any of them by any Person) as a result of, or arising out of, or in any way related to, or by reason of or in connection with (i) the execution and delivery or transfer of, or payment or failure to pay under this Agreement or the Note, (ii) the application of the proceeds of Advances to pay the Project Costs, (iii) any breach by the Agency of any warranty, covenant, term or condition in, or the occurrence of any default under any of the Loan Documents, together with all reasonable expenses resulting from the compromise or defense of any claims or liabilities arising as a result of any such breach or default, (iv) any action or proceeding relating to a court order, injunction or other process or decree restraining or seeking to restrain the Bank from paying any amount under this Agreement (other than actions or proceedings instituted by or on behalf of the Bank), (v) any investigation, litigation or other proceeding (whether or not the Bank or any Participant is a party thereto) related to the entering into and/or each performance of any of the Loan Documents or the use of the proceeds of any Advance under this Agreement, or (vi)(A) any condition of the Wastewater System, including without limitation, any environmental condition,

(B) the construction, reconstruction, improvement, use, occupancy, conduct or management of or any work or anything whatsoever done or omitted to be done in or about the Wastewater System or (C) any accident, injury or damage whatsoever to any person occurring in or about the Wastewater System;

provided, that the Agency shall not be required to indemnify the Bank for any claims, damages, penalties, actions, judgments, suits, disbursements, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the Bank in determining whether a Request for Advance presented hereunder complied with the terms hereof, or (ii) the Bank's failure to pay under any requested Advance after the presentation to it by the Agency of a Request for Advance strictly complying with the terms and conditions hereof.

(b) The obligations of the Agency hereunder shall include, but not be limited to (i) the burden and expense of defending all claims, suits and administrative proceedings (with counsel chosen by the Agency and reasonably approved by the Indemnified Parties), even if such claims, suits or proceedings are groundless, false or fraudulent, (ii) conducting all negotiations of any description, and (iii) paying and discharging, when and as the same become due, any and all claims, damages, penalties, actions, judgments, suits, disbursements, losses, liabilities, costs or expenses due from or rendered against the Indemnified Parties.

(c) Nothing in this Section 6.2 is intended to limit the obligations of the Agency contained in Section 6.7 hereof.

(d) The obligations of the Agency under this Section 6.2 shall survive the termination of the Commitment and the payment in full of all Payment Obligations.

**SECTION 6.3. Increased Costs.** If, after the Effective Date, any change in applicable law, treaty, regulation, guideline or directive or the adoption of any law, treaty, regulation, guideline or directive, or any interpretation of any of the foregoing by any authority charged with the administration or interpretation thereof or any central bank or other fiscal, monetary or other authority having jurisdiction over the Bank or any Participant or the transactions contemplated by this Agreement (whether or not having the force of law) (each, a "Change in Law"), or compliance by the Bank or any Participant therewith, shall: (i) subject the Bank or any Participant to any tax, charge, fee, deduction or withholding of any kind with respect to this Agreement, the Commitment, the Note or any amount paid or to be paid by the Bank with respect to this Agreement or the Commitment or any Participant (other than any tax measured by or based upon the overall net income of the Bank or any Participant); (ii) impose, modify or deem applicable any reserve, liquidity ratio, premium, special deposit or similar requirements against any assets held by, deposits with or for the account of, or loans, lines of credit or commitments by, an office of the Bank or any Participant; (iii) change the basis of taxation of payments due the Bank or any Participant under this Agreement or the Note (other than a change in taxation of the overall net income of the Bank or a Participant); or (iv) impose upon the Bank or any Participant any other condition with respect to such amount paid or payable to or by the Bank or any Participant or with respect to this Agreement, the Commitment or the Note, and the result of any of the foregoing is to increase the cost to the Bank or any Participant of agreeing to issue, issuing, making any payment under or maintaining this Agreement, the Revolving Loans

or the Term Loan, or to reduce the amount of any payment (whether of principal, interest or otherwise) receivable by the Bank or any Participant or to require the Bank or any Participant to make any payment on or calculated by reference to the gross amount of any sum received by it, in each case by an amount which the Bank or such Participant in its reasonable judgment deems material, then: (x) the Bank or such Participant shall, after making a determination to impose increased costs as a result of the occurrence of any of the foregoing, notify the Agency of such determination in writing; (y) after giving notice of such determination, the Bank or such Participant shall also deliver to the Agency a certificate stating the change which has occurred or the reserve requirements or other costs or conditions which have been imposed on the Bank or such Participant or the request, direction or requirement with which they have complied together with the date thereof, the amount of such increased cost, reduction or payment and the way in which such amount has been calculated, including a reasonably detailed calculation and the Bank's or such Participant's determination of such amounts, absent fraud or manifest error, shall be conclusive; and (z) the Agency shall pay to the account of the Bank or such Participant, from time to time as specified by the Bank or such Participant but not later than 30 days after notice and demand to the Agency, such an amount or amounts as will compensate the Bank or such Participant for such additional cost, reduction or payment, together with interest on such amount from, but including, the day specified by the Bank or such Participant for payment at the Default Rate.

In addition to the foregoing, if after the Effective Date the Bank or any Participant shall have determined that any Change in Law regarding capital adequacy or liquidity, or compliance by the Bank or any Participant therewith, has or would have the effect of reducing the rate of return on the capital or liquidity of the Bank or any Participant to a level below that which the Bank or such Participant could have achieved but for such Change in Law (taking into consideration the policies of the Bank or such Participant with respect to capital adequacy or liquidity) by an amount deemed by the Bank or such Participant to be material, or affects or would affect the amount of capital or liquidity required or expected to be maintained by the Bank or any Participant or any corporation controlling the Bank or any Participant by an amount deemed by the Bank or such Participant to be material, as a consequence of its obligations hereunder or with respect to the Note, then the Agency shall be obligated to pay or cause to be paid to the account of the Bank or such Participant from time to time as specified by the Bank or such Participant, but not later than 30 days after notice and demand to the Agency, such additional amount or amounts as will compensate the Bank or such Participant for such reduction or capital or liquidity increase with respect to any period for which such reduction or capital or liquidity increase was incurred, together with interest on such amounts from, but including, the day specified by the Bank or such Participant for such payment at the Default Rate. A certificate setting forth in reasonable detail such reduction in the rate of return on capital or liquidity, or such capital or liquidity increase, of the Bank or a Participant as a result of any event mentioned in this paragraph shall be submitted by the Bank or such Participant to the Agency and such certificate shall, in the absence of manifest error, be conclusive as to the amount thereof.

The protections of this Section shall be available to the Bank and the Participants regardless of any possible contention of invalidity or inapplicability of the law, regulation or condition which has been imposed. Notwithstanding the foregoing, for purposes of this Agreement (x) all requests, rules, guidelines or directives in connection with the Dodd-Frank Act shall be deemed to be a Change in Law, regardless of the date enacted, adopted or issued and



(y) all requests, rules, guidelines or directives promulgated by: (1) the Bank for International Settlements, (2) the Basel Committee on Banking Regulations and Supervisory Practices (or any successor or similar authority) or (3) any governmental authority shall be deemed a Change in Law regardless of the date enacted, adopted or issued.

Notwithstanding anything in this Section to the contrary, if such costs are to be incurred on a continuing basis and the Bank or a Participant shall so notify the Agency in writing as to the amount thereof, such costs shall be paid by the Agency quarterly in arrears on each Quarterly Payment Date and on the Revolving Loan Maturity Date or the Term Loan Maturity Date, as applicable.

The obligations of the Agency under this Section 6.3 shall survive the termination of the Commitment and the payment in full of all Payment Obligations.

**SECTION 6.4. Calculation of Interest and Fees; Maximum Interest Rate; Default Rate.**

(a) Interest payable hereunder or under the Note or any other Loan Document shall be calculated on the basis of a year of 360 days based on the actual number of days elapsed. The Commitment Fee payable hereunder shall be calculated on the basis of a year of 365 days based on the actual number of days elapsed. Any change in the Applicable Rate or the Default Rate resulting from a change in the LIBOR Rate, the Base Rate, the Federal Funds Rate or the Prime Rate shall become effective as of the opening of business on the day on which such change in the LIBOR Rate, the Base Rate, the Federal Funds Rate or the Prime Rate shall become effective. Each determination by the Bank of an interest rate or fee hereunder shall be conclusive and binding for all purposes, absent manifest error. All fees hereunder shall be fully earned on the date when due and, once paid, shall be non-refundable. If during the applicable Interest Period, the Applicable Rate becomes equal to the Default Rate pursuant to the definition of Applicable Rate hereunder, the Agency shall also pay all amounts due under Sections 2.4(d), 3.6 and 4.7 hereof in accordance with the terms thereof due to such change in the interest rate. The Bank shall promptly notify the Agency in writing substantially in the form of Exhibit D hereto of the Applicable Rate promptly following each Advance Date and the first day of each subsequent Interest Period; provided, however, that the failure by the Bank to provide notice of such Applicable Rate shall not relieve the Agency of its obligations arising under or related to this Agreement, the Note or the other Loan Documents.

(b) Any and all amounts remaining unpaid when due under this Agreement, the Note or any other Loan Document shall bear interest at the Default Rate until repaid and shall be payable upon demand. Any such amounts which constitute interest remaining unpaid when due shall be added to principal, and such interest shall, in turn, bear interest at the Default Rate until repaid and shall be payable upon demand. Any sum payable by the Agency to the Bank hereunder or under the Note or any other Loan Document upon the occurrence or during the continuance of any Event of Default hereunder shall bear interest at the Default Rate.

(c) To the extent permitted by law, in the event that a rate of interest required to be paid by the Agency under this Agreement, the Note or any other Loan Document shall exceed a maximum rate established by law or by the Resolution, any subsequent reduction in the rate of

interest required to be paid by the Agency hereunder or under the Note or any other Loan Document will not reduce the rate of interest below the maximum rate established by law until the total amount of interest accrued equals the amount of interest which would have accrued if the rate of interest required hereunder or under the Note or any other Loan Document (without giving effect to this paragraph) had at all times been in effect. Upon the later of the Revolving Loan Maturity Date or the Term Loan Maturity Date, in consideration for the limitation of the rate of interest otherwise payable under this Agreement, the Note or any other Loan Document, the Agency shall pay to the Bank a fee equal to the amount of all such unpaid interest which would have accrued if the rate of interest required hereunder or under the Note or any other Loan Document (without giving effect to this paragraph) had at all times been in effect.

(d) All amounts paid by the Agency pursuant to this Agreement, the Note or any other Loan Document shall be non-refundable and shall be paid in lawful money of the United States of America in immediately available funds.

SECTION 6.5. Form and Method of Payments; Late Payment; Net Payments.

(a) Form and Method of Payments. All payments made to the Bank under this Agreement, the Note or any other Loan Document shall be made not later than 4:00 p.m. (California time) without setoff, counterclaim or other defense by wire transfer in lawful currency of the United States and in immediately available funds to the Bank by the wire instructions set forth in Section 11.3 (or at such other bank, address or account as the Bank may designate in writing from time to time to the Agency). Any payment received by the Bank later than 4:00 p.m. (California time) shall be deemed to be made on the next succeeding Business Day. If any payment required to be made by the Agency hereunder or under the Note or any other Loan Document becomes due and payable on a day other than a Business Day, the due date thereof shall be extended to the next succeeding Business Day and interest thereon shall be payable at the applicable rate during such extension.

(b) Late Payment. In addition to any other rights the Bank may have hereunder or under the Note or any other Loan Document, if any payment of principal or interest or portion thereof, under this Agreement, the Note or any other Loan Document is not paid within 15 days of when due, a late payment charge equal to five percent (5%) of such past due payment may be assessed and shall be immediately payable.

(c) Net Payments. All such payments will be made free and clear of, and without deduction or withholding for, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein (but excluding any tax imposed on the overall net income of the Bank or a Participant pursuant to the laws of the jurisdiction (or any political subdivision or taxing authority thereof or therein) in which the principal office of the Bank or such Participant is located) and all interest, penalties or similar liabilities with respect thereto (collectively, "Taxes"); provided, however, that the Agency shall have no liability with respect to any Taxes which are imposed on the Bank or any Participant that is a foreign banking institution pursuant to the laws of the jurisdiction (or any political subdivision or taxing authority thereof or therein) in which the principal office of the Bank or such Participant, as the case may be, is located, unless (i) the Bank or such Participant, as the case may be, is entitled to

benefits of an income tax treaty with the United States that provides for an exemption from United States withholding tax on interest and other amounts payable to the Bank or such Participant, as the case may be, pursuant to the terms of this Agreement, the Note or any other Loan Document, or (ii) all interest and other amounts payable to the Bank or such Participant, as the case may be, pursuant to the terms of this Agreement, the Note or any other Loan Document will be effectively connected with the conduct by the Bank or such Participant, as the case may be, of a trade or business within the United States. If any Taxes are so levied or imposed, the Agency agrees to pay the full amount of such Taxes and such additional amounts as may be necessary so that every payment of all amounts due hereunder or under the Note or the other Loan Documents, after withholding or deduction for or on account of any Taxes, will not be less than the amount provided for herein or in the Note or the other Loan Documents. The Agency will deliver to the Bank within 45 days after the date the payment of any Taxes is due pursuant to applicable law certified copies of tax receipts evidencing such payment by the Agency. To the extent permitted by law, the Agency will indemnify and hold harmless the Bank and each Participant, and reimburse the Bank and each Participant upon written request, for the amount of any Taxes so levied or imposed and paid by the Bank or such Participant.

SECTION 6.6. Liability of the Bank. Neither the Bank nor any of its officers, directors, employees, representatives or agents shall be liable or responsible for (i) the use which may be made of any Advances or this Agreement or for any acts, omissions, errors, interruptions, delays in transmission, dispatch or delivery of any message or advice, however transmitted, of the Bank in connection with this Agreement or the Note, (ii) any action, inaction or omission which may be taken by the Bank in connection with this Agreement or the Note, (iii) the validity, sufficiency or genuineness of documents, or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged, (iv) payment by the Bank against presentation of documents which do not comply with the terms of this Agreement or a Request for Advance, including failure of any documents to bear any reference or adequate reference to this Agreement, or (v) any other circumstances whatsoever in making or failing to make payment under this Agreement or pursuant to a Request for Advance, except for acts or events described in the immediately preceding clauses (i) through (v), to the extent, but only to the extent, of any direct, as opposed to special, indirect, consequential or punitive, damages (the right to receive special, indirect, consequential or punitive damages being hereby waived) suffered by it which the Agency proves were caused by (y) the Bank's willful misconduct or gross negligence in determining whether documents presented under this Agreement comply with the terms of this Agreement or (z) the Bank's failure to pay hereunder after the presentation to it of a Request for Advance strictly complying with the terms and conditions of this Agreement. The Agency further agrees that any action taken or omitted by the Bank under or in connection with this Agreement or the related draft or documents, if done without gross negligence, shall be effective against the Agency as to the rights, duties and obligations of the Bank and shall not place the Bank under any liability to the Agency. In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

SECTION 6.7. Obligations Unconditional. The Agency's obligation to pay the Payment Obligations and to perform and observe all of its other obligations under this Agreement, the Note or any other Loan Document shall be absolute and unconditional under any

and all circumstances and irrespective of any setoff, counterclaim or defense to payment which the Agency may have against the Bank, any Participant, or any other Person, including, without limitation, any defense based on the failure of any nonapplication or misapplication of the proceeds of Advances hereunder, and irrespective of the legality, validity, regularity or enforceability of this Agreement, the Note or any or all other Loan Documents, and notwithstanding any amendment or waiver of (other than an amendment or waiver signed by the Bank explicitly reciting the release or discharge of any such obligation), or any consent to, or departure from, this Agreement, the Note or any or all other Loan Documents or any exchange, release, or nonperfection of any collateral securing the obligations of the Agency hereunder and any other circumstances or happening whatsoever, whether or not similar to any of the foregoing; provided, however, that nothing contained in this Section 6.7 shall abrogate or otherwise affect the rights of the Agency pursuant to Section 6.2 hereof.

## ARTICLE VII

### REPRESENTATIONS AND WARRANTIES

SECTION 7.1. Representations and Warranties of the Agency. To induce the Bank to enter into this Agreement, the Agency hereby represents and warrants to the Bank as of the Effective Date and as of the date of each Request for Advance and as of the date of each Advance, as follows:

(a) Organization Existence. The Agency is duly organized and validly existing as a joint powers agency duly organized and existing under and pursuant to the Act and the laws of the State.

(b) Power and Authority. The Agency has and had at the time of adoption, execution, delivery, issuance, sale or performance full power, right and authority to (i) execute, deliver and perform its obligations hereunder and under the Note and each of the other Loan Documents, and any and all instruments and documents required to be executed, adopted or delivered pursuant to or in connection herewith or therewith, (ii) pay the Payment Obligations at the times and in the manner set forth herein, (iii) own and operate the Wastewater System, and (iv) perform each and all of the matters and things herein and therein provided for and the Agency has complied with the laws of the State in, all matters relating to such execution, delivery and performance.

(c) Due Authorization. This Agreement, the Note and each of the other Loan Documents have been duly authorized, executed, issued and delivered and constitute the legal, valid and binding obligations of the Agency enforceable in accordance with their terms.

(d) Necessary Actions Taken. The Agency has taken all actions necessary to be taken by it (i) for the adoption, execution, adoption and delivery by the Agency of any and all such other instruments and the taking of all such other actions on the part of the Agency as may be necessary or appropriate for the effectuation and consummation of the transactions on the part of the Agency contemplated by the Loan Documents or in connection herewith or therewith and (ii) to authorize or approve, as appropriate, the execution or adoption, issuance and delivery of, and the performance of its obligations under and the transactions contemplated by, each of the

Loan Documents and the payment of the Payment Obligations at the times and in the manner set forth herein.

(e) Binding Effect. The Resolution has been duly adopted and is in full force and effect. This Agreement, the Note and each of the other Loan Documents has been duly authorized, executed and delivered by the Agency and each constitutes a legal, valid and legally binding obligation of the Agency, which obligation is enforceable in accordance with its terms, and the payment of the Payment Obligations is and shall continue to be a contractual obligation of the Agency for which the Collateral is and shall continue to be pledged as provided in the Loan Documents, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. There is no consent, approval, authorization or other order of, filing with, registration with, or certification by, any regulatory authority having jurisdiction over the Agency and no election or referendum of or by any Person, organization or public body whatsoever required in connection with any of the foregoing actions or the performance by the Agency of its obligations under the Loan Documents that has not been obtained. There are no provisions of State law which would allow, as of the date hereof or any date subsequent hereto, any public vote or referendum, the results of which could invalidate this Agreement, the Note or any other Loan Document or invalidate, limit or condition the obligation of the Agency to pay the Payment Obligations to the Bank or any other obligation or pledge undertaken hereunder or in connection with the transactions contemplated by the Loan Documents.

(f) No Contravention. The adoption of the Resolution and the execution and delivery of this Agreement, the Note and each of the other Loan Documents, and compliance with the provisions hereof and thereof, do not and will not conflict with or result in a violation of the Act or the Constitution or the laws of the State, including any debt limitations or other restrictions or conditions on the debt-issuing power of the Agency, and do not and will not conflict with or result in a violation of, or breach of, or constitute a default under, any law, judgment, order, decree or administrative regulation or any of the terms, conditions or provisions of the PWMGRP SRF Loan Documents or any ordinance, judgment, decree, contract, loan agreement, note, bond, resolution, indenture, mortgage, deed of trust or other agreement or instrument to which the Agency is a party or by which it or any property of the Agency is bound and do not and will not result in the imposition or creation of any lien, charge, or encumbrance upon or invalidate or adversely affect in any way the Collateral. The Agency has not received any notice, not subsequently withdrawn, given in accordance with the remedy provisions of any bond resolution or ordinance, trust indenture, guarantee or agreement or state law pertaining to bonds or notes, of any default or event of default of the Agency which has not been cured.

(g) Compliance with Law; Employee Benefit Plan Compliance. The current collection of the Net Revenues, the proceeds of any PWMGRP SRF Loan and the other Collateral and the management of the Wastewater System and the accounting and recordkeeping therefor are in material compliance with all applicable state and federal laws and all applicable resolutions, ordinances and rules of the Agency. The Agency is in material compliance with the terms of the employee benefit plans in which the Agency or any of its employees participate. Neither the Agency nor any employee benefit plan maintained by the Agency is subject to the Employee Retirement Income Security Act of 1974, as amended.

(h) Compliance; No Breach. The Agency is in compliance with the terms and conditions of each of the Loan Documents, and no breach of the terms hereof or thereof has occurred and is continuing, and no Default or Event of Default has occurred and is continuing.

(i) No Default. No default by the Agency has occurred and is continuing in the payment of the principal of or premium, if any, or interest on any bond, note or other evidence of indebtedness issued by the Agency with a lien on any portion of the Collateral. No bankruptcy, insolvency or other similar proceedings pertaining to the Agency or any agency or instrumentality of the Agency are pending or contemplated. The Agency is not in default under any other contract, loan agreement, note, bond, resolution, indenture, mortgage, deed of trust or other agreement or instrument to which the Agency is a party or by which it or any property of the Agency is bound, which default could have a Material Adverse Effect. The Agency is in compliance with the terms and conditions of the PWMGRP SRF Loan Documents and all Net Revenue Debt, and no breach of the terms hereof or thereof has occurred and is continuing, and no default or event of default under the PWMGRP SRF Loan Documents or any Net Revenue Debt has occurred and is continuing.

(j) No Public Vote or Referendum; Pending Legislation and Decisions. To the best knowledge of the Agency, there is no public vote or referendum pending, proposed or concluded, the results of which could in any way adversely affect the transactions contemplated by the Loan Documents, or the validity or enforceability of the Loan Documents. To the knowledge of the Agency, there is no amendment, or proposed amendment to the Constitution or any law of the State or any administrative interpretation of the Constitution or any law of the State, or any legislation that has passed either house of the legislature of the State, or any judicial decision interpreting any of the foregoing, the effect of which could in any way adversely affect the transactions contemplated by the Loan Documents, or the validity or enforceability of the Loan Documents.

(k) No Immunity. The Agency is not entitled to raise the defense of sovereign or governmental immunity in connection with any legal proceedings to enforce or collect upon this Agreement or the transactions contemplated thereby, including the payment of the Payment Obligations.

(l) Litigation. There is no action, suit, inquiry, investigation or proceeding at law or in equity pending, or to the best knowledge of the Agency, threatened, against or affecting the Agency or the Wastewater System before any court, governmental agency, authority, arbitrator or administrative or governmental body which (i) could result in any Material Adverse Effect, (ii) which in any manner draws into question the validity or enforceability of this Agreement, the Note or any other Loan Document, the pledge of the Collateral or the priority of any lien in favor of the Bank, (iii) which in any way affects the existence, organization or powers of the Agency or any elected official thereof to execute and deliver any of this Agreement, the Note or the other Loan Documents or perform the obligations thereunder or contemplated thereby, (iv) affects the title of any official of the Agency to such Person's office, (v) seeks to restrain or enjoin the collection or the pledge of the Collateral to pay the Payment Obligations at the times and in the manner set forth in the Loan Documents, (vi) in any way contests or affects the validity or enforceability of any of this Agreement, the Note or the other Loan Documents, (vii) contests in any way the powers or authority of the Agency with respect to any of this Agreement, the Note

or the other Loan Documents, or (viii) which could materially adversely affect the ability of the Agency to comply with its obligations under or in respect of any of this Agreement, the Note or the other Loan Documents or in connection with the transactions contemplated hereby or thereby.

(m) [Reserved]

(n) Disclosure. Neither the Loan Documents nor any other document, certificate or statements (including the unaudited financial statements, budgets, projections and cash flows) of the Agency and the Wastewater System furnished to the Bank by or on behalf of the Agency in connection with the transactions contemplated hereby, or thereby contains any untrue statement of any material fact or omits to state any material fact necessary so as to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading.

(o) Financial Information. The Agency has delivered to the Bank a copy of the audited financial statements for the Agency and the Wastewater System for the most recently completed Fiscal Year. These together with related notes, fairly present the condition (financial or otherwise), results of operations or projections of revenues of the Wastewater System as of the date and for the periods therein set forth. All such financial statements have been prepared in accordance with generally accepted accounting principles for government entities consistently applied. There has been no change which would have a Material Adverse Effect since the last day of the Fiscal Year set forth in such financial statements. The Agency has no material contingent liabilities or other material contracts or commitments which are not reflected in such financial statements or in the notes thereto. The annual operating budget of the Wastewater System and any supplements thereto for the current Fiscal Year, a true and complete copy of which has been delivered to the Bank, fairly presents the anticipated income and expenses of the Wastewater System and the Net Revenues, the proceeds of any PWMGRP SRF Loan and the other Collateral for such Fiscal Year.

(p) Official Signatures. The Authorized Representative, on behalf of the Agency, has full power and authority to execute, deliver and perform under each of the Loan Documents. Any agreement, certificate or request signed by or on behalf of any Authorized Representative and delivered to the Bank shall be deemed a representation and warranty by the Agency to the Bank as to the truth, accuracy and completeness of the statements made by the Agency therein.

(q) Incorporation of Representations and Warranties by Reference. The Agency hereby makes to the Bank the same representations and warranties made by the Agency in each Loan Document, which representations and warranties, as well as the related defined terms contained therein, are hereby incorporated by reference for the benefit of the Bank with the same effect as if each and every such representation and warranty and defined term were set forth herein in its entirety. No amendment to such representations and warranties or defined terms made pursuant to any Loan Document shall be effective to amend such representations and warranties and defined terms as incorporated by reference herein without the prior written consent of the Bank.

(r) Swap Contracts. The Agency has not entered into any Swap Contract under which a termination payment would be required to be paid from any portion of the Net Revenues on basis senior to or on a parity with the lien on the Net Revenues securing the Payment Obligations. The Agency has not entered into any Swap Contract under which a termination payment would be required to be paid from any portion of the proceeds of any PWMGRP SRF Loan.

(s) Insurance. The Agency currently maintains insurance with respect to the Wastewater System of such type and in such amounts or in excess of such amounts as are customarily carried by, and insures against such risks as are customarily insured against by, public agencies with similar public wastewater collection treatment and disposal systems. The Agency maintains with responsible insurers all such insurance on the Wastewater System required by Section 8.13 hereof.

(t) Usury. The terms of this Agreement, the Note and the other Loan Documents regarding the calculation and payment of interest and fees do not violate any applicable usury laws.

(u) Security.

(i) The Payment Obligations are payable from and secured by a valid pledge of and subordinate lien on the Net Revenues and valid pledge of and senior lien on the other Collateral as set forth herein. No filing, registering, recording or publication of this Agreement is required to establish the pledge hereunder or to perfect, protect or maintain the lien created hereby on the Collateral. No obligations of the Agency are entitled to the benefit of a prior lien and charge on any portion of the Collateral other than Senior Debt entered into or issued or incurred under and in accordance with Section 9.2 hereof. No portion of the Collateral is subject to any lien or security interest granted by or contractual obligation incurred by the Agency other than any lien or security interest in the Net Revenues granted for the benefit of Net Revenue Debt entered into or issued or incurred under and in accordance with Section 9.2 hereof; provided that the Gross Revenues may be applied for the purposes set forth in Section 8.12 hereof.

(v) Investment Policy. The Agency has delivered to the Bank a true and complete copy of its investment policy. All investments of the Agency have been and are made substantially in accordance with such investment policy. Only the Agency may amend, rescind or otherwise modify the Agency's investment policy.

(w) Wastewater System. The Agency has maintained the Wastewater System in good working order and repair, and there have been no changes to and no event has occurred which has had, or may result in, a Material Adverse Effect.

(x) Environmental Matters. In the ordinary course of its business, the Agency conducts an ongoing review of Environmental Laws on the business, operations and properties of the Agency, in the course of which it identifies and evaluates associated liabilities and costs (including, without limitation, any capital or operating expenditures required for cleanup or closure of properties presently or previously owned or operated, any capital or operating



expenditures required to achieve or maintain compliance with environmental protection standards imposed by law or as a condition of any license, permit or contract, any related constraints on operating activities, including any periodic or permanent shutdown of any facility or reduction in the level of or change in the nature of operations conducted thereat and any actual or potential liabilities to third parties, including employees, and any related costs and expenses). On the basis of such review the Agency has reasonably concluded that Environmental Laws are unlikely to have a Material Adverse Effect.

(y) Anti-Terrorism Laws.

(i) The Agency is not in violation of any Anti-Terrorism Laws.

(ii) The Agency is not (1) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order, (2) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order, (3) a Person with which the Bank is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law, (4) a Person that commits, threatens or conspires to commit or supports “terrorism” as defined in the Executive Order, or (5) a Person that is named as a “specially designated national and blocked person” on the most current list published by the Office of Foreign Asset Control or any list of Persons issued by the Office of Foreign Asset Control pursuant to the Executive Order at its official website or any replacement website or other replacement official publication of such list.

(iii) The Agency does not (1) conduct any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in clause (2) of subsection (ii) of this Section, (2) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order, or (3) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

## **ARTICLE VIII**

### **AFFIRMATIVE COVENANTS OF THE AGENCY**

So long as the Commitment is outstanding and until all Payment Obligations shall have been paid in full, the Agency hereby covenants and agrees that, unless the Bank shall otherwise consent in writing:

SECTION 8.1. Maintenance of Existence. The Agency shall maintain its existence as a joint powers agency duly organized and existing under and pursuant to the Act and the laws of the State and its rights, franchises and privileges material to the operation of the Wastewater System.

SECTION 8.2. Reports, Certificates and Other Information. The Agency shall furnish or cause to be furnished to the Bank copies of:

(a) As soon as available, and in any event within 180 days after the close of each Fiscal Year of the Agency, the complete audited financial statements of the Agency and the Wastewater System including the balance sheet as of the end of such Fiscal Year and the related statements of revenues, expenses and cash flows and changes in fund balance for such Fiscal Year, setting forth in each case in comparative form the corresponding figures for the preceding Fiscal Year all in reasonable detail, certified and prepared by an independent certified public accountant (acceptable to the Bank) in accordance with generally accepted accounting principles, consistently applied, together with a certificate of an Authorized Representative to the effect that no Default or Event of Default has occurred and is continuing, and certifying as to compliance with the covenants set forth in Sections 8.15 and 9.2 hereof and including a calculation showing the Agency's compliance with Section 8.15 hereof for such Fiscal Year;

(b) As soon as available for each Fiscal Year, and in any event no later than 60 days following the filing or adoption thereof, a copy of a balanced annual operating budget for the Agency and the Wastewater System for such Fiscal Year and a certificate of an Authorized Representative to the effect that such annual operating budget includes all amounts reasonably anticipated to be necessary to make all payments in respect of the Payment Obligations due in such Fiscal Year;

(c) As soon as available, any disclosure documents distributed in connection with the original issuance or incurrence of any Net Revenue Debt;

(d) Promptly upon obtaining knowledge of any Default or Event of Default, or notice thereof, and within five days thereafter, a certificate signed by an Authorized Representative specifying in reasonable detail the nature and period of existence thereof and what action the Agency has taken or proposes to take with respect thereto;

(e) As soon as practicable, written notice to the Bank of all litigation served against the Agency and all proceedings before any court or governmental authority which, in each case, directly or indirectly relates to the enforceability of this Agreement, the Note or any of the other Loan Documents or could have a Material Adverse Effect and promptly upon obtaining knowledge thereof, written notice to the Bank of the occurrence of any other event which could have a Material Adverse Effect;

(f) As soon as available, written notice to the Bank of all changes to the Agency's investment policy or any governing document that sets forth the terms of any Net Revenue Debt (including any Net Revenue Debt Issuing Document);

(g) Copies of any filings (including annual reports and notice of events described in the United States Securities and Exchange Commission Rule 15c2-12(b)(5)(i)(C), if any) the Agency files in the normal course of affairs with any nationally recognized municipal securities repository with respect to any Net Revenue Debt pursuant to any continuing disclosure agreement; and

(h) Such other information regarding the affairs and condition of the Agency or the Wastewater System as the Bank may from time to time reasonably request.

SECTION 8.3. Maintenance of Books and Records. The Agency shall keep proper books of record and account in which full, true and correct entries in accordance with the Agency's budget basis accounting principles and reporting practices shall be made of all dealings or transactions in relation to its activities.

SECTION 8.4. Access to Books and Records. To the extent permitted by law, the Agency shall permit any Person designated by the Bank to visit any of the offices of the Agency to examine the books and financial records, including minutes of meetings of any relevant governmental committees or agencies, and make copies thereof or extracts therefrom, and to discuss the affairs, finances and accounts of the Agency with its principal officials, all at such reasonable times and as often as the Bank may reasonably request.

SECTION 8.5. Compliance with Documents. The Agency shall perform and comply with each and every covenant and agreement required to be performed or observed by it herein and in the Note and in each of the other Loan Documents, which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety all of which shall be deemed to be made for the benefit of the Bank and shall be enforceable against the Agency. To the extent that any such incorporated provision permits the Agency or any other party to waive compliance with such provision or requires that a document, opinion or other instrument or any event or condition be acceptable or satisfactory to the Agency or any other party, for purposes of this Agreement, such provision shall be complied with only if it is specifically waived by the Bank in writing and such document, opinion or other instrument and such event or condition shall be acceptable or satisfactory only if it is acceptable or satisfactory to the Bank which shall only be evidenced by the Bank's written approval of the same. No termination or amendment to such covenants and agreements or defined terms or release of the Agency with respect thereto made pursuant to the Loan Documents shall be effective to terminate or amend such covenants and agreements and defined terms or release of the Agency with respect thereto as incorporated by reference herein without the prior written consent of the Bank. Notwithstanding any termination or expiration of any such Loan Document, the Agency shall continue to observe the covenants therein contained for the benefit of the Bank until the termination of this Agreement. All such incorporated covenants shall be in addition to the express covenants contained herein and shall not be limited by the express covenants contained herein nor shall such incorporated covenants be a limitation on the express covenants contained herein.

SECTION 8.6. Environmental Compliance. The Agency shall comply with all Environmental Laws applicable to the construction, ownership or use of the Wastewater System and shall cause, to the extent possible, its tenants and other Persons occupying or using its facilities to comply with such Environmental Laws, shall timely pay or cause to be paid all costs and expenses incurred in such compliance, and shall keep or cause to be kept all of its facilities free and clear of any liens imposed pursuant to such Environmental Laws, unless the same are being contested in good faith and by appropriate legal proceedings and such contest shall operate to stay the material adverse effect of any such non-compliance.

SECTION 8.7. Further Assurances. From time to time hereafter, the Agency shall execute and deliver such additional instruments, certificates or documents, and shall take all such actions as the Bank may reasonably request for the purposes of implementing or effectuating the provisions of the Loan Documents or for the purpose of more fully perfecting or renewing the Bank's rights with respect to the rights, properties or assets subject to such documents (or with respect to any additions thereto or replacements or proceeds thereof or with respect to any other property or assets hereafter acquired by the Agency which may be deemed to be a part thereof). Upon the exercise by the Bank of any power, right, privilege or remedy pursuant to the Loan Documents which requires any consent, approval, registration, qualification or authorization of any governmental authority or instrumentality, the Agency shall, to the extent permitted by law, execute and deliver all necessary applications, certifications, instruments and other documents and papers that the Bank may be required to obtain for such governmental consent, approval, registration, qualification or authorization.

SECTION 8.8. Application of Proceeds of Advances. The Agency shall cause the proceeds from Advances made hereunder to be applied only to pay the Project Costs.

SECTION 8.9. Payment of Obligations; Removal of Liens. The Agency shall duly and punctually pay or cause to be paid the Payment Obligations and the other amounts due hereunder and under the Note and the other Loan Documents, on the dates, at the places and in the manner provided in or determined in accordance with this Agreement and the Note according to the true intent and meaning hereof. The Agency will at all times faithfully perform and observe any and all covenants, undertakings and provisions contained in this Agreement or arising in connection with any obligation secured by Gross Revenues. The Agency shall pay (a) all indebtedness and obligations of the Agency in accordance with the terms thereof and (b) all assessments or other governmental charges as the same respectively become due, all taxes, assessments (general or special) and governmental charges of any kind whatsoever that may be at any time lawfully assessed or levied against or with respect to any portion of the Collateral or any interest thereon and promptly discharge or cause to be discharged all liens, encumbrances and charges on such property and assets. The Agency shall include in each of the annual operating budgets for the Wastewater System all amounts reasonably anticipated to be necessary to make payments due to the Bank hereunder or under the Note or the other Loan Documents.

SECTION 8.10. Compliance with Law; Employee Benefit Plan Compliance. The Agency shall comply with and observe the obligations and requirements set forth in the Constitution of the State and in all statutes and regulations binding upon it relating to the Wastewater System and the Loan Documents. The Agency shall in a timely fashion, comply, in all material respects with all requirements under any employee benefit plan in which the Agency or any of its employees participate.

SECTION 8.11. Compliance with Obligations. The Agency shall comply with and observe the obligations and requirements arising in connection with any Net Revenue Debt.

SECTION 8.12. Receipt and Deposit of Gross Revenues; General Fund. The Agency covenants and agrees that all Gross Revenues, when and as received, will be received by and held by the Agency in trust for the benefit of all Net Revenue Debt owners and payments with respect to Net Revenue Debt, and will be deposited by the Agency in the General Fund (which

the Agency hereby covenants and agrees to maintain so long as any Net Revenue Debt remains outstanding) and will be accounted for and held in trust for the benefit of Net Revenue Debt owners and for payments with respect to Net Revenue Debt. All Gross Revenues shall be disbursed, allocated and applied solely to the uses and purposes set forth in this Section 8.12. All Gross Revenues in the General Fund shall be set aside by the Agency or deposited by the Agency with the Bank or the trustee or fiscal agent with respect to Net Revenue Debt, as the case may be, as follows and in the following order of priority:

(a) Operation and Maintenance Costs of the Wastewater System. In order to carry out and effectuate the pledge and lien contained in the Net Revenue Debt Issuing Documents, the Agency agrees and covenants to pay all Operation and Maintenance Costs of the Wastewater System (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs of the Wastewater System, the payment of which is not then immediately required) from the General Fund as they become due and payable.

(b) Senior Debt. Payments of principal of and interest on Senior Debt and all other payments with respect to Senior Debt shall be paid in accordance with the terms of the Senior Debt Issuing Documents, without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference.

(c) Senior Debt Reserve Funds. Payments required to replenish debt service reserve funds, if any, established for any Senior Debt shall be made in accordance with the terms of the Senior Debt Issuing Documents, without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference.

(d) Subordinate Debt. Payments of the Payment Obligations and principal of and interest on Subordinate Debt and all other payments with respect to the Payment Obligations or the Subordinate Debt shall be paid in accordance with the terms hereof and the Subordinate Debt Issuing Documents, without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference.

(e) Subordinate Debt Reserve Funds. Payments required to replenish debt service reserve funds, if any, established for any Subordinate Debt shall be made in accordance with the terms of the Subordinate Debt Issuing Documents, without preference or priority, and in the event of any insufficiency of such moneys, ratably without any discrimination or preference.

(f) General Expenditures. All Gross Revenues not required to be withdrawn pursuant to the provisions of subparagraphs (a) through (e) above shall be used for expenditure for any lawful purpose of the Agency, including payment of Operation and Maintenance Costs of the Wastewater System or payment of any rebate requirement or of any obligation subordinate to the payment of the Payment Obligations and the Subordinate Debt.

Although all Subordinate Debt are secured equally and ratably by a subordinate lien on applicable Net Revenues, moneys with respect to obligations other than the Payment Obligations may be held by trustees or fiscal agents under Net Revenue Debt Issuing Documents. The Agency shall make such transfers from the General Fund necessary to effectuate such Net

Revenue Debt's claim on such Net Revenues contemplated by the applicable Net Revenue Debt Issuing Document.

SECTION 8.13. Insurance; Reconstruction of Wastewater System; Application of Insurance Proceeds. The Agency shall at all times maintain with responsible insurers all such insurance on the Wastewater System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. All policies of insurance required to be maintained hereunder shall provide that Bank shall be given thirty (30) days' prior written notice of any intended cancellation thereof or reduction of coverage provided thereby. The Agency shall provide to the Bank evidence that all such insurance with respect to the Wastewater System is in effect promptly upon renewal thereof. If any useful part of the Wastewater System is damaged or destroyed, such part will be restored for use or will be replaced. In the event of any damage to or destruction of the Wastewater System caused by the perils covered by such insurance, the proceeds of such insurance shall be applied to the repair, reconstruction or replacement of the damaged or destroyed portion of the Wastewater System. The Agency shall cause such repair, reconstruction or replacement to be promptly after such damage or destruction shall occur and to continue and to be properly completed as expeditiously as possible, and shall pay out of the proceeds of such insurance all costs and expenses in connection with such repair, reconstruction or replacement so that the same shall be completed and the Wastewater System shall be free and clear of all liens and claims. If the proceeds received by reason of any such loss shall exceed the costs of such repair, reconstruction or replacement, the excess shall be applied to the redemption or prepayment of the Senior Debt on a pro rata basis in the manner provided in the Senior Debt Issuing Documents and then to pay the Payment Obligations and the other Subordinate Debt on a pro rata basis in the manner provided herein and in the Subordinate Debt Issuing Documents. Alternatively, if the proceeds of such insurance are sufficient to enable the Agency to retire all outstanding Net Revenue Debt and all other amounts due under the Net Revenue Debt Issuing Documents, the Agency may elect not to repair, reconstruct or replace the damaged or destroyed portion of the Wastewater System, and thereupon such proceeds shall be applied to the redemption or prepayment of the Senior Debt on a pro rata basis in the manner provided in the Senior Debt Issuing Documents and then to pay the Payment Obligations and the other Subordinate Debt on a pro rata basis in the manner provided herein and in the Subordinate Debt Issuing Documents.

SECTION 8.14. Investment Policy. The Agency shall comply with its investment policy in effect from time to time.

SECTION 8.15. Amount of Rates and Charges.

(a) The Agency will fix, prescribe, revise and collect rates, fee and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which are at least sufficient, after making allowances for contingencies and error in the estimates, to pay the following amounts in the following order: (i) all Operation and Maintenance Costs estimated by the Agency to become due and payable in the Fiscal Year; (ii) the principal of and interest on the Senior Debt as they become due and payable during the Fiscal Year, without preference or priority; (iii) all payments coming due and payable during the Fiscal Year and required for compliance with the Senior Debt Issuing Documents; (iv) the Payment Obligations and the principal of and interest on the Subordinate Debt as they become due and payable during the

Fiscal Year, without preference or priority; (v) all payments coming due and payable during the Fiscal Year and required for compliance with this Agreement and the Subordinate Debt Issuing Documents; and (vi) all payments required to meet any other obligations of the Agency which are charges, liens, encumbrances upon or payable from the Gross Revenues during the Fiscal Year.

(b) In addition, the Agency will fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater System during each Fiscal Year which, taking into account allowances for contingencies, are sufficient to yield estimated Net Revenues which are at least equal to 115% of the aggregate amount of principal of and interest on the Net Revenue Debt coming due and payable during such Fiscal Year; provided, that for purposes of such calculation, the principal amount of the outstanding Payment Obligations due and payable on the Revolving Loan Maturity Date or the Term Loan Maturity Date, as applicable, shall be assumed to be paid in equal annual installments sufficient to fully amortize such principal over a ten (10) year term commencing on the Stated Commitment Expiration Date.

SECTION 8.16. Collection of Rates and Charges. The Agency shall have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Wastewater System to pay the rates, fees and charges applicable to the services and facilities furnished by the Wastewater System to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The Agency shall not permit any part of the Wastewater 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, the State and any city, county, district, political subdivision, public corporation or agency of any thereof); provided that the Agency may without charge use the Wastewater System.

SECTION 8.17. Other Agreements. While this Agreement remains in effect, if the Agency executes and delivers a final agreement evidencing a revolving credit agreement with a financial institution substantially similar to the financial arrangements provided for in this Agreement (“Additional Agreement”) constituting Subordinate Debt with pricing terms (including, without limitation, interest rates, default rates, utilized facility fees, unutilized facility fees and termination fees) that are more favorable than are provided to the Bank in this Agreement, more restrictive covenants than are provided to the Bank in this Agreement, and/or events of default and/or remedies that are more favorable than are provided to the Bank in this Agreement (collectively, the “Additional Rights”), then the Agency shall provide the Bank with a copy of such Additional Agreement and the Additional Rights shall be automatically deemed incorporated into this Agreement and the Bank shall have the benefit of the Additional Rights. The Agency shall promptly cooperate with the Bank to enter into an amendment of this Agreement to include such Additional Rights.

SECTION 8.18. Preservation of Lien. The Agency shall take all necessary action to maintain and preserve the lien on and security interest in the Collateral securing the Payment Obligations and the payment and performance of the Agency’s obligations hereunder and under the Note and the other Loan Documents.

SECTION 8.19. Sovereign Immunity. The Agency agrees not to assert any defense of sovereign immunity, if available, in any proceeding initiated by the Bank to enforce any of the obligations of the Agency hereunder or under the Note or the other Loan Documents. To the extent that the Agency has or hereafter may acquire under any applicable law any right to immunity from set off or legal proceedings, including but not limited to a writ of mandamus ordering a levy of taxes by the Agency, on the grounds of sovereignty or otherwise, the Agency, to the extent permitted by law, hereby irrevocably waives such rights to immunity for itself and agrees not to invoke any defense of immunity in respect of its obligations arising under or related to this Agreement, the Note or the other Loan Documents.

SECTION 8.20. Maintenance of Wastewater System. The Agency shall at all times operate or cause to be operated the Wastewater System properly and in an efficient and economical manner, and shall maintain, preserve, reconstruct and keep the same or cause the same to be so maintained, preserved, reconstructed and kept, with the appurtenances and every part and parcel thereof, in good repair, working order and condition, and shall from time to time make, or cause to be made, all necessary and proper repairs, replacements and renewals so that at all times the operation of the Wastewater System may be properly and advantageously conducted. The Agency shall pay (a) all indebtedness and obligations of the Agency in accordance with the terms thereof and (b) all assessments or other governmental charges as the same respectively become due, all taxes, assessments (general or special) and governmental charges of any kind whatsoever that may be at any time lawfully assessed or levied against or with respect to the Wastewater System or Revenues or any interest thereon and promptly discharge or cause to be discharged all liens, encumbrances and charges on such property and assets.

SECTION 8.21. Rating. The Agency shall maintain Senior Debt Long-Term Credit Ratings equal to or above “BBB” and “Baa2” or its equivalent by any Rating Agency.

SECTION 8.22. Eminent Domain. If all or any part of the Wastewater System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows: (a) if (i) the Agency certifies (x) the estimated loss of Net Revenues, if any suffered or to be suffered by the Agency by reason of such eminent domain proceedings, (ii) a general description of the additions, betterments, extensions or improvements to the Wastewater System proposed to be acquired by the Agency from any Net Proceeds, and (iii) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements, and (ii) on the basis of such certificate, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the Agency to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive); then the Agency shall promptly proceed with the acquisition of such additions, betterments, extensions or improvements substantially in accordance with such certification and such Net Proceeds shall be applied for the payment of the costs of such acquisition, and any balance of such Net Proceeds not required by the Agency for such purpose shall be applied to pay the Senior Debt on a pro rata basis in the manner provided in the Senior Debt Issuing Documents and then to pay the Payment Obligations and the other Subordinate Debt on a pro rata basis in the manner provided herein and in the Subordinate Debt Issuing Documents. If the foregoing conditions are not met, then such Net Proceeds shall be applied to pay the Senior Debt on a pro rata basis in the manner provided



in the Senior Debt Issuing Documents and then to pay the Payment Obligations and the other Subordinate Debt on a pro rata basis in the manner provided herein and in the Subordinate Debt Issuing Documents.

## ARTICLE IX

### NEGATIVE COVENANTS OF THE AGENCY

While the Line of Credit is outstanding and until all of the Payment Obligations shall have been paid in full, the Agency shall not do any of the following, without the prior written consent of the Bank:

SECTION 9.1. Changes in Obligations. The Agency shall not repeal, modify, amend or supplement any provision of the PWMGRP SRF Loan Documents could result in any Material Adverse Effect. The Agency shall not repeal, modify, amend or supplement any provision of any Loan Document (other than the PWMGRP SRF Loan Documents).

SECTION 9.2. Additional Debt. The Agency shall not issue or incur any Debt except:

(a) Net Revenue Debt issued solely to pay or prepay the Payment Obligations, fund a reserve fund for such Net Revenue Debt and pay the costs of issuance of such Net Revenue Debt;

(b) Net Revenue Debt, if upon such issuance there will be no Payment Obligations outstanding;

(c) any PWMGRP SRF Loan, the proceeds of which PWMGRP SRF Loan are to be used to repay the Payment Obligations;

(d) Senior Debt secured by a pledge of and lien upon any portion of the Net Revenues on a basis senior to the lien on the Net Revenues securing the Payment Obligations, upon satisfaction of the conditions to issuance of additional Senior Debt set forth in the Senior Debt Issuing Documents; and

(e) Net Revenue Debt (including without limitation any SRF Loans described in clause (c) of the definition thereof) secured by a pledge of and lien upon any portion of the Net Revenues on a basis subordinate to or on a parity with the lien on the Net Revenues securing the Payment Obligations, upon satisfaction of the following conditions:

(i) no Default or Event of Default has occurred and is continuing;

(ii) the Net Revenues, calculated in accordance with sound accounting principles, as shown by the books of the Agency for the latest Fiscal Year or as shown by the books of the Agency for any more recent 12 month period selected by the Agency, in either case verified by a certificate or opinion of an Independent Accountant or Financial Consultant employed by the Agency, minus any One-Time Revenues for such 12 month period, plus (at the option of the Agency) the Additional Revenues, are at least equal to 115% of the amount of Maximum Annual Debt Service on the Net Revenue Debt and the

proposed Net Revenue Debt, and at least equal to 1.0 times coverage of the Revolving Loans and the Term Loan, as applicable;

(iii) such Net Revenue Debt is issued or incurred to finance the costs of capital improvements to the Wastewater System;

(iv) the Agency has otherwise complied with all conditions to the issuance or incurrence of such Net Revenue Debt set forth in any Net Revenue Debt Issuing Documents; and

(v) the Bank shall have received a certificate of an Authorized Representative certifying that the conditions precedent to the issuance of such Net Revenue Debt (including without limitation any SRF Loans described in clause (c) of the definition thereof but not including any PWMGRP SRF Loan) set forth in this Section 9.2(e) have been satisfied and including a calculation showing the Agency's compliance with Section 9.2(e)(ii).

SECTION 9.3. Swap Termination Payments. The Agency shall not enter into any Swap Contract under which a termination payment would be required to be paid from any portion of the Collateral on a basis senior to or on a parity with the lien on the Collateral securing the Payment Obligations.

SECTION 9.4. No Impairment. The Agency will neither take any action, nor cause or permit any other Person to take any action, under the Loan Documents inconsistent with the rights of the Bank under this Agreement including, without limitation, the Payment Obligations and pledge of the Collateral. The Agency will neither agree to any amendment, modification or supplement to any Loan Document to which it is a party without the prior written consent of the Bank, nor shall the Agency waive or consent to any waiver of any condition under any Loan Document.

SECTION 9.5. [Reserved]

SECTION 9.6. References to the Bank. The Agency shall not refer to the Bank in any official statement, offering memorandum, or private placement memorandum (other than a factual description of this Agreement without a specific reference to the Bank) without the Bank's prior written consent thereto.

SECTION 9.7. No Sale, Assignment, Transfer or Pledge. The Agency shall not sell, mortgage or otherwise dispose of the Wastewater System or any portion thereof essential to the proper operation of the Wastewater System or to the maintenance of Net Revenues. The Agency shall not enter into any lease or agreement which materially impairs the operation of the Wastewater System or any part thereof necessary to secure adequate Net Revenues for the payment of Payment Obligations or payment and performance of the Agency's obligations under this Agreement, the Note or the other Loan Documents.

SECTION 9.8. Consolidation or Merger. The Agency shall not consolidate with or merge into another Person or permit one or more other Persons to consolidate with or merge into

it or acquire all or substantially all of the property and assets of any other Person without the prior written consent of the Bank.

SECTION 9.9. Accounting Methods and Fiscal Year. The Agency shall not adopt, permit or consent to any change in accounting practices other than as required by generally accepted accounting principles and will not adopt, permit or consent to any change in its Fiscal Year.

SECTION 9.10. No Priority Claim. The Agency shall not incur, assume or permit any pledge, lien, charge or encumbrance on any portion of the Collateral with a claim to payment of higher priority than the claim of the Payment Obligations or any of the Agency's obligations under this Agreement, the Note or the other Loan Documents.

SECTION 9.11. Competing Utility. The Agency shall not acquire, construct, operate or maintain, and shall not, within the scope of its lawful powers, permit any other private or public corporation, political subdivision, authority or agency, or any person whomsoever to acquire, construct, operate or maintain any competing system or utility in an area presently served by the Wastewater System.

## ARTICLE X

### DEFAULTS AND REMEDIES

SECTION 10.1. Events of Default. The occurrence of any of the following events (including the expiration of any specified time) shall constitute an "Event of Default," unless waived by the Bank in writing:

(a) The Agency fails to pay, or cause to be paid, when due (i) any principal and interest due hereunder or under the Note, or (ii) any other amounts due hereunder or under the Note or any other amounts due to the Bank under any other Loan Document; or

(b) (i) The Agency fails to perform or observe any term, covenant or agreement contained in Section 8.1, 8.6, 8.8, 8.12, 8.13, 8.14, 8.15, 8.16, 8.17, 8.19, 8.20, 8.21, 8.22 or Article IX hereof or (ii) the Agency fails to perform or observe any term, covenant or agreement contained in this Agreement (other than those referred to in Section 10.1(a) and (b)(i)) and any such failure is irremediable or, if remediable, remains unremedied for 30 days after notice thereof to the Agency;

(c) (i) A default occurs with respect to the payment of any Net Revenue Debt or any interest or premium thereon as and when the same shall become due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) (including any amount due in respect of any other obligation owed to the Bank as and when the same shall become due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise)); or (ii) a default occurs under any mortgage, agreement or other instrument relating to any Net Revenue Debt or other obligation owed to the Bank, and continuance of such default beyond the period of grace, if any, allowed with respect thereto, or the occurrence of any act or omission by the Agency under any such mortgage, agreement or other instrument which results in such Net Revenue Debt or other obligation owed to the Bank becoming, or being capable of becoming,

immediately due and payable or any such Net Revenue Debt or other obligation owed to the Bank is otherwise required to be prepaid (other than by a regularly scheduled required prepayment or an optional prepayment) prior to the stated maturity thereof; or

(d) The Agency has taken or permitted to be taken any action which would materially adversely affect the enforceability of this Agreement, the Note, any other Loan Document or any other Net Revenue Debt Issuing Document against the Agency or the legal ability of the Agency to pay Payment Obligations or any Net Revenue Debt when due; or

(e) A court of competent jurisdiction shall enter a final, nonappealable order or judgment to the effect that any Net Revenue Debt is illegal or unenforceable; or

(f) The issuance of any Net Revenue Debt shall result in a violation by the Agency of any material law, rule or regulation, or any order of any court, governmental agency or regulatory body, or any indenture or loan or credit agreement (including this Agreement), or any other agreement or instrument, applicable to the Agency or to such issuance; or

(g) Any representation or warranty on the part of the Agency contained in any Loan Document or in any certificate, letter or other writing or instrument furnished or delivered by the Agency to the Bank pursuant hereto or thereto or in connection herewith or therewith, shall at any time prove to have been incorrect in any material respect when made or deemed made or when effective or when reaffirmed, as the case may be, whether by misstatement or omission; or

(h) Any material provision of this Agreement, the Note or the other Loan Documents shall at any time for any reason cease to be valid and binding on the Agency or shall be declared to be null and void by any court or governmental authority or agency having jurisdiction over the Agency, or the validity or the enforceability of any material provision of this Agreement, the Note or the other Loan Documents shall at any time be contested by the Agency in a judicial or administrative proceeding or the Agency shall deny that it has any or further liability or obligation under any material provision of this Agreement, the Note or the other Loan Documents, or the validity or enforceability of any material provision of this Agreement, the Note or the other Loan Documents shall be contested by any governmental agency or authority having jurisdiction over the Agency; or

(i) The Agency fails to pay when due a final, nonappealable judgment or order for the payment of money in excess of \$1,000,000 and for which insurance proceeds shall not be available shall be rendered against the Agency or the Wastewater System and such judgment or order shall continue unstayed, undischarged, unbonded or unsatisfied for a period of sixty (60) days; or

(j) An Event of Insolvency shall occur with respect to the Agency; or

(k) The Bank fails to have an enforceable lien on and security interest in the Collateral with the priority as contemplated by Section 5.1 hereof; or

(l) Any funds or investments on deposit in, or otherwise to the credit of, the General Fund or any of the funds or accounts established hereunder or under any Loan Document or any

other Net Revenue Debt Issuing Document shall become subject to any writ, judgment, warrant or attachment, execution or similar process; or

(m) The occurrence and continuation of an Event of Default or event of nonperformance under, or the occurrence of an event which results in or permits the early termination of, any of the Loan Documents after the expiration of any applicable grace period (other than as specified in another Event of Default under this Section 10.1); or

(n) The Agency's accountant delivers a qualified opinion with respect to the Agency's or the Wastewater System's status as an on-going concern; or

(o) Any of the Net Revenue Debt Long-Term Credit Ratings is withdrawn or suspended or otherwise unavailable for credit-related reasons or reduced below "BBB" or "Baa2" by any Rating Agency; or

(p) The occurrence of any event (other than as specified in another Event of Default under this Section 10.1) which has had, or may result in, any Material Adverse Effect.

#### SECTION 10.2. Rights and Remedies Upon Default.

(a) Automatic Termination. In the case of any Event of Default specified in Section 10.1(j) that has occurred, (i) the Commitment shall immediately terminate automatically and the Available Commitment shall be reduced to zero automatically and will no longer be reinstated and thereafter, the Bank will have no further obligation to make Advances hereunder and (ii) all amounts due hereunder and under the Note and the other Loan Documents (including without limitation all Advances, Revolving Loans, the Term Loan, the Note and interest thereon) shall immediately become due and payable. Upon such termination, the Bank shall send a notice thereof in the form of Exhibit J hereto to the Agency; provided that failure to send or receive such notice shall not affect the termination of the Commitment as provided hereunder.

(b) All Events of Default. In the case of any Event of Default, including any Event of Default specified in Section 10.1(j), that has occurred and is continuing, the Bank may, in its sole discretion, but shall not be obligated to, exercise all, or any of, the following rights and remedies:

(i) By notice to the Agency, declare all amounts due hereunder and under the Note and the other Loan Documents (including without limitation all Advances, Revolving Loans, the Term Loan, the Note and interest thereon) immediately due and payable; and/or

(ii) By notice to the Agency in the form of Exhibit J hereto, reduce the Available Commitment to zero and thereafter the Bank will have no further obligation to make Advances hereunder and/or terminate the Commitment; and/or

(iii) Petition a court of competent jurisdiction to issue a mandamus order to the Agency to compel specific performance of the covenants of the Agency contained in any of the Loan Documents; and/or

(iv) Provide written notice of the occurrence of an Event of Default to the Agency and exercise any rights and remedies available to the Bank at law, equity or hereunder or under any Loan Document.

Except as expressly provided in this Section 10.2, procurement, demand, protest and all other notices of every kind are hereby expressly waived.

SECTION 10.3. No Waiver of Remedies. No waiver of any breach of or default under any provision of this Agreement, the Note or any of the other Loan Documents shall constitute or be construed as a waiver by the Bank of any subsequent breach of or default under that or any other provision of any of the Loan Documents.

SECTION 10.4. Remedies Not Exclusive. No remedy herein conferred upon the Bank is intended to be exclusive of any other remedy herein or in any other agreement between the parties hereto or by law provided or permitted, but each shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law, in equity or by statute.

## ARTICLE XI

### MISCELLANEOUS

SECTION 11.1. Evidence of Debt. The Bank shall maintain in accordance with its usual practices an account or accounts evidencing the indebtedness resulting from each Advance, each Revolving Loan and the Term Loan made from time to time hereunder and the amounts of principal and interest payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts shall be conclusive evidence (absent manifest error) of the existence and amounts of the obligations therein recorded.

SECTION 11.2. Amendments, Etc. No amendment or waiver of any provision of this Agreement nor consent to any departure by the parties hereto shall in any event be effective unless the same shall be in writing and signed by such parties, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

SECTION 11.3. Addresses for Notices. Any notice required or permitted to be given under or in connection with this Agreement shall be in writing and shall be mailed by first-class mail, registered or certified, return receipt requested, or express mail, postage prepaid, or sent by email, telex, telegram, telecopy or other similar form of rapid transmission confirmed by mailing (by first-class mail, registered or certified, return receipt requested, or express mail, postage prepaid) written confirmation at substantially the same time as such rapid transmission, or personally delivered to an officer of the receiving party. All such communications shall be mailed, sent or delivered to the address or numbers set forth below, or as to each party at such other address or numbers as shall be designated by such party in a written notice to the other parties.

(i) If to the Agency:

Monterey Regional Water Pollution Control Agency  
5 Harris Court, Building D  
Monterey, California 93940  
Attention: Chief Financial Officer  
Telephone: (831) 645-4623  
Facsimile: (831) 647-1766  
Email: tori@mrwpca.com

(ii) If to the Bank:

Payment Instructions -

Bank of the West  
13300 Crossroads Pkwy North  
City of Industry, CA 91746  
ABA #: 121100782  
Account Name: Commercial Loan Servicing  
Account #: 239855-332  
Ref: MRWPCA – Obligor #1060773039 (Closed on 5/11/17)  
Attention: Rachel Perez

Notices –

Bank of the West  
13300 Crossroads Pkwy North  
City of Industry, CA 91746  
Attention: Commercial Loan Servicing  
Email: CLSServicing@bankofthewest.com

With a copy to -

Bank of the West  
180 Montgomery Street  
San Francisco, California 94104  
Attention: Ted Neu  
Telephone: (415) 765-4938  
Facsimile: (866) 235-9308  
Email: ted.neu@bankofthewest.com

SECTION 11.4. Survival of this Agreement. All covenants, agreements, representations and warranties made in this Agreement shall survive the extension by the Bank of the Commitment and shall continue in full force and effect so long as the Commitment shall be unexpired or any sums drawn or due thereunder or any other obligations shall be outstanding and unpaid, regardless of any investigation made by any Person and so long as any amount payable hereunder remains unpaid. The agreement of the Agency to indemnify the Bank under Section 6.2 hereof shall continue in full force and effect notwithstanding a termination of the

Commitment or the payment in full of all Payment Obligations. The obligations of the Agency under Sections 6.2, 6.3 and 11.5 shall also continue in full force and effect notwithstanding a termination of the Commitment or the payment in full of all Payment Obligations. Whenever in this Agreement, the Note or any other Loan Document the Bank is referred to, such reference shall be deemed to include the successors and assigns of the Bank and all covenants, promises and agreements by or on behalf of the Agency which are contained in this Agreement, the Note or any other Loan Document shall inure to the benefit of the successors and assigns of the Bank. The rights and duties of the Agency may not be assigned or transferred without the prior written consent of the Bank, and all obligations of the Agency hereunder and under the Note and other Loan Documents shall continue in full force and effect notwithstanding any assignment by the Agency of any of its rights or obligations hereunder or under the Note or any other Loan Document or any entering into, or consent by the Agency to, any supplement or amendment to, or termination of, this Agreement, the Note or any other Loan Document. In connection with any proposed sale or assignment of any of its rights or security hereunder or under the Note or any other Loan Document, the Bank may disclose to the proposed purchaser any information the Bank may have concerning the Agency. In addition, the Bank may collaterally assign and pledge, without the consent of the Agency, all or any portion of the obligations owing to it to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank, provided that any payment in respect of such assigned obligations made by the Agency to the Bank in accordance with the terms of this Agreement, the Note or the other Loan Documents shall satisfy the Agency's obligations hereunder or under the Note or the other Loan Documents in respect of such assigned obligation to the extent of such payment. No such collateral assignment shall release the Bank from its obligations hereunder.

SECTION 11.5. Costs, Expenses and Taxes. The Agency agrees (i) to pay on demand all costs and expenses (including fees and disbursements of the Bank's counsel) in connection with the preparation, issuance, execution, delivery, filing, enforcement and administration of any of the Loan Documents and any other instruments or agreements which may be delivered pursuant to or in connection therewith, or pursuant to or in connection with any waiver or amendment of, or the giving of any consent under, this Agreement or any of the Loan Documents and such other instruments or agreements and (ii) to pay on demand any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of this Agreement or any of the Loan Documents and such other instruments and agrees to indemnify and hold the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees. The obligations of the Agency under this Section 11.5 shall survive the termination of the Commitment and the payment in full of all Payment Obligations.

SECTION 11.6. Right of Setoff; Other Collateral.

(a) Upon the occurrence and during the continuation of an Event of Default, the Bank is hereby authorized at any time and from time to time without notice to the Agency (any such notice being expressly waived by the Agency), and to the fullest extent permitted by law, to setoff, to exercise any banker's lien or any right of attachment and to apply any and all balances, credits, deposits (general or special, time or demand, provisional or final), accounts or monies



relating to the Wastewater System at any time held and other indebtedness at any time owing by the Bank to or for the account of the Agency relating to the Wastewater System (irrespective of the currency in which such accounts, monies or indebtedness may be denominated and the Bank is authorized to convert such accounts, monies and indebtedness into dollars) against any and all of the obligations and liabilities of the Agency arising under or connected with this Agreement, the Note and the other Loan Documents, whether or not the Bank shall have made any demand hereunder or thereunder.

(b) The rights of the Bank under this Section are in addition to, in augmentation of, and do not derogate from or impair, other rights and remedies (including, without limitation, other rights of set-off) which the Bank may have. The Bank agrees to promptly notify the Agency after any such set-off and application referred to in subsection (a) above, provided that failure to give such notice shall not affect the validity of such set-off and application.

(c) For such purpose, the Bank shall have, and the Agency hereby grants to the Bank, a first lien on and security interest in such deposits, property, funds and accounts held or maintained by the Bank relating to the Wastewater System and the proceeds thereof.

SECTION 11.7. Severability. Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

SECTION 11.8. Governing Law; Waiver of Jury Trial; Jurisdiction and Venue.

(a) This Agreement shall be governed by, and construed and interpreted in accordance with the laws of the State.

(b) Each party to this Agreement, to the fullest extent permitted by law, hereby waives its respective right to a trial by jury in any legal proceeding arising out of or relating to this Agreement, the Note or any other Loan Document or the transactions contemplated hereby or thereby. The Agency warrants and represents that such waiver has been intentionally, knowingly and voluntarily made, following consultation with its legal counsel. If the waiver of jury trial as set forth in this Section shall be declared void or unenforceable, each of the Agency and the Bank agrees to refer the dispute to a judicial referee in accordance with the provisions of Section 638 et seq. of the California Code of Civil Procedure.

(c) Each of the parties hereto hereby submits to the exclusive jurisdiction of any federal or state court of competent jurisdiction in the State for the purpose of any suit, action or other proceeding arising out of or relating to this Agreement and the Note and hereby waives any objection which it may have to the laying of venue of any such suit, action or proceeding in any of such courts and any claim that any such suit, action or proceeding has been brought in an inconvenient forum; service of process may be accomplished by registered mail, return receipt requested to each of the parties at the address listed for notice in Section 11.3 hereof.

SECTION 11.9. Participations by the Bank. The Bank may grant participations herein or in any of its rights and security hereunder. Any such participant is referred to in this

Agreement as a “Participant.” In connection with any proposed participation, the Bank may disclose to the proposed Participant any information the Bank may have concerning the Agency. The Agency agrees that the provisions of this Agreement shall run to the benefit of each Participant and its participations or interests herein and the Bank may enforce such provisions on behalf of any such Participant. The foregoing notwithstanding, no participation shall in any way affect any of the obligations of the Bank hereunder, and the Agency shall have no obligation to deal in any manner with any such Participant.

SECTION 11.10. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

SECTION 11.11. Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which counterparts, taken together; shall constitute but one and the same Agreement.

SECTION 11.12. Patriot Act. The Bank hereby notifies the Agency that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “Patriot Act”), it is required to obtain, verify and record information that includes the name and address of the Agency and other information that will allow the Bank to identify the Agency in accordance with the Patriot Act.

SECTION 11.13. No Advisory or Fiduciary Relationship. In connection with any aspect of the transactions contemplated by this Agreement (including in connection with any amendment, waiver or other modification hereof or of any Loan Document), the Agency acknowledges and agrees that the Bank has not provided advice to or on behalf of a municipal entity or obligated person with respect to municipal financial products or the issuance of municipal securities, including advice with respect to the structure, timing, terms and other similar matters concerning such financial products or issues; or undertaken a solicitation of a municipal entity, within the meaning of Section 975 of the Dodd–Frank Act.

SECTION 11.14. Integration. This Agreement constitutes the entire agreement between the Bank and the Agency regarding the Line of Credit, and all prior oral or written communications between the Agency and the Bank shall be of no further effect or evidentiary value.

SECTION 11.15. Redactions. To the extent required to be delivered to the Municipal Securities Rulemaking Board (the “MSRB”) pursuant to Rule G-34 or any similar or successor MSRB rule, upon request the Bank shall provide to the Agency versions of this Agreement and the other Loan Documents as amended that have been redacted in a manner consistent with MSRB Notice 2011-17 (February 23, 2011) or any similar or successor MSRB notice. The Agency shall only provide such redacted versions from the Bank to any broker-dealer that requests such documents for purposes of delivery to the MSRB pursuant to Rule G-34 or any similar or successor MSRB rule. If the Agency provides such documents directly to the MSRB for dissemination pursuant to Rule G-34 or any similar or successor MSRB rule, the Agency shall only provide such redacted copies from the Bank to the MSRB.


SECTION 11.16. Tax Identification Number. The Agency's tax identification number is 94-2424202.


[The remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

Attest:

MONTEREY REGIONAL WATER  
POLLUTION CONTROL AGENCY

By   
Name: *Tori A. Hannah*  
Title: *Chief Financial Officer*

By   
Name: *Paul Sciuto*  
Title: *General Manager*

BANK OF THE WEST

By \_\_\_\_\_  
Name:  
Title:

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

Attest:

MONTEREY REGIONAL WATER  
POLLUTION CONTROL AGENCY

By \_\_\_\_\_  
Name:  
Title:

By \_\_\_\_\_  
Name:  
Title:

BANK OF THE WEST

By *Margaret A. Matthews*  
Name:  
Title: *Vice President*

**EXHIBIT A**

**[FORM OF NOTE]**

\$10,000,000

Dated May 11, 2017  
Monterey, California

For value received, the MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY (the "Agency") promises to pay to the order of BANK OF THE WEST, and its successors and assigns (the "Bank") at 180 Montgomery Street, San Francisco, California 94104, the amount of TEN MILLION DOLLARS AND NO CENTS (\$10,000,000) or, if less, the aggregate unpaid principal amount of all Advances, Revolving Loans and the Term Loan made by the Bank from time to time pursuant to the Credit Agreement, dated as of May 1, 2017 (together with any amendments or supplements thereto, the "Agreement"), by and between the Agency and the Bank, on the dates and in the amounts provided for in the Agreement.

The Agency promises to pay interest on the unpaid principal amount of all Advances, Revolving Loans and the Term Loan on the dates and at the rates provided for in the Agreement. All payments of principal and interest shall be made to the Bank in lawful money of the United States of America in immediately available funds. All capitalized terms used herein and not otherwise defined herein shall have the meanings specified in the Agreement.

This Note is the Note referred to in the Agreement and is entitled to the benefits thereof and of the Loan Documents referred to therein. As provided in the Agreement, this Note is subject to prepayment, in whole or in part. In case an Event of Default (as defined in the Agreement) shall occur and be continuing the principal of and accrued interest on this Note may be declared due and payable in the manner and with the effect provided in the Agreement.

This Note is payable solely from the Collateral in accordance with the Agreement, and this Note does not constitute a legal or equitable pledge, charge, lien or encumbrance upon any other property of the Agency. The holder hereof shall not have the right to demand payment of this obligation from any sources or properties of the Agency except the Collateral.

THIS NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

Attest:

MONTEREY REGIONAL WATER  
POLLUTION CONTROL AGENCY

By \_\_\_\_\_  
Name:  
Title:

By \_\_\_\_\_  
Name:  
Title:

**EXHIBIT B**

**[FORM OF REQUEST FOR ADVANCE]**

**REQUEST FOR ADVANCE**

Bank of the West  
13300 Crossroads Pkwy North  
City of Industry, CA 91746  
Attention: Commercial Loan Servicing  
Email: CLSServicing@bankofthewest.com

Bank of the West  
180 Montgomery Street  
San Francisco, California 94104  
Attention: Ted Neu  
Email: ted.neu@bankofthewest.com

Ladies and Gentlemen:

The undersigned, an Authorized Representative of the Monterey Regional Water Pollution Control Agency (the "Agency"), pursuant to Section 2.2 of the Credit Agreement, dated as of May 1, 2017 (together with any amendments or supplements thereto, the "Agreement"), by and between the Agency and Bank of the West (the "Bank") (the terms defined therein being used herein as therein defined), hereby requests that the Bank make an Advance under the Agreement in a principal amount not exceeding the then-outstanding Available Commitment, and in that connection sets forth below the following information relating to such Advance (the "Proposed Advance"):

1. The aggregate amount of the Proposed Advance is \$\_\_\_\_\_;
2. The Proposed Advance is requested to be funded on \_\_\_\_\_ (the "Advance Date"), which date is a Business Day at least three (3) Business Days after the Bank's receipt of this Request for Advance;
3. The Agency hereby designates the Revolving Loan resulting from the Proposed Advance as a [LIBOR Rate Loan borrowing with an initial Interest Period of [one (1)]/[three (3)]/[six (6)] month(s)]/[Base Rate Loan borrowing].
4. The aggregate amount of the Proposed Advance shall be used solely for the payment of the costs of the Pure Water Monterey Groundwater Replenishment Project reimbursable from a SRF Loan;
5. The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the date of the Proposed Advance, at the time the Proposed Advance is to be made and as a result thereof, immediately thereafter: (a) all representations and warranties of the Agency contained in the Agreement are true and correct as though made on the date hereof and on the Advance Date; and (b) no Default or Event of Default shall have occurred and be continuing on the date hereof and on the Advance Date; and

6. The proposed Advance shall be made by the Bank by wire transfer of immediately available funds to the Agency in accordance with the instructions set forth below:

[Insert wire instructions]

IN WITNESS WHEREOF, the Agency has executed and delivered this Request for Advance this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

MONTEREY REGIONAL WATER POLLUTION  
CONTROL AGENCY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**EXHIBIT C**

**[FORM OF INTEREST PERIOD DESIGNATION NOTICE]**

**INTEREST PERIOD DESIGNATION NOTICE**

Bank of the West  
13300 Crossroads Pkwy North  
City of Industry, CA 91746  
Attention: Commercial Loan Servicing  
Email: CLSServicing@bankofthewest.com

Bank of the West  
180 Montgomery Street  
San Francisco, California 94104  
Attention: Ted Neu  
Email: ted.neu@bankofthewest.com

Ladies and Gentlemen:

The undersigned, an Authorized Representative of the Monterey Regional Water Pollution Control Agency (the "Agency"), pursuant to Section 2.4 of the Credit Agreement, dated as of May 1, 2017 (together with any amendments or supplements thereto, the "Agreement"), by and between the Agency and Bank of the West (the "Bank") (the terms defined therein being used herein as therein defined), hereby makes the following designation:

1. The Agency hereby designates a subsequent Interest Period of [one (1)]/[three (3)]/[six (6)] month(s) for the [Revolving Loan]/[Term Loan] initially advanced on \_\_\_\_\_.
2. The last day of the current Interest Period is \_\_\_\_\_. [The Agency [hereby gives]/[has given] notice to the Bank of its intention to repay \$\_\_\_\_\_ of the principal amount of such [Revolving Loan]/[Term Loan] on the last day of the current Interest Period.
3. This Interest Period Designation Notice is given no later than \_\_\_\_\_, the Last Interest Period Designation Date, which is the Business Day which is at least two (2) Business Days prior to the last day of the current Interest Period.

IN WITNESS WHEREOF, the Agency has executed and delivered this Interest Period Designation Notice this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

MONTEREY REGIONAL WATER POLLUTION  
CONTROL AGENCY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT D**

**[FORM OF NOTICE OF APPLICABLE RATE]**

**NOTICE OF APPLICABLE RATE**

Monterey Regional Water Pollution Control Agency  
5 Harris Court, Building D  
Monterey, California 93940  
Attention: Chief Financial Officer

Ladies and Gentlemen:

We hereby notify you pursuant to Section 6.4(a) of the Credit Agreement, dated as of May 1, 2017 (together with any amendments or supplements thereto, the "Agreement") by and between the Monterey Regional Water Pollution Control Agency (the "Agency") and Bank of the West (the "Bank"), as follows:

1. The Applicable Rate for the Interest Period commencing \_\_\_\_\_ is \_\_\_\_\_ percent (\_\_\_\_\_%), calculated as follows:

\_\_\_\_\_% (the [LIBOR Rate (with an Interest Period of [one (1)]/[three (3)]/[six (6)] month(s)]/[Base Rate] + the Applicable Margin ([0.50]/[3.00]%).

All terms defined in the Agreement are used herein as defined therein.

IN WITNESS WHEREOF, we have executed and delivered this Notice of Applicable Rate as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**BANK OF THE WEST**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT E**

**[FORM OF REQUEST FOR EXTENSION]**

**REQUEST FOR EXTENSION**

Bank of the West  
13300 Crossroads Pkwy North  
City of Industry, CA 91746  
Attention: Commercial Loan Servicing  
Email: CLSServicing@bankofthewest.com

Bank of the West  
180 Montgomery Street  
San Francisco, California 94104  
Attention: Ted Neu  
Email: ted.neu@bankofthewest.com

Ladies and Gentlemen:

Reference is made to the Credit Agreement dated as of May 1, 2017 (together with any amendments or supplements thereto, the "Agreement") by and between the Monterey Regional Water Pollution Control Agency (the "Agency") and Bank of the West (the "Bank"). All terms defined in the Agreement are used herein as defined therein.

The Agency hereby requests, pursuant to Section 2.7 of the Agreement, that the Stated Commitment Expiration Date with respect to the Available Commitment as of the date hereof be extended to \_\_\_\_\_, \_\_\_\_\_. Pursuant to such Section 2.7, we have enclosed with this request the following information:

1. A reasonably detailed description of any and all Defaults that have occurred and are continuing;
2. Confirmation that all representations and warranties of the Agency as set forth in Article VII of the Agreement are true and correct as though made on the date hereof and that no Default or Event of Default has occurred and is continuing on the date hereof; and
3. Any other pertinent information previously requested by the Bank.

The Bank is required to notify the Agency of its decision with respect to this request within 60 days of the date of receipt hereof. If the Bank fails to notify the Agency of the Bank's decision within such 60-day period, the Bank shall be deemed to have rejected such request.

IN WITNESS WHEREOF, the Agency has executed and delivered this Request for Extension this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

MONTEREY REGIONAL WATER POLLUTION  
CONTROL AGENCY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT F**

**[FORM OF NOTICE OF EXTENSION]**

**NOTICE OF EXTENSION**

Monterey Regional Water Pollution Control Agency  
5 Harris Court, Building D  
Monterey, California 93940  
Attention: Chief Financial Officer

Ladies and Gentlemen:

We hereby notify you that pursuant to Section 2.7 of the Credit Agreement, dated as of May 1, 2017, by and between the Monterey Regional Water Pollution Control Agency (the "Agency") and Bank of the West (the "Bank"), the Stated Commitment Expiration Date with respect to the Commitment as of the date hereof shall be extended to \_\_\_\_\_, \_\_\_\_\_. Your acknowledgment hereof shall be deemed to be your representation and warranty that all your representations and warranties contained in Article VII of the Agreement are true and correct and will be true and correct as of the date hereof and that no Default or Event of Default has occurred and is continuing.

IN WITNESS WHEREOF, we have executed and delivered this Notice of Extension as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**BANK OF THE WEST**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

Acknowledged as of \_\_\_\_\_, \_\_\_\_ by

**MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT G**

**[FORM OF REQUEST FOR TERMINATION OR REDUCTION]**

**REQUEST FOR TERMINATION OR REDUCTION**

Bank of the West  
13300 Crossroads Pkwy North  
City of Industry, CA 91746  
Attention: Commercial Loan Servicing  
Email: CLSServicing@bankofthewest.com

Bank of the West  
180 Montgomery Street  
San Francisco, California 94104  
Attention: Ted Neu  
Email: ted.neu@bankofthewest.com

Ladies and Gentlemen:

Re: Credit Agreement dated as of May 1, 2017

The Monterey Regional Water Pollution Control Agency (the "Agency"), through its undersigned, an Authorized Representative, hereby certifies to Bank of the West (the "Bank"), with reference to the Credit Agreement dated as of May 1, 2017 (together with any amendments or supplements thereto, the "Agreement") by and between the Agency and the Bank (the terms defined therein and not otherwise defined herein being used herein as therein defined):

[(1) The Agency hereby requests a reduction of the Commitment from [insert amount as of the date of Certificate] to [insert new amount], such reduction to be effective on \_\_\_\_\_. Such reduction is in an amount equal to \$500,000 or an integral multiple of \$100,000 in excess thereof.]

OR

[(1) The Agency hereby requests the termination of the Commitment and the reduction of the Available Commitment to zero in accordance with the Agreement.]

IN WITNESS WHEREOF, the Agency has executed and delivered this Request for Termination or Reduction this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

MONTEREY REGIONAL WATER POLLUTION  
CONTROL AGENCY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT H**

**[FORM OF NOTICE OF REDUCTION]**

**NOTICE OF REDUCTION**

Monterey Regional Water Pollution Control Agency  
5 Harris Court, Building D  
Monterey, California 93940  
Attention: Chief Financial Officer

Ladies and Gentlemen:

We hereby notify you that pursuant to Section 2.6(a) of the Credit Agreement, dated as of May 1, 2017, by and between the Monterey Regional Water Pollution Control Agency (the “Agency”) and Bank of the West (the “Bank”), the Commitment is reduced from [insert amount as of the date of Certificate] to [insert new amount], such reduction to be effective on \_\_\_\_\_.

IN WITNESS WHEREOF, we have executed and delivered this Notice of Reduction as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**BANK OF THE WEST**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT I**

**[FORM OF NOTICE OF TERMINATION AT REQUEST OF THE AGENCY]**

**NOTICE OF TERMINATION AT REQUEST OF THE AGENCY**

Monterey Regional Water Pollution Control Agency  
5 Harris Court, Building D  
Monterey, California 93940  
Attention: Chief Financial Officer

Ladies and Gentlemen:

We refer to the Credit Agreement dated as of May 1, 2017 (together with any amendments or supplements thereto, the "Agreement") by and between the Monterey Regional Water Pollution Control Agency (the "Agency") and Bank of the West (the "Bank"). Any term below which is defined in the Agreement shall have the same meaning when used herein.

Pursuant to Section 2.6(b) of the Agreement, we hereby notify you that:

1. The Available Commitment is hereby reduced to zero and will no longer be reinstated; and
2. The Commitment is hereby terminated and the Bank has no further obligation to make Advances under the Agreement.

IN WITNESS WHEREOF, we have executed and delivered this Notice of Termination at the Request of the Agency as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

BANK OF THE WEST

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_



**EXHIBIT J**

**[FORM OF NOTICE OF TERMINATION UPON EVENT OF DEFAULT]**

**NOTICE OF TERMINATION UPON EVENT OF DEFAULT**

Monterey Regional Water Pollution Control Agency  
5 Harris Court, Building D  
Monterey, California 93940  
Attention: Chief Financial Officer

Ladies and Gentlemen:

We refer to the Credit Agreement dated as of May 1, 2017 (together with any amendments or supplements thereto, the "Agreement") by and between the Monterey Regional Water Pollution Control Agency (the "Agency") and Bank of the West (the "Bank"). Any term below which is defined in the Agreement shall have the same meaning when used herein.

We hereby notify you that an Event of Default has occurred under Section \_\_\_\_ of the Agreement. As a result, unless and until you have been advised otherwise by us:

1. The Available Commitment [has been automatically]/[is hereby] reduced to \$0.00 and will no longer be reinstated; and
2. The Commitment [has been automatically]/[is hereby] terminated and the Bank has no further obligation to make Advances under the Agreement.
- [3. All amounts due under the Agreement and the Note are immediately due and payable.]

IN WITNESS WHEREOF, we have executed and delivered this Notice of Termination Upon Event of Default as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

**BANK OF THE WEST**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT K**

**[FORM OF NOTICE OF PREPAYMENT]**

**NOTICE OF PREPAYMENT**

Bank of the West  
13300 Crossroads Pkwy North  
City of Industry, CA 91746  
Attention: Commercial Loan Servicing  
Email: CLSServicing@bankofthewest.com

Bank of the West  
180 Montgomery Street  
San Francisco, California 94104  
Attention: Ted Neu  
Email: ted.neu@bankofthewest.com

Ladies and Gentlemen:

Re: Credit Agreement dated as of May 1, 2017

The Monterey Regional Water Pollution Control Agency (the "Agency"), through its undersigned, an Authorized Representative, hereby certifies to Bank of the West (the "Bank"), with reference to the Credit Agreement dated as of May 1, 2017 (together with any amendments or supplements thereto, the "Agreement") by and between the Agency and the Bank (the terms defined therein and not otherwise defined herein being used herein as therein defined):

The Agency hereby informs you that the Agency intends to prepay [Revolving Loan(s)]/[the Term Loan] in an aggregate principal amount of [insert prepayment amount] on \_\_\_\_\_, which date is at least one (1) Business Day following the date of this notice of prepayment and in the case of [any Revolving Loan]/[the Term Loan] designated as a LIBOR Rate Loan borrowing, such prepayment occurs on the final Business Day of the then applicable Interest Period to which such prepayment will be applied or if paid on a day other than the final Business Day of the then applicable Interest Period, such prepayment includes any costs to the Bank arising under Section 2.4(d) of the Agreement. Accrued interest on all prepayments of principal to the Prepayment Date shall be payable on the earlier of the [Revolving Loan]/[Term Loan] Maturity Date or the Quarterly Payment Date next following the Prepayment Date.

IN WITNESS WHEREOF, the Agency has executed and delivered this Notice of Prepayment this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

**MONTEREY REGIONAL WATER POLLUTION  
CONTROL AGENCY**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**EXHIBIT L**

**[FORM OF LOAN CONVERSION NOTICE]**

**LOAN CONVERSION NOTICE**

Bank of the West  
13300 Crossroads Pkwy North  
City of Industry, CA 91746  
Attention: Commercial Loan Servicing  
Email: CLSServicing@bankofthewest.com

Bank of the West  
180 Montgomery Street  
San Francisco, California 94104  
Attention: Ted Neu  
Email: ted.neu@bankofthewest.com

Ladies and Gentlemen:

The undersigned, an Authorized Representative of the Monterey Regional Water Pollution Control Agency (the "Agency"), pursuant to Section 2.4[(b)]/[(c)] of the Credit Agreement, dated as of May 1, 2017 (together with any amendments or supplements thereto, the "Agreement"), by and between the Agency and Bank of the West (the "Bank") (the terms defined therein being used herein as therein defined), hereby makes the following designation:

1. The [Revolving Loan]/[Term Loan] initially advanced on \_\_\_\_\_ is currently [a LIBOR Rate Loan borrowing (with a [one (1)]/[three (3)]/[six (6)] month period for the Interest Period)]/[a Base Rate Loan borrowing]. [The last day of the current Interest Period is \_\_\_\_\_.]

2. The Agency hereby designates a conversion of such [Revolving Loan]/[Term Loan] to [a LIBOR Rate Loan borrowing (with a [one (1)]/[three (3)]/[six (6)] month period for the initial Interest Period)]/[a Base Rate Loan borrowing] on \_\_\_\_\_ (the "Conversion Date").

3. [The Agency [hereby gives]]/[has given] notice to the Bank of its intention to repay \$\_\_\_\_\_ of the principal amount of such [Revolving Loan]/[Term Loan] [*For conversion to a Base Rate Loan borrowing: on the last day of the current Interest Period*]/[*For conversion to a LIBOR Rate Loan borrowing: on or before the date of the proposed conversion*].

4. This Loan Conversion Notice is given no later than \_\_\_\_\_, the Last Conversion Designation Date for the proposed conversion.

IN WITNESS WHEREOF, the Agency has executed and delivered this Loan Conversion Notice this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_.

MONTEREY REGIONAL WATER POLLUTION CONTROL AGENCY

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_