
LOAN AGREEMENT

Dated as of August 1, 2017

By and Between

MARINA COAST WATER DISTRICT

And

COMPASS MORTGAGE CORPORATION

Providing for the

UP TO \$16,000,000
RECYCLING PIPELINE PROJECT LOAN

TABLE OF CONTENTS

Page

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

Section 1.1 Definitions..... 2
Section 1.2 Liability of District Limited to Net Revenues and State Loan Proceeds 10
Section 1.3 Benefits of Loan Agreement Limited to Parties 11
Section 1.4 Successor Is Deemed Included in all References to Predecessor 11
Section 1.5 Waiver of Personal Liability 11
Section 1.6 Article and Section Headings, Gender and References 11
Section 1.7 Partial Invalidity..... 11

**ARTICLE II
COVENANTS, REPRESENTATIONS AND WARRANTIES**

Section 2.1 Representations and Warranties of the District..... 12
Section 2.2 Representations and Warranties of the Lender 14

**ARTICLE III
TERMS OF THE LOAN**

Section 3.1 Loan Proceeds 15
Section 3.2 Deposit and Application of Loan Proceeds..... 15
Section 3.3 Term of the Loan 15
Section 3.4 Optional Prepayment 15
Section 3.5 Extraordinary Prepayment 15
Section 3.6 Prepayment upon Casualty Loss 15
Section 3.7 Execution of the Loan Agreement 15
Section 3.8 Assignment by the Lender 16
Section 3.9 Closing Conditions..... 16

**ARTICLE IV
SECURITY**

Section 4.1 Pledge of Net Revenues, RUWAP Funds and State Loan Proceeds..... 19
Section 4.2 Repayment of the Loan 19
Section 4.3 Gross Revenues; Establishment and Application of Loan Payment Fund..... 20
Section 4.4 Rebate Fund 21
Section 4.5 Special Obligation of the District; Obligations Absolute 22
Section 4.6 Reserved..... 23
Section 4.7 Rate on Overdue Loan Payments..... 23

**ARTICLE V
COVENANTS OF THE DISTRICT**

Section 5.1 Operation and Maintenance of the Enterprises 23
Section 5.2 Against Sale or Other Disposition of Property 23
Section 5.3 Rates, Fees, and Charges 23
Section 5.4 Notification to Lender or Assignee 24
Section 5.5 Competitive Facilities 25
Section 5.6 Insurance 25
Section 5.7 Eminent Domain 26

TABLE OF CONTENTS

(continued)

	Page
Section 5.8 Additional Information	26
Section 5.9 Compliance with Law and Contracts	26
Section 5.10 Punctual Payment.....	26
Section 5.11 State Loan Proceeds.....	26
Section 5.12 Protection of Security and Rights of the Lender.....	26
Section 5.13 Parity Debt	26
Section 5.14 Against Encumbrances.....	27
Section 5.15 Further Assurances.....	27
Section 5.16 Financial Reports	27
Section 5.17 Reserved.....	27
Section 5.18 Observance of Laws and Regulations.....	27
Section 5.19 Private Activity Bond Limitation.....	28
Section 5.20 Federal Guarantee Prohibition	28
Section 5.21 Maintenance of Tax Exemption.....	28
Section 5.22 Rebate Requirement.....	28
Section 5.23 No Arbitrage	28
Section 5.24 Budget.....	28
Section 5.25 Notices	28

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

Section 6.1 Events of Default and Remedies.....	29
Section 6.2 Application of Funds Upon Acceleration	31
Section 6.3 Actions to Enforce Remedies.....	31
Section 6.4 Non-Waiver.....	31
Section 6.5 Remedies Not Exclusive	32
Section 6.6 Prosecution and Defense of Suits	32

ARTICLE VII

NOTICES

Section 7.1 Notices	32
---------------------------	----

ARTICLE VIII

AMENDMENTS; DISCHARGE; GENERAL AUTHORIZATION; EFFECTIVE DATE

Section 8.1 Amendments Permitted.....	33
Section 8.2 Discharge of Loan Agreement	33
Section 8.3 General Authorization.....	33
Section 8.4 Binding Effect.....	33
Section 8.5 Severability	33
Section 8.6 Further Assurances and Corrective Instruments	33
Section 8.7 Applicable Law	33
Section 8.8 Captions	34
Section 8.9 Agreement to Pay Attorneys' Fees and Expenses	34
Section 8.10 Execution in Counterparts.....	34

TABLE OF CONTENTS
(continued)

	Page
EXHIBIT A Certificate of Lender	A-1

LOAN AGREEMENT

This LOAN AGREEMENT, (this “Loan Agreement”), dated for convenience as of August 1, 2017, is by and between COMPASS MORTGAGE CORPORATION, an Alabama corporation, with all right and authority to conduct business in the State of California (the “Lender”), and the MARINA COAST WATER DISTRICT, a county water district organized and existing under the laws of the State of California (the “District”);

WITNESSETH:

WHEREAS, the District presently owns and operates certain facilities and property for its Water Enterprise and Wastewater Enterprise (collectively, the “Enterprises”), and desires and intends to partially finance the construction of a recycling pipeline project (the “Project”) with a loan from the California State Water Resources Control Board (the “State Loan”); and

WHEREAS, the District has determined that it is in the public interest at this time to provide interim financing for the Project by obtaining a loan from the Lender (the “Loan”) pursuant to the terms and conditions of this Loan Agreement, and to that end the Lender has agreed to make the Loan pursuant to this Loan Agreement; and

WHEREAS, the District entered into a Reimbursement Agreement for Advanced Water Treatment Phase 1 and Product Water Conveyance Facilities of the RUWAP Recycled Project (the “RUWAP Agreement”), dated September 6, 2016, with Fort Ord Reuse Authority, for the purpose of providing funds to partially finance the Project (the “RUWAP Funds”); and

WHEREAS, during Stage 1, the principal of and interest and redemption premium (if any) on the Loan will be payable from and secured by a pledge of and lien on the Net Revenues derived from the Enterprises on a basis such that no other obligation shall be secured by a senior claim on the Net Revenues; and

WHEREAS, during Stage 2, the principal of and interest and redemption premium (if any) on the Loan will be payable from and secured by a pledge of and lien on the RUWAP Funds and by a pledge of and lien on all proceeds received under the State Loan (the “State Loan Proceeds”), as expressly set forth in this Loan Agreement; and

WHEREAS, in order to provide for the execution and delivery of this Loan Agreement, to establish and declare the terms and conditions upon which the Loan is to be made and secured, and to secure the payment of the principal thereof, premium (if any) and interest thereon, the District has authorized the execution and delivery of this Loan Agreement; and

WHEREAS, the District is authorized under Section 31300 of the California Water Code and a resolution adopted by the Board of Directors of the District on July 17, 2017 to enter into this Loan Agreement; and

WHEREAS, all things necessary to make the Loan when issued, executed and delivered, the valid and binding obligation of the District, and to constitute this Loan Agreement as a valid pledge of the revenues herein pledged to the payment of the principal of, prepayment premium, if any, and interest on the Loan have been done and performed, as required by law, and the District is now fully authorized to enter into this Loan Agreement, subject to the terms hereof; and

NOW, THEREFORE, THIS LOAN AGREEMENT WITNESSETH, that in order to secure the payment of the principal of and the interest and premium (if any) on the Loan at any time outstanding under this Loan Agreement, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Loan is premised, and in consideration of the premises and of the mutual covenants herein contained and of the making of the Loan by the Lender, and for other valuable considerations, the receipt whereof is hereby acknowledged, the District does hereby covenant and agree, for the benefit of the Lender from time to time of the Loan, as follows:

ARTICLE I

DEFINITIONS AND OTHER PROVISIONS OF GENERAL APPLICABILITY

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

“Additional Revenues” means, with respect to the issuance of any Parity Debt, any or all of the following amounts:

(a) An allowance for Net Revenues from any additions or improvements to or extensions of the Enterprises to be made with the proceeds of Parity 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 twelve (12) month period selected by the District, were not in service, all in an amount equal to one-hundred percent (100%) of the estimated additional average annual Net Revenues to be derived from such additions, improvements and extensions for the first thirty-six (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 an Independent Engineer.

(b) An allowance for Net Revenues arising from any increase in the charges made for service from the Enterprises which has become effective (or adopted but not yet effective) prior to the incurring of Parity Debt but which, during all or any part of the latest Fiscal Year or for any more recent consecutive twelve (12) month period selected by the District, 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 twelve (12) month period, all as shown by the certificate or opinion of an Independent Financial Consultant.

“Assignee” means any entity to whom the rights of the Lender shall be lawfully assigned hereunder.

“Authorized Representative” means the District’s President, Vice President, General Manager, Director of Administrative Services, Secretary, or any other person designated as an Authorized Representative of the District by a Certificate of the District signed by its President, Vice President, General Manager or Director of Administrative Services and filed with the Lender.

“Board” or “Board of Directors” means the Board of Directors of the District.

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

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

“Certificate,” “Request” and “Requisition” of the District means a written certificate, request or requisition signed in the name of the District by its Authorized Representative. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

“Closing Date” means August 3, 2017, the date on which the Loan is funded by the Lender.

“Code” means the Internal Revenue Code of 1986, as amended. Each reference to a section of the Code herein shall be deemed to include the United States Treasury regulations, including temporary and proposed regulations relating to each such section that are applicable to the Parity Debt or the use of the proceeds thereof.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District relating to the execution and delivery of this Loan Agreement, including but not limited to filing and recording costs, CDIAAC fees, settlement costs, printing costs, reproduction and binding costs, legal fees and charges, insurance fees and charges, financial and other professional consultant fees, and fees for execution, transportation and safekeeping of this Loan Agreement and charges and fees in connection with the foregoing.

“County” means the County of Monterey, California.

“Date of Taxability” means the date from and for which interest on the Loan Agreement is subject to federal income taxation as a result of a Determination of Taxability.

“Debt Service” means, for any Fiscal Year, the sum of (1) the interest falling due during such Fiscal Year on all Parity Debt that are outstanding under the documents or agreements pursuant to which they were issued, assuming that all outstanding serial Parity Debt is retired as scheduled and that all outstanding term Parity Debt is redeemed from sinking fund payments as scheduled (except to the extent that such interest has been fully capitalized and is invested in Federal Securities that 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 Parity Debt (that are outstanding under the documents or agreements pursuant to which they were issued) falling due by its terms during such Fiscal Year, and (3) the minimum principal amount of term Parity Debt (that are outstanding under the documents or agreements pursuant to which they were issued) required to be paid or called and redeemed during such Fiscal Year, together with the redemption premiums, if any, thereon; provided that, (A) 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 Parity Debt is not yet outstanding, the initial rate (if established and binding), (ii) if the Parity Debt has 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 Parity Debt is excludable from gross

income under the applicable provisions of the Code, the most recently published The Bond Buyer Bond Revenue Index (or comparable index if no longer published) plus one hundred fifty (150) basis points, or (y) if interest is not so excludable, the interest rate on direct U.S. Treasury Obligations with comparable maturities, plus one hundred fifty (150) basis points, (B) for purposes of calculating the Debt Service on this Loan and any Parity Debt requiring a balloon payment at maturity, such interest shall be assumed to be a rate equal to the greater of (i) the actual rate on the date of calculation, or (ii) six percent (6%), and the principal shall be assumed to be fully amortized, solved for substantially level debt service, over a period of fifteen (15) years from the date of calculation, and (C) interest on the outstanding Principal Components of the Loan shall be assumed to be 4.0%.

“Default Rate” means: (i) with respect to late Loan Payments, a rate of interest equal to the interest rate set forth in Section 4.2 plus 5.00 percent (i.e., 500 basis points), or any lesser maximum rate as may be required by law; and (ii) with respect to failures to timely prepay Principal Components from State Loan Proceeds, as required by Section 3.4, an additional 5.0% interest rate which is applied to those Principal Components which were required to be prepaid pursuant to Section 3.4 but which remain unpaid for 25 days after the receipt by the District of the applicable State Loan Proceeds, as set forth in Section 4.7.

“Determination of Taxability” means any determination, decision, or decree made by the Internal Revenue Service, or by any court of competent jurisdiction, that as a result of actions or omissions of the District the interest payable on the Loan is includable in the gross income for federal income tax purposes of the Lender; provided, however, that no such Determination of Taxability shall be deemed to have occurred if the District is contesting such determination in good faith and is proceeding diligently to prosecute such contest until the earliest of (a) a final determination from which no appeal may be taken with respect to such determination, or (b) abandonment of such appeal by the District.

“District” means the Marina Coast Water District, a county water district organized and existing under the laws of the State of California.

“Enterprises” means, collectively, the Wastewater Enterprise and the Water Enterprise.

“Event of Default” means an event described in Section 6.1 hereof.

“Federal Securities” means: (a) any direct general non-callable obligations of the United States of America, including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America; and (b) any obligations the timely payment of principal of and interest on which are fully guaranteed by the United States of America or which are directly or indirectly secured by obligations described in the preceding clause (a).

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the District, as applicable, as its official fiscal year period.

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

“Generally Accepted Accounting Principles” means the generally accepted accounting principles as presented and recommended by the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

“Governmental Authority” means any governmental or quasi-governmental entity, including any court, department, commission, board, bureau, agency, administration, central bank, service, district or other instrumentality of any governmental entity or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government, or any arbitrator, mediator or other person with authority to bind a party at law.

“Gross Revenues” means all gross income and revenue received by the District from the ownership and operation of the Enterprises, including, without limiting the generality of the foregoing:

- (a) all *ad valorem* taxes allocable to the Enterprises which are levied upon taxable property in the District by the Board of Supervisors of Monterey County, and which are allocated to the District under the provisions of Chapter 6 of Part 0.5 of Division 1 of the Revenue and Taxation Code of the State of California, including all payments, subventions and reimbursements, if any, to the District specifically attributable to taxes lost by reason of tax exemptions and tax rate limitations; but excluding any taxes levied for the sole purpose of providing for payment of principal and interest on any voter-approved indebtedness incurred by the District, which taxes would not otherwise be subject to levy but for the issuance of such indebtedness;
- (b) all amounts levied by the District as a fee for connecting to the Enterprises, as such fee is established from time to time under the applicable laws of the State of California;
- (c) all income, rents, rates, fees, charges and other moneys received for, and all other gross income and receipts derived by the District from, the ownership and operation of the Enterprises or otherwise arising from the Enterprises, including rents received from the Bureau of Land Management;
- (d) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or under applicable law to the Enterprises;
- (e) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Enterprises as permitted hereunder; and
- (f) amounts transferred from the Rate Stabilization Fund to the Enterprise Funds in any Fiscal Year.

The term “Gross Revenues” does not include (i) customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District, and (ii) the

proceeds of any special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the District relating to the Enterprises.

“Independent Certified Public Accountant” means any firm of certified public accountants appointed by the District that is independent according to the Statement of Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

“Independent Engineer” means any registered engineer or firm of engineers generally recognized to be well-qualified in engineering matters relating to water systems similar to the Enterprises, appointed and paid by the District, and who or each of whom:

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

“Independent Financial Consultant” means a financial consultant qualified in the field of municipal finance, appointed and paid by the District, and who:

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

“Insurance Consultant” means any nationally recognized independent actuary, insurance company or broker that has actuarial personnel knowledgeable with respect to insurance carried, by, required for and available to special districts operating facilities similar to the Enterprises, including a pooled self-insurance program in which premiums are established on the basis of the recommendation of an actuary of national reputation.

“Interest Account” means the account by that name in the Loan Payment Fund established pursuant to Section 4.3 hereof.

“Interest Component” means the interest that accrues on the Principal Components then outstanding based on the interest rate then in effect, as set forth in Section 4.2 and as may be adjusted to the Taxable Rate or the Default Rate, with such interest due monthly on each Loan Payment Date for so long as any Principal Components are outstanding.

“Lender” means (a) initially, Compass Mortgage Corporation, an Alabama corporation, or (b) any Assignee. Whenever in this Loan Agreement any reference is made to the Lender and such reference concerns rights which the Lender has assigned to the Assignee, such reference shall be deemed to refer to the Assignee.

“Loan” means the loan of up to \$8,000,000 outstanding during Stage 1 and up to \$16,000,000 outstanding during Stage 2, as of any date made pursuant to this Loan Agreement.

“Loan Agreement” means this Loan Agreement, dated as of August 1, 2017, between the Lender and the District.

“Loan Payment Date” or “Payment Date” means the first day of each month, commencing October 1, 2017 for so long as Principal Components are outstanding, and continuing to and including the Termination Date, provided that if any Loan Payment Date shall fall on a non-Business Day, the Loan Payment Date shall be the next succeeding Business Day and interest on such payment shall accrue to and including such next succeeding Business Day. “Loan Payment Date” or “Payment Date” shall also include the Maturity Date.

“Loan Payment Fund” means the fund by that name established and maintained pursuant to Section 4.3 hereof.

“Loan Payments” means all payments required to be paid by the District on each Loan Payment Date pursuant to Section 4.2 and on the Maturity Date, and including any prepayment thereof pursuant to Section 3.4 or 3.5 hereof.

“Loan Proceeds” means the amounts received by the District from the Lender pursuant to the Loan during the life of the Loan.

“Maintenance and Operation Costs” means costs paid or incurred by the District for maintaining and operating the Enterprises, determined in accordance with generally accepted accounting principles, including but not limited to (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Enterprises in good repair and working order, (b) all administrative costs of the District that are charged directly or apportioned to the operation of the Enterprises, such as salaries and wages of employees, overhead, taxes (if any) and insurance, and (c) administrative costs which the District is required to pay hereunder or under any instruments relating to Parity Debt. “Maintenance and Operation Costs” do not include (i) payments of debt service on bonds, notes, contracts or other obligations issued by the District with respect to the Enterprises, (ii) depreciation, replacement and obsolescence charges or reserves therefor, and (iii) amortization of intangibles or other book-keeping entries of a similar nature.

“Material Adverse Effect” means an event or occurrence which adversely affects in a material manner (a) the assets, liabilities, condition (financial or otherwise), business, facilities or operations of the District, (b) the ability of the District to carry out its business in the manner conducted as of the date of this Loan Agreement or to meet or perform its obligations under this Loan Agreement on a timely basis, or the (c) the validity or enforceability of this Loan Agreement.

“Material Litigation” means any action, suit, proceeding, inquiry or investigation against the District in any court or before any arbitrator of any kind or before or by any Governmental Authority, of which the District has notice or knowledge and which, (i) if determined adversely to the District, may have a Material Adverse Effect, (ii) seek to restrain or enjoin any of the transactions contemplated hereby, or (iii) may adversely affect (A) the exclusion of interest with respect to the Loan from gross income for federal income tax purposes or the exemption of such interest for state

income tax purposes or (B) the ability of the District to perform its obligations under this Loan Agreement.

“Maturity Date” shall be August 1, 2020.

“Maximum Annual Debt Service” means the greatest amount of Debt Service with respect to the Parity Debt to which reference is made coming due in any Fiscal Year including the Fiscal Year in which the calculation is made or any subsequent Fiscal Year.

“Net Proceeds” means insurance proceeds or an eminent domain award (including any proceeds of sale to a governmental entity under threat of the exercise of eminent domain powers), paid with respect to the Project or the Enterprises, to the extent remaining after payment therefrom of all expenses incurred in the collection thereof.

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

“Parity Debt” means the Loan and corresponding Loan Payments, the 2015 Bonds, and all other bonds, notes, loan agreements, installment sale agreements, leases, or other obligations of the District which are or will be payable from and secured by a pledge of and lien upon any of the Net Revenues issued or incurred on a parity with the Loan, issued in accordance with Section 5.13 hereof.

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein:

- (a) Federal Securities;
- (b) obligations of any federal agency which represent full faith and credit of the United States of America, or which are otherwise rated “AAA” by S&P at the time of investment;
- (c) U.S. dollar denominated deposit accounts federal funds and banker’s acceptances with domestic commercial banks, which may include the Trustee, its parent holding company, if any, and their affiliates, which have a rating on their short term certificates of deposit on the date of purchase of “A” or better by S&P at the time of investment, maturing no more than 360 days after the date of purchase, provided that ratings on holding companies are not considered as the rating of the bank;
- (d) commercial paper which is rated at the time of purchase in the single highest classification, “A” or better by S&P at the time of investment, and which matures not more than 270 calendar days after the date of purchase;
- (e) investments in a money market fund, including those of an affiliate of the Trustee, rated in the highest short-term rating category by S&P at the time of investment, including funds for which the Trustee, its parent holding

company, if any, or any affiliates or subsidiaries of the Trustee or such holding company provide investment advisory or other management services;

- (f) investment agreements with financial institutions whose long-term general credit rating is A or better from S&P at the time of investment, by the terms of which the Trustee may withdraw funds if such rating falls below “A”; and
- (g) the Local Agency Investment Fund of the State of California, created under Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

“Principal Account” means the account by that name in the Loan Payment Fund established pursuant to Section 4.3 hereof.

“Principal Component” means the amounts drawn as Loan Proceeds under the Loan.

“Project” shall have the meaning set forth in the Recitals hereto.

“Rate Stabilization Fund” means any fund established and held by the District as a fund for the stabilization of rates and charges imposed by the District with respect to the Enterprises.

“Request of the District” or “Written Request” means a request in writing signed by the President, Vice President, General Manager, Director of Administrative Services, or Secretary, or by any other officer of the District duly authorized for that purpose.

“Resolution” means the Resolution No. _____, adopted by the Board of Directors of the District on July 17, 2017, authorizing the execution and delivery of this Loan Agreement, and otherwise providing for the execution and delivery of the Loan.

“RUWAP Agreement” shall have the meaning set forth in the recitals hereto.

“RUWAP Funds” shall have the meaning set forth in the recitals hereto.

“Stage 1” means that period of time beginning upon the execution and delivery of this Loan Agreement and continuing until the execution of an initial funding agreement with respect to the State Loan.

“Stage 2” means that period of time beginning upon the termination of Stage 1 and continuing until the termination of this Loan Agreement.

“State” means the State of California.

“State Loan” shall have the meaning set forth in the Recitals hereto.

“State Loan Proceeds” shall have the meaning set forth in the Recitals hereto.

“Subordinate Debt” means the outstanding \$8,495,000 aggregate original principal amount of Marina Coast Water District 2010 Subordinate Enterprise Revenue Refunding Bonds, and any other indebtedness or other obligations (including but not limited to leases and installment sale agreements) hereafter issued or incurred and secured by a pledge of and lien on Net Revenues subordinate to the pledge and lien securing the Loan Payments and any other Parity Debt.

“Tax Regulations” means temporary and permanent regulations promulgated under or with respect to Sections 103, 141, 148 and all related sections of the Code.

“Taxable Rate” shall have the meaning set forth in Section 5.21.

“Term” or “Term of this Loan Agreement” means the time during which this Loan Agreement is in effect, as provided in Section 3.3 hereof.

“Termination Date” shall be August 1, 2020. Notwithstanding the foregoing, the Termination Date shall be earlier if: (a) the District has not entered into an initial funding agreement with respect to the State Loan by January 31, 2018, in which case the Termination Date shall be January 31, 2018, or (b) the Project is completed, in which case the Termination Date shall be the date on which the Lender is notified of such completion. All amounts outstanding under the Loan and this Loan Agreement on the Termination Date shall become immediately due and payable and the terms of the Loan Agreement shall remain in effect until all such amounts have been paid.

“Wastewater Enterprise” means the entire wastewater collection, treatment and disposal system owned or operated by the District, including but not limited to all facilities, properties and improvements at any time owned or operated by the District for the collection, treatment and disposal of wastewater within the service area of the District, 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 District.

“Water Enterprise” means the entire water supply, storage and distribution system of the District, including but not limited to all facilities, properties and improvements at any time owned, controlled or operated by the District for the supply, treatment and storage of water to residents of the District and adjacent areas, and any necessary lands, rights, entitlements and other property useful in connection therewith, together with all extensions thereof and improvements thereto at any time acquired, constructed or installed by the District.

“2015 Bonds” means the District’s outstanding \$29,840,000 2015 Senior Lien Enterprise Revenue Refunding Bonds, Tax-Exempt Series A.

Section 1.2 Liability of District Limited to Net Revenues and State Loan Proceeds. Notwithstanding anything to the contrary contained in this Loan Agreement, the District shall not be required to advance any money derived from the proceeds of any taxes collected for the use and benefit of the District, or from any source of income other than the Net Revenues, RUWAP Funds and the State Loan Proceeds, for the payment of the principal of or interest on the Loan or for the performance of any covenants herein contained, nor for the maintenance and operation of the Enterprises from any source of income other than the Gross Revenues. The District may, however, advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring any indebtedness. The Loan shall be payable exclusively from the Net Revenues, RUWAP Funds and the State Loan Proceeds as provided in this Loan Agreement.

The credit or taxing power of the District is not pledged for the payment of the Loan or its interest. The Lender shall never have the right to compel the exercise of the taxing power of the District. The principal of and interest on the Loan shall not be a debt of the District, nor a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the District or any of its income, receipts, or revenues, except the Net Revenues, RUWAP Funds and the State Loan Proceeds pledged to the payment thereof as provided in this Loan Agreement.

Section 1.3 Benefits of Loan Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the District and the Lender any right, remedy or claim under or pursuant hereto. Any agreement or covenant required herein to be performed by or on behalf of the District shall be for the sole and exclusive benefit of the Lender.

Section 1.4 Successor Is Deemed Included in all References to Predecessor. Whenever the District is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the District, and all agreements and covenants required hereby to be performed by or on behalf of the District shall bind and inure to the benefit of the successors thereof whether so expressed or not.

Section 1.5 Waiver of Personal Liability. No member of the Board and no officer, agent, or employee of the District, or of any department or agency thereof, shall be individually or personally liable for the payment of the principal of or interest on the Loan, but nothing contained herein shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or hereby.

Section 1.6 Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof. Words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to the Loan Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 1.7 Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or the Loan; but the Lender shall retain all the rights and benefits accorded to it under any applicable provisions of law. The District hereby declares that it would have adopted this Loan Agreement and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

ARTICLE II

COVENANTS, REPRESENTATIONS AND WARRANTIES

Section 2.1 Representations and Warranties of the District. The District makes the following covenants, representations and warranties to the Lender as of the date of the execution and delivery of this Loan Agreement:

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

(b) The District has full legal right, power and authority under the laws of the State to adopt the Resolution and to enter into this Loan Agreement and to enter into the transactions contemplated herein, and to carry out its obligations under the Loan Agreement and the transactions contemplated herein, and to carry out its obligations hereunder and under the Resolution.

(c) With the exception of the pledge of the Net Revenues, RUWAP Funds and the State Loan Proceeds relating to the Loan made hereunder and in connection with any other Parity Debt (in the case of Net Revenues and RUWAP Funds regarding other costs related to the Project), the Net Revenues, RUWAP Funds and the State Loan Proceeds have not otherwise been pledged to make payments, and there are no other liens against the Net Revenues, RUWAP Funds and the State Loan Proceeds, senior to, or on parity with, the Loan Payments.

(d) By all necessary official action, the District has duly adopted the Resolution, has duly authorized and approved the execution and delivery of, and the performance of its obligations under, this Loan Agreement and the consummation by it of all other transactions contemplated by this Loan Agreement and the Resolution. When executed and delivered by the District, this Loan Agreement and the Loan will be in full force and effect and will constitute legal, valid and binding agreements or obligations of the District, enforceable in accordance with their respective terms, except as enforcement thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors rights generally, the application of equitable principles, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State.

(e) The District's audited financial statements for the period ended June 30, 2016, presents fairly the financial condition of the District and the Enterprises as of the date hereof and the results of operation for the period covered thereby. Except as has been disclosed to the Lender, there has been no change in the financial condition of the District or the Enterprises since June 30, 2016, that will materially impair its ability to perform its obligations under this Loan Agreement. All information provided by the District to the Lender with respect to the financial performance of the Enterprises is accurate in all material respects as of its respective date and does not omit any information necessary to make the information provided not misleading.

(f) As currently conducted, the District's activities with respect to the Enterprises are in all material respects in compliance with all applicable laws, administrative regulations of the State of California and of the United States and any agency or instrumentality of either, and any judgment or decree to which the District is subject.

(g) The District is not in any material respect in breach of or default under any constitutional provision, law or administrative regulation of the State or of the United States or any agency or instrumentality of either or any judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the District is a party or to which the District or any of its property or assets is otherwise subject (including, without limitation, the Resolution and this Loan Agreement), and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute a default or event of default under any such instrument; and the adoption of the Resolution, the execution, delivery and making of the Loan and the execution and delivery of this Loan Agreement and compliance with the District's obligations herein will not in any material respect conflict with, violate or result in a breach of or constitute a default under, any constitutional provision, law, administrative regulation, judgment, decree, loan agreement, indenture, agreement, mortgage, lease or other instrument to which the District is a party or to which the District or any of its property or assets is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the District or under the terms of any such law, regulation or instruments, except as provided by the Resolution and this Loan Agreement.

(h) No action, suit, proceeding, inquiry or investigation at law or in equity before or by any court, government agency, public board or body, is pending or, to the best of the District's knowledge, threatened against the District: (i) in any way affecting the existence of the District or in any way challenging the respective powers of the several offices or the titles of the officials of the District to such offices; (ii) affecting or seeking to prohibit, restrain or enjoin the making, execution or delivery of the Loan or this Loan Agreement or the application of the proceeds of the Loan; (iii) in any way contesting or affecting, as to the District, the validity or enforceability of the Resolution, the Loan or this Loan Agreement; (iv) in any way contesting the powers of the District or its authority with respect to make or delivery of the Loan, the adoption of the Resolution, or the execution and delivery of this Loan Agreement; (v) contesting the exclusion from gross income of interest on the Loan for federal income tax purposes; or (vi) in any way contesting or challenging the consummation of the transactions contemplated hereby or thereby or that might materially adversely affect the ability of the District to perform and satisfy its obligations under the Loan or this Loan Agreement; nor to the best of the District's knowledge is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the proceedings authorizing the Resolution, the Loan or this Loan Agreement or the performance by the District of its obligations thereunder, or the authorization, execution, delivery or performance by the District of the Loan, the Resolution or this Loan Agreement.

(i) The District is not in default, and at no time has defaulted in any material respect, on any bond, note or other obligation for borrowed money or any agreement under which any such obligation is or was outstanding.

(j) All consents, approvals, authorizations, orders, licenses or permits of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter, that are required for the due authorization by, or that would constitute a condition precedent to or the absence of which would materially adversely affect the making or accepting of the Loan and the execution, delivery of and performance of this Loan Agreement by the District have been duly obtained (except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds, as to which no representation is made).

(k) The District has the legal authority to apply and will apply, or cause to be applied, the proceeds from the Loan as provided in and subject to all of the terms and provisions of the governing law, the Resolution and this Loan Agreement, and will not take or omit to take any action which action or omission will adversely affect the exclusion from gross income for federal income tax purposes of the interest on the Loan.

(l) The District has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the District is a bond issuer whose arbitrage certificates may not be relied upon.

(m) Any certificate, signed by any official of the District authorized to do so in connection with the transactions described in this Loan Agreement, shall be deemed a representation and warranty by the District to the Lender as to the statements made therein.

(n) Since the most current date of the information, financial or otherwise, supplied by the District to the Lender:

(i) There has been no change in the assets, liabilities, financial position or results of operations of the District which might reasonably be anticipated to cause a Material Adverse Effect;

(ii) The District has not incurred any obligations or liabilities which might reasonably be anticipated to cause a Material Adverse Effect; and

(iii) The District has not (A) incurred any material indebtedness, other than the Loan Payments and trade accounts payable arising in the ordinary course of the District's business, or (B) guaranteed the indebtedness of any other person.

(o) The RUWAP Agreement is in full force and effect and the District is able to pledge and use the RUWAP Funds for the purposes of making payments on the Loan, as more fully set forth in this Loan Agreement.

(p) The District has applied for the State Loan, expects to use the State Loan Proceeds, if and when received, first for the purpose of making payments under this Loan Agreement and is not aware of any reason why the State Loan Proceeds could not be used for such purpose.

Section 2.2 Representations and Warranties of the Lender. The Lender makes the following covenants, representations and warranties to the District as of the date of the execution and delivery of this Loan Agreement:

(a) The Lender has been duly organized and is validly existing as a corporation under the laws of the State of Alabama with full corporate power to enter into and undertake its duties and obligations hereunder.

(b) The execution, delivery and performance of this Loan Agreement has been duly authorized by all necessary corporate actions on the part of the Lender and do not require any further approvals or consents.

(c) The execution, delivery and performance of this Loan Agreement does not and will not result in any breach of or constitute a default under any indenture, mortgage, contract, agreement or instrument to which the Lender is a party by which it or its property is bound.

(d) There is no pending or, to the knowledge of the Lender, threatened action or proceeding before any court or administrative agency which will materially adversely affect the ability of the Lender to perform its obligations under this Loan Agreement.

(e) The Lender will deliver to the District a certificate substantially in the form set forth in Exhibit A attached hereto.

ARTICLE III

TERMS OF THE LOAN

Section 3.1 Loan Proceeds. The Lender hereby agrees to lend to the District, and the District hereby agrees to borrow from the Lender, up to \$8,000,000 outstanding hereunder on any date during Stage 1, and up to \$16,000,000 outstanding hereunder on any date during Stage 2. Subject to the limits set forth in the preceding sentence, the District may continuously borrow and repay principal under this Loan Agreement. The District's ability to borrow moneys hereunder and under the Loan shall terminate on the date that is twenty (20) days prior to the Maturity Date.

Section 3.2 Deposit and Application of Loan Proceeds. Any draws on the Loan shall be made by the Lender to the District in immediately available funds within 5 Business Days of the Lender receiving a Request of the District setting forth the amount of such draw. Such request of the District shall include wire instructions and the District hereby instructs, and the Lender hereby agrees, to wire Loan Proceeds directly to the District pursuant to such instructions.

Section 3.3 Term of the Loan. The Term of this Loan Agreement shall commence on the Closing Date, and shall end once all amounts due hereunder have been paid.

Section 3.4 Optional Prepayment. The Principal Components of the Loan may be prepaid, in whole or in part, on any date prior to twenty (20) days prior to the Maturity Date at a redemption price equal to the principal amount of the Principal Components to be prepaid, plus accrued interest thereon to the date fixed for prepayment, without premium.

Section 3.5 Extraordinary Prepayment. Within fifteen (15) days of receipt of any State Loan Proceeds, the District shall use such proceeds to prepay Principal Components then outstanding at a redemption price equal to the principal amount of such Principal Components being prepaid plus accrued interest thereon to the date fixed for prepayment, without premium.

Section 3.6 Prepayment upon Casualty Loss. During Stage 1, at the District's option, and upon thirty (30) days' prior written notice to the Lender, the Loan shall be subject to prepayment as a whole or in part on any date, from the Net Proceeds of casualty insurance received pursuant to Section 5.6(a) at a prepayment price equal to the sum of the principal prepaid plus accrued interest thereon to the date fixed for prepayment, without premium.

Section 3.7 Execution of the Loan Agreement. The execution of this Loan Agreement by an Authorized Representative shall constitute conclusive evidence of such officers' and the

Board's approval hereof, including any changes, insertions, revisions, corrections, or amendments as may have been made hereto.

Section 3.8 Assignment by the Lender. The Lender may assign its rights, title and interests herein, but no such assignment will be effective as against the District unless and until the Lender has filed with the District at least ten Business Days' prior written notice thereof and an executed copy of an investor's letter addressed to the District and the Lender substantially in the form of the letter delivered by the Lender on the Closing Date attached hereto as Exhibit A. The District shall pay all Loan Payments hereunder to the Lender, as provided in Section 4.2 hereof, or under the written direction of the Assignee named in the most recent assignment or notice of assignment filed with the District. During the term of this Loan Agreement, the District and Lender shall each keep a complete and accurate record of all such notices of assignment.

Section 3.9 Closing Conditions. The Lender has entered into this Loan Agreement in reliance upon the representations and warranties of the District contained in this Loan Agreement and to be contained in the documents and instruments to be delivered on the Closing Date and upon the performance by the District of the obligations of the District pursuant to this Loan Agreement at or prior to the Closing Date. Accordingly, the obligation of Lender to consummate the Loan and execute this Loan Agreement is subject to the fulfillment to the reasonable satisfaction of the Lender of the following conditions:

(a) The representations and warranties of the District contained in this Loan Agreement shall be true, complete and correct on the Closing Date.

(b) All representations, warranties and covenants made herein, and in certificates or other instruments delivered pursuant hereto or in connection herewith, shall be deemed to have been relied upon by the Lender notwithstanding any investigation heretofore or hereafter made by the Lender or on their behalf.

(c) On the Closing Date, the Resolution and this Loan Agreement shall be in full force and effect and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Lender.

(d) On the Closing Date, the District will have adopted and there will be in full force and effect such resolutions as in the opinion of Bond Counsel and counsel to the Lender shall be necessary in connection with the transactions contemplated by this Loan Agreement, and all necessary action of the District relating to the issuance of the Loan will have been taken, will be in full force and effect and will not have been amended, modified or supplemented, except as may have been agreed to in writing by the Lender.

(e) At or prior to the Closing Date, the Lender will have received the following documents:

(i) the approving opinions, dated the Closing Date and addressed to the Lender, of Bond Counsel in form and content satisfactory to the Lender, to the effect that (I) the interest on the Loan is excluded from gross income for State and federal income tax purposes, (II) the Loan Agreement has been duly authorized, executed and delivered by the District and is a legal, valid and binding obligation of the District, enforceable in accordance with its terms, subject to customary exceptions for bankruptcy and judicial discretion, (III) the RUWAP Agreement is in full force and

effect, and is a legal, valid and binding obligation of the District, enforceable in accordance with its terms, subject to customary exceptions for bankruptcy and judicial discretion, (IV) the District is permitted to pledge and use the RUWAP Funds for the purpose of making payments on the Loan, as more fully set forth in this Loan Agreement, and (V) the State Loan Proceeds may be legally used for the purposes set forth in this Loan Agreement;

(ii) a certificate or certificates, dated the date of the Closing and signed on behalf of the District by an Authorized Representative, to the effect that (I) the representations and warranties contained in this Loan Agreement are true and correct in all material respects on and as of the date of the Closing with the same effect as if made on the Closing Date; (II) no litigation of any nature is then pending or, to his or her knowledge, threatened, seeking to restrain or enjoin the issuance and delivery of this Loan Agreement or the levy or collection of revenues to pay the principal thereof and interest thereon, questioning the proceedings and authority by which such pledge is made, affecting the validity of the Loan Agreement or contesting the existence or boundaries of the District or the title of the present officers to their respective offices; (III) no authority or proceeding for the issuance of the Loan or the execution and delivery of this Loan Agreement has been repealed, revoked or rescinded and no petition or petitions to revoke or alter the authorization to issue the Loan has or have been filed with or received by the District; and (IV) the District has complied with all the agreements and covenants and satisfied all the conditions on its part to be performed or satisfied at or prior to, and to the extent possible before, the Closing Date;

(iii) a conformed certified copy of the Resolution;

(iv) the items required by the Resolution as conditions for execution and delivery of the Loan;

(v) a non-arbitrage tax certificate of the District, in form and substance satisfactory to Bond Counsel;

(vi) the filing copy of the Information Return Form 8038-G;

(vii) the opinion of the General Counsel to the District, dated the Closing Date, addressed to the Lender and Bond Counsel, to the effect that:

(A) the District is a county water district duly organized and existing under the laws of the State of California, and has all requisite power and authority thereunder: (a) to adopt the Resolution, and to enter into, execute, deliver and perform its covenants and agreements under this Loan Agreement; (b) to make, execute and deliver the Loan; (c) to pledge the Net Revenues, RUWAP Funds and the State Loan Proceeds as contemplated by this Loan Agreement; and (d) to carry on its activities as currently conducted;

(B) the Resolution has been duly adopted at a regular meeting of the governing body of the District on July 17, 2017, which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, is in full force and effect, and, except as expressly otherwise provided, has not been amended, modified, or supplemented;

(C) the adoption of the Resolution, and the execution, delivery, and performance by the District of its obligations under this Loan Agreement, and the compliance with

the provisions hereof on the terms and conditions therein, to the best of such counsel's knowledge after due inquiry, will not conflict with or violate or contravene any order or decree of any California constitutional, statutory or regulatory provision, court, tribunal, governmental authority, bureau, or agency, or violate or cause a default under any mortgage, trust agreement, contract, or other agreement to which the District is a party or that is binding upon it or any of its respective property;

(D) this Loan Agreement has been duly authorized, executed, and delivered by the District and, assuming due authorization and execution by any other applicable parties thereto, constitutes the valid and binding obligation of the District, enforceable in accordance with its terms, subject to laws relating to bankruptcy, insolvency, or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought;

(E) to the best of such counsel's knowledge after due inquiry (1) there are no actions, suits, proceedings, inquiries, or investigations, at law or in equity, before or by any court, governmental agency, public board, or body, pending or threatened against either the District, in any way affecting the titles of the officials of the District to their respective positions, or seeking to restrain or enjoin the execution and delivery of the Loan Agreement, the collection or application of the Net Revenues, RUWAP Funds or State Loan Proceeds, or the payment of principal of and interest on the Loan, or in any way contesting the validity or enforceability of the Loan Agreement, or in any way questioning the proceedings and authority by which the pledge of Net Revenues, RUWAP Funds or State Loan Proceeds is made, or affecting the validity of the Loan Agreement; and (2) no authority or proceedings for the execution and delivery of the Loan Agreement has been repealed, revoked or rescinded, and no petition or petitions to revoke or alter the authorization to execute and deliver the Loan Agreement or to make the Loan, has been filed with or received by the District;

(F) to the best of such counsel's knowledge after due inquiry, no authorization, approval, consent or other order of the State or any other government entity, other than such authorizations, approvals and consents which have been obtained, is required for the valid authorization, execution and delivery by the District of the Loan Agreement;

(G) To the best of such counsel's knowledge after due inquiry, the District is not in breach of or default under any applicable law or administrative regulation of the State or any applicable judgment or decree or any loan agreement, trust agreement, bond, note, resolution, agreement or other instrument to which the District is a party or is otherwise subject, which breach or default would materially adversely affect the District's ability to enter into or perform its obligations under the Loan Agreement, and no event has occurred and is continuing which, with the passage of time or the giving of notice, or both, would constitute a default or an event of default under any such instrument and which would materially adversely affect the District's ability to enter into or perform its obligations under the Loan Agreement; and

(viii) such additional legal opinions, certificates, instruments and other documents as the Lender or its counsel may reasonably request to evidence the truth and accuracy, as of the date of this Loan Agreement and as of the Closing Date, of the representations, warranties, agreements and covenants of the District contained herein and the due performance or satisfaction by the District at or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the District.

ARTICLE IV

SECURITY

Section 4.1 Pledge of Net Revenues, RUWAP Funds and State Loan Proceeds. The District hereby irrevocably pledges all of the Net Revenues, RUWAP Funds and the State Loan Proceeds and amounts on deposit in the Loan Payment Fund to the punctual payment and prepayment of the Principal Components and the Interest Components due hereunder. During Stage 1, this pledge shall constitute a first lien on, and the Loan shall be payable from, the Net Revenues and the RUWAP Funds in accordance with the terms hereof and such lien on the Net Revenues shall be on parity with the lien on Net Revenues that secures the payment of other Parity Debt. During Stage 2, this pledge shall constitute a first lien on, and the Loan shall be payable from, the RUWAP Funds and the State Loan Proceeds in accordance with the terms hereof. The Net Revenues, RUWAP Funds and State Loan Proceeds will not be used for any purpose other than those contemplated herein while any of the Loan Payments are unpaid, with the exception of RUWAP Funds to be used in connection with eligible costs for the Project.

Section 4.2 Repayment of the Loan. The District hereby agrees to repay the Principal Components of the Loan in the aggregate principal amount of up to \$8,000,000 outstanding on any date during Stage 1 and of up to \$16,000,000 outstanding on any date during Stage 2, by no later than the Maturity Date, together with all Interest Components when due. Such repayment shall come from Net Revenues and RUWAP Funds during Stage 1 and from RUWAP Funds and State Loan Proceeds during Stage 2. The outstanding Principal Components shall bear interest at a variable rate equal to 65.01% of the 30-Day LIBOR plus 1.50% (150 basis points) [(65.01% X 30-Day LIBOR + 1.50%], identified by the Lender to the District (except during any period during which interest is payable at the Default Rate or the Taxable Rate), based on twelve thirty-day months. Interest Components are to be paid monthly on each Loan Payment Date. The Interest Rate shall reset on the first day of each month. The Lender shall send an invoice to the District twenty (20) days prior to a Loan Payment Date stating the amount due on such Loan Payment Date. If the amount of outstanding Principal Components changes after an invoice is sent but prior to the applicable Loan Payment Date, the invoice relating to the following Loan Payment Date shall account for any changes in interest owed as the result of such change in the amount of outstanding Principal Components. The District may prepay all Principal Components in accordance with Sections 3.4, 3.5 or 3.6 at least twenty (20) days prior to the Maturity Date, but all Principal Components outstanding on the Maturity Date shall be immediately due and payable on the Maturity Date.

Anything to the contrary in this Loan Agreement notwithstanding, from and after a Date of Taxability following a Determination of Taxability, the Loan shall bear interest at a taxable rate, as provided in Section 5.21 hereof.

Anything to the contrary in this Loan Agreement notwithstanding, ten (10) days after the failure to timely make a payment due hereunder, the Loan shall bear interest at the Default Rate, as provided in Section 4.7 hereof.

So long as the Loan is owned by Compass Mortgage Corporation, all principal and interest payments with respect to the Loan shall be made by wire transfer using the following wiring instructions (unless the District shall receive subsequent wiring instructions from Compass Mortgage Corporation or Assignee, as the case may be):

Payments by wire:
Compass Bank
ABA#: 113010547
For Credit to: GL No. 90124099
Loan Name: Marina Coast
BBI: DO NOT POST. CONTACT LDFC
LDFCPublicFinance.us@BBVA.com
Reference: LDFC Public Finance

Section 4.3 Gross Revenues; Establishment and Application of Loan Payment Fund.

The District hereby covenants and agrees to establish, maintain and hold in trust a separate special trust fund to be designated the “Loan Payment Fund” (herein referred to as the “Loan Payment Fund”) so long as the Loan remains outstanding. Within the Loan Payment Fund the District shall establish and maintain a separate Interest Account, Principal Account and Redemption Account therein. The Loan Payment Fund shall be kept separate and apart from all other funds and accounts held by the District and shall be administered as provided herein.

(a) During Stage 1, the District hereby covenants and agrees that all Net Revenues, when and as received, will be received and held by the District in trust for the benefit of the Lender and owners of any Parity Debt and Subordinate Debt. During Stage 1, all Gross Revenues shall be disbursed, allocated and applied solely to pay all Maintenance and Operation Costs of the Enterprises from Gross Revenues as they become due and payable. The District shall annually prepare a budget for Maintenance and Operation Costs.

(b) During Stage 1, all Net Revenues remaining after payment of all Maintenance and Operation Costs shall be used to make payments, when due, first on the Loan and all other Parity Debt, on a pro rata basis, and then on other debt and expenses of the District, including Subordinate Debt. In addition, during Stage 1, all RUWAP Funds shall be pledged to make payments when due, first on the Loan and then on other costs related to the Project

(c) During Stage 2, all RUWAP Funds shall be pledged to make payments when due, first on the Loan and then on other costs related to the Project.

(d) The portion of the Net Revenues and the RUWAP Funds used to make payments hereunder in either Stage 1 or Stage 2, as applicable, shall be deposited into the Loan Payment Fund. Within ten (10) Business Days of each Loan Payment Date, such Net Revenues and RUWAP Funds, as applicable, shall be transferred by the District from the Loan Payment Fund to make any payments of Interest Components and/or Principal Components due on such Loan Payment Date and allocated to the following respective accounts (each of which the District shall establish and maintain within the Loan Payment Fund), in the following order of priority, the requirements of each such account (including the funding of any deficiencies in any such account resulting from insufficient Net Revenues and RUWAP Funds necessary to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(1) Interest Account. Prior to each Loan Payment Date, the District shall deposit in the Interest Account an amount required to cause the aggregate amount on deposit in the Interest Account to equal the amount of interest becoming due and payable hereunder on such Loan Payment Date. No deposit need be made into the Interest Account if the amount contained therein is at least equal to the interest becoming due and payable hereunder on such Loan Payment Date. All moneys

in the Interest Account shall be used and withdrawn by the District solely for the purpose of paying the Interest Components as the same shall become due and payable.

(2) Principal Account. Prior to the Maturity Date, the District shall deposit in the Principal Account an amount required to cause the aggregate amount on deposit in the Principal Account to equal the Principal Components then outstanding. All moneys in the Principal Account shall be used and withdrawn by the District solely for the purpose of paying the Principal Components on the Maturity Date.

(3) Redemption Account. The District shall establish and maintain a Redemption Account, amounts in which shall be used and withdrawn by the District solely for the purpose of paying the principal, interest and premium (if any) on the Principal Components to be redeemed pursuant to Sections 3.4, 3.5 or 3.6, as applicable.

Section 4.4 Rebate Fund. The District shall establish the Rebate Fund and shall comply with the requirements below. All money at any time deposited in the Rebate Fund shall be held by the District in trust, for payment to the United States Treasury. All amounts on deposit in the Rebate Fund shall be governed by this Section and the applicable Tax Certificate, unless the District obtains an opinion of Bond Counsel that the exclusion from gross income of interest on the Loan will not be adversely affected for federal income tax purposes if such requirements are not satisfied.

(a) Excess Investment Earnings.

(i) Computation. Within 55 days of the end of each fifth Computation Year with respect to the Loan, the District shall calculate or cause to be calculated the amount of rebatable arbitrage, in accordance with Section 148(f)(2) of the Code and Section 1.148-3 of the Rebate Regulations (taking into account any applicable exceptions with respect to the computation of the rebatable arbitrage, described, if applicable, in the Tax Certificate (e.g. the temporary investments exception of Section 148(f)(4)(B) and the construction expenditure exception of Section 148(f)(4)(C) of the Code), for this purpose treating the last day of the applicable Computation Year as a computation date, within the meaning of Section 1.148-1(b) of the Rebate Regulations (the “Rebatable Arbitrage”). The District shall obtain expert advice as to the amount of the Rebatable Arbitrage to comply with this Section.

(ii) Transfer. Within 55 days of the end of each fifth Computation Year with respect to the Loan, an amount shall be deposited to the Rebate Fund by the District from any legally available funds, including the other funds and accounts established herein, so that the balance in the Rebate Fund shall equal the amount of Rebatable Arbitrage so calculated in accordance with clause (i) of this Section 4.4(a). In the event that immediately following the transfer required by the previous sentence, the amount then on deposit to the credit of the Rebate Fund exceeds the amount required to be on deposit therein, the District shall withdraw the excess from the Rebate Fund and then credit the excess to the Loan Payment Fund.

(iii) Payment to the Treasury. The District shall pay to the United States Treasury, out of amounts in the Rebate Fund.

(X) Not later than 60 days after the end of (A) the fifth Computation Year with respect to the Loan, and (B) each applicable fifth Computation Year thereafter, an amount equal to at least 90% of the Rebatable Arbitrage calculated as of the end of such Computation Year; and

(Y) Not later than 60 days after the payment of all the Loan, an amount equal to 100% of the Rebatable Arbitrage calculated as of the end of such applicable Computation Year, and any income attributable to the Rebatable Arbitrage, computed in accordance with Section 148(f) of the Code.

In the event that, prior to the time of any payment required to be made from the Rebate Fund, the amount in the Rebate Fund is not sufficient to make such payment when such payment is due, the District shall calculate or cause to be calculated the amount of such deficiency and deposit an amount received from any legally available source, including the other funds and accounts established herein, equal to such deficiency in the Rebate Fund prior to the time such payment is due. Each payment required to be made pursuant to this Subsection 4.4(a)(iii) shall be made to the Internal Revenue Service Center, Ogden, Utah 84201 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T prepared by the District, or shall be made in such other manner as provided under the Code.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption, if any, and payment of the Loan and the payments described in Section 4.4(a)(iii), shall be utilized in any manner by the District.

(c) Survival of Defeasance. Notwithstanding anything in this Section 4.4 or this Loan Agreement to the contrary, the obligation to comply with the requirements of this Section shall survive the defeasance of the Loan Agreement and any other Parity Debt.

Section 4.5 Special Obligation of the District; Obligations Absolute. The District's obligation to pay the Loan Payments shall be a special obligation of the District limited solely to Net Revenues, RUWAP Funds and State Loan Proceeds and amounts on deposit in the Loan Payment Fund. Under no circumstances shall the District be required to advance moneys derived from any source of income other than Net Revenues, RUWAP Funds and State Loan Proceeds and other sources specifically identified herein for the payment of the Loan Payments, nor shall any other funds or property of the District be liable for the payment of the Loan Payments. Notwithstanding the foregoing provisions of this Section, however, nothing herein is intended to prohibit the District voluntarily from making any payment hereunder from any source of available funds of the District.

The obligations of the District to pay the Loan Payments from Net Revenues, RUWAP Funds and State Loan Proceeds, and to perform and observe the other agreements contained herein, shall be absolute and unconditional and shall not be subject to any defense or any right of setoff, counterclaim or recoupment arising out of any breach of the District, the Lender of any obligation to the District or otherwise with respect to the Enterprises, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the District by the Lender. Until such time as all of the Loan Payments shall have been fully paid or prepaid, the District (a) will not suspend or discontinue payment of any Loan Payments, (b) will perform and observe all other agreements contained in this Loan Agreement, and (c) will not terminate this Loan Agreement for any cause, including, without limiting the generality of the foregoing, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Enterprises, sale of the Enterprises, the taking by eminent domain of title to or temporary use of any component of the Enterprises, commercial frustration of purpose, any change in the tax or other laws of the United States of America or the State or any political subdivision of either thereof or any failure of the Lender to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Loan Agreement.

Section 4.6 Reserved.

Section 4.7 Rate on Overdue Loan Payments. In the event the District should fail to make any of the Loan Payments required in Section 4.2 hereof on or before the day that is ten (10) days after the due date therefor, or fail to prepay Principal Components from State Loan Proceeds within ten (10) days after the fifteen (15) days permitted under Section 3.5, the Loan Payment or prepayment in default shall continue as an obligation of the District until the amount in default shall have been fully paid and the District agrees to pay the same with interest thereon, to the extent permitted by law, from the date thereof at the Default Rate.

ARTICLE V

COVENANTS OF THE DISTRICT

Section 5.1 Operation and Maintenance of the Enterprises. During Stage 1, the District will maintain and preserve the Enterprises in good repair and working order at all times and will operate the Enterprises in an efficient and economical manner and will pay all Maintenance and Operation Costs of the Enterprises as they become due and payable.

Section 5.2 Against Sale or Other Disposition of Property. During Stage 1, the District will not sell, lease, or otherwise dispose of the Enterprises or any part thereof essential to the proper operation of the Enterprises or to the production and/or maintenance of the Gross Revenues without the prior written consent of the Lender first had and obtained, which consent shall not be unreasonably withheld. The District will not enter into any agreement or lease that impairs the operation of the Enterprises or any part thereof necessary to secure adequate Gross Revenues for the payment of the Loan or that would otherwise impair the rights of the District with respect to the Gross Revenues or the operation of the Enterprises. Any real or personal property that has become nonoperative or that is not needed for the efficient and proper operation of the Enterprises, or any material or equipment that has become worn out, may be sold at not less than the fair market value thereof. The District shall deposit the proceeds of such sale to the repair and replacement of the affected property, or to other capital improvements of the related Enterprise.

Section 5.3 Rates, Fees, and Charges.

(a) Gross Revenue Covenant. During Stage 1, the District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water Enterprise during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and errors in the estimates, to yield Gross Revenues from the Water Enterprise sufficient to pay the following amounts in the following order of priority:

(i) All Maintenance and Operation Costs of the Water Enterprise estimated by the District to become due and payable in the Fiscal Year.

(ii) All payments due on the portion of the Loan which is allocable to the Water Enterprise and all payments of principal of and interest on any other Parity Debt of the Water Enterprise as they become due and payable during the Fiscal Year, without preference or priority, except to the extent payable from the proceeds of other Parity Debt held for that purpose.

(iii) All payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues of the Water Enterprise during such Fiscal Year.

In addition, the District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater Enterprise during each Fiscal Year, which are at least sufficient, after making allowances for contingencies and error in the estimates, to yield Gross Revenues from the Wastewater Enterprise sufficient to pay the following amounts in the following order of priority:

(i) All Maintenance and Operation Costs of the Wastewater Enterprise estimated by the District to become due and payable in the Fiscal Year.

(ii) All payments due on the portion of the Loan which is allocable to the Wastewater Enterprise and all payments of principal of and interest on any other Parity Debt of the Wastewater Enterprise as they become due and payable during the Fiscal Year, without preference or priority, except to the extent payable from the proceeds of other Parity Debt held for that purpose.

(iii) All payments required to meet any other obligations of the District which are charges, liens, encumbrances upon, or which are otherwise payable from, the Gross Revenues or the Net Revenues of the Wastewater Enterprise during such Fiscal Year.

(b) Net Revenue Covenant. During Stage 1, the District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water Enterprise during each Fiscal Year which are sufficient to yield Net Revenues of the Water Enterprise which are at least equal to 125% of the amount of Debt Service calculated for such Fiscal Year with respect to the Water Enterprise. For purposes of this subsection (b), the amount of Net Revenues for a Fiscal Year will be computed by including in Gross Revenues all amounts transferred from the Rate Stabilization Fund during the Fiscal Year.

The District shall fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Wastewater Enterprise during each Fiscal Year which are sufficient to yield Net Revenues of the Wastewater Enterprise which are at least equal to 125% of the amount of Debt Service calculated for such Fiscal Year with respect to the Wastewater Enterprise. For purposes of this subsection (b), the amount of Net Revenues for a Fiscal Year will be computed by including in Gross Revenues all amounts transferred from the Rate Stabilization Fund during the Fiscal Year.

In the event that the actual collection of Net Revenues based on such rates, fees and charges is insufficient to yield Net Revenues which meet the requirements of this subsection (b), such event shall not constitute an Event of Default unless it has continued uncured for a period of at least 12 months.

Section 5.4 Notification to Lender or Assignee. As long as the Loan is outstanding, the District will notify the Lender or its designee, within 30 days, following the date of an event that (i) could cause a default on any obligation of the District, (ii) might reasonably be anticipated to have a Material Adverse Effect on the District or its finances, (iii) might reasonably be anticipated to result in Material Litigation, and (iv) could have a negative material impact on the financial condition of the District

Section 5.5 Competitive Facilities. The District will not, to the extent permitted by law, acquire, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, authority, city, or political subdivision or any person whomsoever to acquire, maintain or operate within the District any water or wastewater system competitive with the Enterprises; provided, however, that the District may, with the written consent of the Lender, assign all or a portion of the Enterprises to another entity upon delivery to the Lender of an opinion of counsel experienced in the field of law relating to municipal bonds that such assignment will not adversely affect the tax-exempt status of the interest on the Loan, and provided such entity assumes the obligations of the District hereunder.

Section 5.6 Insurance.

(a) The District will procure and maintain insurance on the Enterprises with commercial insurers or through participation in a joint powers insurance authority, in such amounts, with such deductibles and against such risks (including accident to or destruction of the Enterprise) as are usually insurable in accordance with industry standards with respect to similar enterprises.

In the event of any damage to or destruction of the Enterprises 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 Enterprises. The District shall cause such repair, reconstruction or replacement to begin 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 Enterprises 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 prepay the Loan in the manner provided in Section 3.6 hereof.

(b) The District will procure and maintain commercial general liability insurance covering claims against the District for bodily injury or death, or damage to property, occasioned by reason of the ownership or operation of the Enterprises, such insurance to afford protection in such amounts and against such risks as are usually covered in connection with similar enterprises.

(c) The District will procure and maintain workers' compensation insurance against liability for compensation under the Workers' Compensation Insurance and Safety Act of California, or any act hereafter enacted as an amendment or supplement or in lieu thereof; such insurance to cover all persons employed in connection with the Enterprises.

(d) The District will ensure that all policies of insurance required to be maintained herein shall provide that the Lender shall be given thirty (30) days' written notice of any intended cancellation thereof or reduction of coverage provided thereby.

(e) In lieu of obtaining insurance coverage as required by this Section, such coverage may, with the prior written consent of the Lender, be maintained by the District in the form of self-insurance. The District shall certify to the Lender that (i) the District has segregated amounts in a special insurance reserve meeting the requirements of this Section; (ii) an Insurance Consultant certifies annually, on or before January 1 of each year in which self-insurance is maintained, in writing to the Lender that the District's general insurance reserves are actuarially sound and are adequate to provide the necessary coverage; and (iii) such reserves are held in a separate trust fund

by an 'independent' trustee. Any statements of self-insurance shall be delivered to the Lender. The District shall pay or cause to be paid when due the premiums for all insurance policies required hereby.

The District shall cause the Lender to be named as an additional insured with respect to the District's liability insurance, and as a loss payee with respect to any property damage insurance. The District shall not allow any insurance to expire without thirty (30) days prior written notice to the Lender.

Section 5.7 Eminent Domain. If all or any part of the Enterprises shall be taken by eminent domain proceedings, the resulting Net Proceeds thereof shall be applied to the acquisition of replacement facilities or other capital improvements of the Enterprises.

Section 5.8 Additional Information. The District agrees to furnish to the Lender, promptly, from time to time, such information regarding the operations, financial condition and property of the District and the Enterprises as the Lender may reasonably request.

Section 5.9 Compliance with Law and Contracts. The District will faithfully comply with, keep, observe, and perform all valid and lawful obligations or regulations now or hereafter imposed on its operation of the Enterprises by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board, or commission having jurisdiction or control.

Section 5.10 Punctual Payment. The District will punctually pay the principal and interest to become due in respect of the Loan, in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not rescind this Loan Agreement for any cause.

Section 5.11 State Loan Proceeds. The District will collect and hold all State Loan Proceeds separate and apart from other funds of the District and use such proceeds first for the purpose of prepaying principal due hereunder in accordance with Section 3.5 hereof.

Section 5.12 Protection of Security and Rights of the Lender. The District will preserve and protect the security of the Loan and the rights of the Lender and will warrant and defend the Lender's rights against all claims and demands of all persons. From and after the Closing Date, the Loan shall be incontestable by the District.

Section 5.13 Parity Debt. During Stage 1, the District may issue or incur any additional Parity Debt which is secured by a pledge of and lien on the Net Revenues on a parity with the pledge and lien which secure the Loan, upon satisfaction of all of the following conditions:

(a) No Event of Default has occurred and is continuing under this Loan Agreement or any other instrument authorizing the execution and delivery, or issuance, of any other Parity Debt.

(b) The Net Revenues, calculated in accordance with sound accounting principles, as shown by the books of the District for the most recent completed Fiscal Year for which audited financial statements of the District are available, or for any more recent consecutive 12-month period selected by the District, in either case verified by an Independent Certified Public Accountant or an Independent Consultant or shown in the audited financial statements of the District, plus at the option

of the District any or all of the Additional Revenues, are at least equal to 125% of the amount of Maximum Annual Debt Service on all outstanding Parity Debt and the Parity Debt to be issued or incurred.

(c) The District shall deliver to the Lender a Certificate of the District certifying, and an opinion of Bond Counsel stating, that the conditions precedent to the issuance of such additional Parity Debt set forth in the foregoing provisions of this Section have been satisfied.

Section 5.14 Against Encumbrances. This section shall only apply during Stage 1. The District hereby covenants and agrees that it shall not incur any obligations that are secured by a pledge and lien on the Net Revenues that is senior to the pledge and lien on the Net Revenues contained herein. The District will not make any pledge of or place any lien on the Net Revenues except as provided herein. The District may pledge Net Revenues to secure Parity Debt issued in accordance with Section 5.13 hereof. The District may at any time, or from time to time, issue evidences of indebtedness for any lawful purpose that are payable from and secured by a pledge of and lien on Net Revenues that is subordinate in all respects to the pledge of and lien on the Net Revenues provided herein.

During the term of this Loan Agreement, the District shall not issue or incur any debt secured by State Loan Proceeds.

Section 5.15 Further Assurances. The District will adopt, make, execute and deliver any and all further resolutions, instruments, and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Lender of the rights and benefits provided to it herein.

Section 5.16 Financial Reports. Promptly upon receipt by the District and in no event later than two hundred seventy (270) days after the close of each Fiscal Year (unless otherwise agreed in writing by the Lender), the District will furnish through submission to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system, or cause to be furnished, to the Lender an audit report of an Independent Certified Public Accountant with respect to such Fiscal Year, covering the operations of the Enterprises for said Fiscal Year. Such audit report shall include statements of the status of each account pertaining to the Enterprises, showing the amount and source of all deposits therein, the amount and purpose of the withdrawals therefrom and the balance therein at the beginning and end of said Fiscal Year.

The District shall deliver to the Lender, not later than August 1 of each year, commencing August 1, 2018, a copy of the District's adopted budget for the then current Fiscal Year. The District shall also deliver to the Lender a copy of any update to the District's budget adopted for a Fiscal Year with thirty (30) days of the adoption of such updated budget.

The District shall provide such additional information that Lender may from time to time reasonably request.

Section 5.17 Reserved.

Section 5.18 Observance of Laws and Regulations. The District will well and truly keep, observe and perform or cause to be kept, observed and performed all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the

United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired and enjoyed by the District, including the District's right to exist and carry on business as a county water district, to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 5.19 Private Activity Bond Limitation. The District shall assure that monies deposited pursuant to this Loan Agreement are not so used as to cause this Loan Agreement to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(d) of the Code.

Section 5.20 Federal Guarantee Prohibition. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause this Loan Agreement or the Interest Components of the Loan Payments to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

Section 5.21 Maintenance of Tax Exemption. The District shall take all actions necessary to assure the exclusion of the Interest Components of the Loan Payments from the gross income of the Lender to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the Closing Date.

Upon the occurrence of a Determination of Taxability, then the District shall pay to the Lender, within thirty (30) days after receipt of such determination, the amount which, with respect to interest payments previously paid and taking into account all penalties, fines, interest and additions to tax (including all federal, state and local taxes imposed on the interest on the Loan due through the date of such event) that are imposed as a result of the loss of the exclusion, will restore the Lender the same after tax yield on the Loan that it would have realized had the exclusion not been lost (collectively, the "Taxable Rate").

Section 5.22 Rebate Requirement. The District shall take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government.

Section 5.23 No Arbitrage. The District shall not take any action with respect to the proceeds of this Loan Agreement which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date this Loan Agreement was entered into would have caused this Loan Agreement to be an "arbitrage bond" within the meaning of Section 148 of the Code.

Section 5.24 Budget. The District hereby covenants to take such action as may be necessary to include all Loan Payments and all other amounts due hereunder in its annual budget and to make the necessary annual appropriations for all such Loan Payments and all other amount due hereunder.

Section 5.25 Notices. The District shall provide to the Lender:

(a) Immediate notice by telephone, promptly confirmed in writing, of any event, action or failure to take any action which constitutes an Event of Default under this Loan Agreement,

together with a detailed statement by an Authorized Representative of the steps being taken by the District to cure the effect of such Event of Default.

(b) Prompt written notice (i) of any action, suit or proceeding or any investigation, inquiry or similar proceeding by or before any court or other governmental authority, domestic or foreign, against the District or the Enterprises or the Gross Revenues which involve claims equal to or in excess of \$500,000 or that seeks injunctive relief, or (ii) of any loss or destruction of or damage to any portion of the Enterprises in excess of \$500,000.

(c) Prompt written notice of any Material Litigation, or any investigation, inquiry or similar proceeding by any Governmental Authority with respect to any matter that relates to or could impact any Gross Revenues, or of any event which could have a Material Adverse Effect on the financial condition of the District.

(d) Promptly upon notice thereof, any termination or cancellation of any insurance policy which the District is required to maintain, or any uninsured or partially uninsured loss through liability or property damage, or through fire, theft or any other cause affecting the District property in excess of an aggregate of \$500,000.

(e) With reasonable promptness, such other information respecting the District, Enterprises, and the operations, affairs and financial condition of the District as the Lender may from time to time reasonably request.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

Section 6.1 Events of Default and Remedies.

(a) Events of Default. The following shall be Events of Default hereunder:

(1) Failure by the District to pay any Interest Component on the Loan within fifteen (15) days of an applicable Loan Payment Date or to pay the then outstanding Principal Components on the Maturity Date.

(2) Failure by the District to observe and perform any covenant, condition or agreement on its part contained herein pertaining to the Enterprises, other than in clause (1) of this subsection, for a period of thirty (30) days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Lender; provided, however, if in the reasonable opinion of the District the failure stated in the notice can be corrected, but not within such thirty (30) day period, the Lender shall not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the District within such thirty (30) day period and diligently pursued until the default is corrected.

(3) Default by the District under any other Parity Debt (or Subordinate Debt which requires or permits the immediate acceleration thereof).

(4) Institution of any proceeding under the United States Bankruptcy Code or any federal or state bankruptcy, insolvency, or similar law or any law providing for the appointment of a receiver, liquidator, trustee, or similar official of the District or of all or substantially all of its assets,

by or with the consent of the District, or institution of any such proceeding without its consent that is not permanently stayed or dismissed within sixty (60) days, or agreement by the District with the District's creditors to effect a composition or extension of time to pay the District's debts, or request by the District for a reorganization or to effect a plan of reorganization, or for a readjustment of the District's debts, or a general or any assignment by the District for the benefit of the District's creditors.

(5) Any statement, representation or warranty made by the District in or pursuant to this Loan Agreement or its execution, delivery or performance proves to have been false, incorrect, misleading, or breached in any material respect on the date made, and is continuing for a period of thirty (30) days after written notice specifying such misrepresentation or breach and requesting that it be remedied has been given to the District by the Lender; provided, however, that the Lender and the District may agree that action by the District to cure such failure may be extended beyond such thirty-day period.

(6) This Loan Agreement or any material provision of this Loan Agreement shall at any time for any reason cease to be the legal, valid and binding obligation of the District or shall cease to be in full force and effect, or shall be declared to be unenforceable, invalid or void, or the validity or enforceability thereof shall be contested by the District, or the District shall renounce the same or deny that it has any further liability hereunder.

(7) The RUWAP Agreement, or the District's ability to draw RUWAP Funds thereunder, shall be suspended or terminated.

(8) Dissolution, termination of existence or insolvency of the District.

(9) Any court of competent jurisdiction with jurisdiction to rule on the validity of any provision of this Loan Agreement shall find or rule that this Loan Agreement is not valid or not binding on the District.

(b) Remedies on Default. Whenever any Event of Default shall have happened and be continuing, the Lender shall have the right, at its option upon notice to the District, to declare the unpaid aggregate Principal Components of the Loan, and the interest accrued thereon, to be immediately due and payable, whereupon the same shall immediately become due and payable.

The Lender shall also have the right, at its option upon notice to the District, to (i) apply to and obtain from any court of competent jurisdiction such decree or order as may be necessary to require officials of the District to charge and collect rates for services provided by the District and the Enterprises sufficient to meet all requirements of this Loan Agreement, and (ii) take whatever action at law or in equity as may appear necessary or desirable to collect the Loan Payments then due or thereafter to become due during the Term of this Loan Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under this Loan Agreement, subject to the following paragraph.

In addition to the foregoing, in the event of a default of the type set forth in Section 6.1(a)(1) above, the Lender shall have the right to charge interest on all past due amounts at the Default Rate, as set forth in Section 4.7.

Notwithstanding any provision of this Loan Agreement, the District's liability to pay the Loan Payments and other amounts hereunder shall be limited solely to Net Revenues and RUWAP Funds during Stage 1 and RUWAP Funds and State Loan Proceeds during Stage 2, as provided in Article IV hereof.

Section 6.2 Application of Funds Upon Acceleration. Upon the date of the declaration of acceleration as provided in Section 6.1, during Stage 1, all Net Revenues and RUWAP Funds, and during Stage 2, all RUWAP Funds and State Loan Proceeds, thereafter received by the District shall be applied in the following order:

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

Second, to the payment of the entire unpaid aggregate Principal Components of the Loan and the unpaid principal amount of any other obligations secured by the Net Revenues, RUWAP Funds and the State Loan Proceeds and the accrued interest thereon, with interest on the overdue payments at the rate or rates of interest applicable to the Loan and such other obligations if paid in accordance with their respective terms.

Section 6.3 Actions to Enforce Remedies. The Lender shall have the right:

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

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

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

Section 6.4 Non-Waiver. Nothing in this article or in any other provision hereof, or in the Loan, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the principal of and interest on the Loan to the Lender when due, as herein provided, out of the Net Revenues, RUWAP Funds and the State Loan Proceeds herein pledged for such payment, or shall affect or impair the right of the Lender, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in this Loan Agreement.

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

determined adversely to the Lender, the District and the Lender shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 6.5 Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Lender is intended to be exclusive of any other remedy. Every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity.

Section 6.6 Prosecution and Defense of Suits. The District shall promptly, upon request of the Lender or its assignee, from time to time take or cause to be taken such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Enterprises whether now existing or hereafter arising and shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose.

ARTICLE VII

NOTICES

Section 7.1 Notices. All written notices under this Loan Agreement shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice is effective either (a) upon transmission by facsimile transmission, (b) upon actual receipt after deposit in the United States mail, postage prepaid, or (c) in any other case, upon actual receipt. The District or the Lender may, by written notice to the other parties, from time to time modify the address or number to which communications are given hereunder.

If to the District:	Marina Coast Water District 11 Reservation Road Marina, California 93933 Attention: General Manager Fax: (831) 883-5995
If to the Lender:	Compass Mortgage Corporation 8333 Douglas Avenue, 2nd Floor Dallas, Texas 75225 Attention: LD&FC Public Finance Email: ldfcpublicfinance.us@bbva.com
With a copy to:	BBVA Compass 205 S. Mathilda Avenue Sunnyvale, California Attention: Kevin Herr

ARTICLE VIII

AMENDMENTS; DISCHARGE; GENERAL AUTHORIZATION; EFFECTIVE DATE

Section 8.1 Amendments Permitted.

(a) This Loan Agreement and the rights and obligations of the District and of the Lender may be modified or amended at any time by a written supplemental agreement entered into by the District and the Lender.

(b) From and after the time any supplemental agreement becomes effective pursuant to this Article, this Loan Agreement shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties, and obligations under this Loan Agreement and the Lender shall thereafter be determined, exercised, and enforced hereunder subject in all respects to such modification and amendments, and all the terms and conditions of any such supplemental agreement shall be deemed to be part of the terms and conditions of this Loan Agreement for any and all purposes.

Section 8.2 Discharge of Loan Agreement. If: (i) the District shall pay or prepay, or cause to be paid or prepaid, or there shall otherwise be paid or prepaid to the Lender the principal of and the interest due under this Loan Agreement at the times and in the manner stipulated herein, and (ii) the District has no ability to draw additional moneys pursuant to the Loan Agreement, then all agreements, covenants and other obligations of the District to the Lender hereunder shall thereupon cease, terminate and become void and be discharged and satisfied.

Section 8.3 General Authorization. The Authorized Representatives of the District, and each of them individually, are hereby authorized and directed, for and in the name of and on behalf of the District, to execute and deliver any and all documents, to do any and all things and take any and all actions that may be necessary or advisable, in their discretion, in order to consummate the financing and to effect the purposes of this Loan Agreement. All actions heretofore taken by officers, employees, and agents of the District that are in conformity with the purposes and intent of this Loan Agreement are hereby approved, confirmed, and ratified.

Section 8.4 Binding Effect. This Loan Agreement shall inure to the benefit of and shall be binding upon the Lender and the District and their respective successors and assigns.

Section 8.5 Severability. In the event any provision of this Loan Agreement shall be held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 8.6 Further Assurances and Corrective Instruments. The Lender and the District agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for carrying out the expressed intention of this Loan Agreement.

Section 8.7 Applicable Law. This Loan Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 8.8 Captions. The captions or headings in this Loan Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provisions or Section of this Loan Agreement.

Section 8.9 Agreement to Pay Attorneys' Fees and Expenses. The District will pay the Lender its reasonable attorney fees incurred subsequent to an Event of Default.

Section 8.10 Execution in Counterparts. This Loan Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

* * * * *

[Signature page to follow]

IN WITNESS WHEREOF, the Lender has caused this Loan Agreement to be executed in its corporate name by its duly authorized officer; and the District has caused this Loan Agreement to be executed in its name by its General Manager, as of the date first above written.

COMPASS MORTGAGE CORPORATION,
an Alabama corporation

By: _____

Name: Kevin W. Herr

Title: Senior Relationship Manager

MARINA COAST WATER DISTRICT

By _____

Keith Van Der Maaten, General Manager

EXHIBIT A

CERTIFICATE OF LENDER

The undersigned hereby states and certifies, for and on behalf of, Compass Mortgage Corporation, an Alabama corporation, (the “Lender”), that it has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax exempt obligations, similar to the up to \$16,000,000 aggregate principal amount outstanding on any date of the Marina Coast Water District Recycling Pipeline Project Loan (the “Loan”), approved pursuant to Resolution No. _____ (the “Resolution”), adopted by the Board of Directors of the Marina Coast Water District (the “District”) on July 17, 2017, and executed and delivered pursuant to a Loan Agreement, dated as of August 1, 2017, by and between the Lender and the District (the “Loan Agreement”), and as such, in connection with said making of the Loan, the undersigned hereby acknowledges and represents that:

(i) the Lender is duly organized, validly existing and in good standing under the laws of the jurisdiction in which it was incorporated or formed and has the full legal right, power and authority to make the Loan and to enter into the Loan Agreement;

(ii) the Lender has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations similar to the Loan, to be able to evaluate the risks and merits of the investment represented by the Loan and is able to bear the economic risks of such investment;

(iii) the Lender understands that the neither the Loan nor Loan Agreement have been registered with any federal or state securities agency or commission; and further understands that the Loan and Loan Agreement (a) are not being registered or otherwise qualified for sale under the “Blue Sky” laws and regulations of any state; (b) will not be listed in any stock or other securities exchange; (c) will not carry a rating from any rating service; and will not bear a CUSIP number;

(iv) the Lender acknowledges that it has either been supplied with or has been given access to information to which a reasonable investor would attach significance in making investment decisions, and the Lender has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the legal, physical and fiscal condition of the District and the District’s Enterprises, as well as the insurance, security and prepayment arrangements set forth in the Loan Agreement and the Loan, so that, as a reasonable investor, the Lender has been able to make an informed investment decision to enter into the Loan Agreement for the making of the Loan;

(v) the Lender understands and acknowledges that no official statement, offering memorandum or any disclosure document has been prepared, nor is any contemplated to be prepared;

(vi) the Lender acknowledges that at Closing there is no reserve fund required for the Loan;

(vii) the Lender understands and acknowledges it is making the Loan on a private placement basis, and it is not intended that the transaction be subject to the requirements of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended (“Rule 15c2-12”), and therefore the District has not undertaken, other than as provided in the Loan Agreement, to provide to

or for the benefit of holders of the Loan financial or operating data or any other information with respect to the District or the Loan on an ongoing basis;

(viii) the Lender has made its own inquiry and analysis with respect to the Loan and the security therefore, and other material factors affecting the security and payment of the Loan;

(ix) the Lender is one of:

(a) an “accredited investor” as such term is defined in Rule 501(a) promulgated under the Securities Act of 1933, as amended (the “Securities Act”);

(b) a “qualified institutional buyer” as such term is defined in Rule 144A promulgated under the Securities Act; or

(c) a bank, savings institution or insurance company (whether acting in a trustee or custodial capacity for any qualified institutional buyer or on its own behalf);

(x) the Lender is making the Loan for its own account and not with a view to, and with no intention of, selling, pledging, transferring, conveying, hypothecating, mortgaging, disposing, reoffering, distributing, or reselling the Loan, or any part or interest thereof;

(xi) the Lender recognizes that an investment in the Loan involves significant risks, there is no established market for the Loan and that none is likely to develop and, accordingly, the Lender must bear the economic risk of an investment in the Loan for an indefinite period of time;

(xii) the Lender agrees that its right, title and interest in and to the Loan Agreement and the Loan, with notice to the District, may be assigned and reassigned in whole (but not in part) to one or more assignees or subassignees by Lender, without the necessity of obtaining the consent of District, pursuant to the requirements of the Loan Agreement;

(xiii) the Lender further acknowledges that it is responsible for consulting with its advisors concerning any obligations, including, but not limited to, any obligations pursuant to federal and state securities and income tax laws it may have with respect to subsequent assignments or assignees of the Loan if and when any such future disposition of the Loan may occur; and

(xiv) the Lender acknowledges that Jones Hall, A Professional Law Corporation (“Bond Counsel”) is acting as bond counsel to the District, that Bond Counsel has no attorney-client relationship with the Lender, and that the Lender has sought legal advice from its own counsel to the extent it concluded legal advice was necessary.

Capitalized terms shall have the meaning set forth in the Loan Agreement.

IN WITNESS WHEREOF, the undersigned has executed this Certificate as of the ____ day of _____, 20__.