



BROOKTRAILS TOWNSHIP
COMMUNITY SERVICES DISTRICT
24860 BIRCH STREET, WILLITS, CA 95490
BOARD OF DIRECTORS MEETING AGENDA

Board of Directors

President Rick Williams Vice President Tina Tyler-O'Shea
Director Ed Horrick Director Ralph Santos Director Tony Orth

Tuesday, January 12, 2021

Regular Session – 7:00 PM to 10:30 PM*

****Brooktrails Township will be holding this meeting remotely as a reasonable preventative caution against COVID-19 (coronavirus)****

*****IMPORTANT NOTICE*****

GOVERNOR NEWSOM'S EXECUTIVE ORDER N-25-20 HAS SUSPENDED SOME REQUIREMENTS OF THE BROWN ACT ALLOWING THIS MEETING TO BE HELD REMOTELY; AND, BY ORDER OF THE HEALTH OFFICER OF THE COUNTY OF MENDOCINO, THE BOARD OF DIRECTORS AND PUBLIC MAY REMOTELY PARTICIPATE IN THE REGULAR MEETING OF JANUARY 12, 2021.

To attend the meeting remotely using your internet-connected device, use this link:

<https://us02web.zoom.us/j/7794192028>.

To attend the meeting remotely using your telephone, dial **408-638-0968, **7794192028#**.**

Your devices should be **muted** unless you are addressing the Board.

A. ROLL CALL

1. The Presiding Officer will call the meeting to order and call the roll of members to determine the presence of a quorum.

B. PLEDGE OF ALLEGIANCE

C. ADDITIONS/ADJUSTMENTS TO THE AGENDA/REPORT ON CLOSED SESSION

2. The Presiding Officer will determine if Board members wish to add an item or make an adjustment to the agenda.
3. Report on closed session (if needed).

D. MINUTES OF PREVIOUS MEETINGS

4. The Board may approve, or amend and approve, the minutes of previous meetings including:
December 8, 2020.

E. SPECIAL PRESENTATIONS – None

F. PUBLIC HEARINGS – None

G. REPORTS

From Directors
From District Counsel
From General Manager

H. PUBLIC COMMENTS

Audience members will be invited to speak regarding matters not on the Agenda. The Board cannot act on items brought up at this time. Speakers may be limited to **three** minutes.

I. DIRECTORS' RESPONSE TO PUBLIC COMMENTS

(Responses will generally be brief; directors may call upon General Manager to respond. Items may be placed on a future agenda for a more in-depth response.)

J. CONSENT CALENDAR

5. Review and approval of Accounts Payable reports:
 - a. Authorization of retroactive payables made on or about December 22, 2020; and,
 - b. Authorization to issue checks for payables on or about January 13, 2021.

K. AGENDA ITEMS FOR DISCUSSION AND POSSIBLE ACTION

6. Consideration of Board Committee Assignments
7. Consideration of Resolution 2021-01 Accepting the Property at 3185 Primrose Drive (APN 100-294-08-01)
8. Consideration of Resolution 2021-02 Authorizing the Issuance and Sale of Not to Exceed \$3,500,000 Water Revenue Refunding Bonds, and Authorizing and Directing Additional Associated Actions
9. Consideration of MedStar Donation to the Fire Department

L. CLOSED SESSION – None

M. ADJOURNMENT

10. The Board will consider a motion to adjourn.

UPCOMING BOARD MEETINGS

January 26, 2021 – Regular Meeting

February 9, 2021 – Regular Meeting

UPCOMING HOLIDAYS

Monday, January 18, 2020 – Martin Luther King, Jr. Holiday

Last Resolution Adopted: 2020-11

Last Ordinance Adopted: 161

IMPORTANT INFORMATION ABOUT BOARD MEETINGS:

***MANDATORY ADJOURNMENT.** Pursuant to Section 3.18 of Ordinance No. 93, if consideration of all matters on the agenda is not complete by 10:30 p.m., the President shall adjourn to the next regular meeting, at which time those matters shall be taken up for consideration first. By motion of the Board, the meeting may be extended beyond 10:30 p.m. to a stated time.

RIGHT OF APPEAL. People who are dissatisfied with decisions of the Board of Directors may have the right of review of that decision by a state court. The District has adopted Section 1094.6 of the Code of Civil Procedure, which generally limits to 90 days the time within which decisions of the District Board and agencies may be judicially challenged in state court.

AGENDA MATERIALS. The agendas for Board meetings contain a brief description of those items to be considered at the meetings. Agendas and materials related to an agenda item (including materials distributed to the Board after the agenda is posted) are available in the District Office, 24860 Birch Street, Willits, CA, during normal business hours (8:00 a.m.–5:00 p.m. Monday-Friday) and on the Township Website Home Page at www.btcscd.org.

AMERICANS WITH DISABILITIES ACT COMPLIANCE. The [remote] meeting room is ADA accessible. If you are a person with a disability and need disability-related modifications or accommodations to participate in this meeting, please contact the District Office at (707)459-2494. Requests for such modifications or accommodations must be made at least two full business days before the start of the meeting.

**BROOKTRAILS TOWNSHIP COMMUNITY SERVICES DISTRICT
BOARD OF DIRECTORS – December 8, 2020 Minutes**

The Board of Directors of Brooktrails Township Community Services District met in regular session December 8, 2020 at 7:03 p.m. remotely via <https://us02web.zoom.us/j/7794192028>.

A. ROLL CALL

1. Roll call showed the following directors present: Orth, Santos, Horrick, Tyler O'Shea and Williams. Also present were General Manager Alaniz, Counsel Neary, and Barbara O'Reardon.

B. PLEDGE OF ALLEGIANCE

C. BOARD REORGANIZATION

2. Pursuant to Section 2.02(a) of Ordinance 95, the President and Vice-President shall be elected from and by the general membership of the Board; the President will accept nominations, which do not require a second. Election will be by roll call vote. Director Orth moved to keep the current slate as Board President Williams and Board Vice-President Tyler-O'Shea; Director Santos seconded. By roll call vote, the motion passed unanimously.

D. ADDITIONS/ADJUSTMENTS TO THE AGENDA/REPORT ON CLOSED SESSION:

3. There were no additions.
4. There was no closed session report.

E. SPECIAL PRESENTATIONS: None

F. PUBLIC HEARINGS:

5. Resolution 2020-11 Establishing Rates for Solid Wastes of Willits Franchise Services. President Williams opened the Public Hearing at 7:16 p.m. Jerry Ward of Solid Wastes of Willits addressed the Board regarding the rates. He also spoke on bear resistant cans and hazardous materials disposal. Hearing no protests, President Williams closed the Public Hearing.

G. REPORTS:

From Directors: Director Orth

From District Counsel: Counsel Neary noted that he and General Manager Alaniz have been discussing changes to District policy regarding disconnection of water service.

From General Manager: In addition to her written report, General Manager Alaniz gave an update on the progress of the District's bond rating. All aspects of the District are reviewed to determine the rating to refinance the current water infrastructure bond. Also, the County has approved their hazard mitigation plan, which applies to the Sherwood Corridor, including the Township. She will also be able to apply for a hazard mitigation grant for generators to improve the District's aging water system especially when seismic events occur.

H. PUBLIC COMMENTS:

One member of the public, Nicole, inquired about the water and sewer assessments on her mother's property tax bill and requested that they be reduced. Another member of the public, Michelle, does not want to pay the property tax bill.

I. DIRECTORS' RESPONSE TO PUBLIC COMMENT: President Williams noted that the Board cannot relieve tax assessments.

J. CONSENT CALENDAR:

6. Director Horrick moved to approve the Consent Calendar; Director Santos seconded. After a brief discussion, by roll call vote, the motion passed unanimously.

- a. Minutes of November 10, 2020.

7.

- a. Retroactive Account Payables report of November 24, 2020 in the amount of \$69,847.27.

- b. Account Payables report in the amount of \$55,767.29, authorizing checks issued December 9, 2020.

8. Accept and file the Golf Course Reports.

K. ACTION ITEMS:

9. Director Horrick moved to consider Resolution 2020-11 Establishing Rates for Solid Wastes of Willits; Director Tyler-O'Shea seconded. By roll call vote, the motion passed unanimously.

10. General Manager updated the Board regarding proposed changes to Ordinance 76 – Utilities Code.

L. CLOSED SESSION:

11. Director Horrick moved to adjourn to closed session. Pursuant to Government Code §54957 – The Board convened to Closed Session for a Public Employment Performance Evaluation: General Manager.

M. ADJOURNMENT:

12. At 8:43 p.m. the Board reconvened to open session. Director Horrick moved to adjourn the regular meeting. President Williams adjourned the regular meeting at 8:44 p.m.

ATTEST:

R. Richard Williams, President

Tamara Alaniz, Secretary

[illegible]

DIRECTORS' COMMITTEE LIST - 2020

Recreation, Greenbelt, and Conservation Committee	Tyler-O'Shea	Horrick (Alt)
Finance Ad Hoc Committee	Horrick	Santos
Mendocino County Association of Fire Districts	Orth	Santos (Alt)
Planning Committee	Orth	Williams

Orth and Santos are bank signers

Combined 'Specific Plan' & 'WWTP' into 'Planning' Committee 01/08/2019

<i>Not a Board Committee, but Sherwood Firewise Group has 2 liaisons:</i>	<i>Orth</i>	<i>Horrick</i>
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BROOKTRAILS TOWNSHIP

COMMUNITY SERVICES DISTRICT

24860 Birch Street
Willits, California 95490
Phone: 707-459-2494
Fax: 707-459-0358
btcsd@btcsd.org

Board Meeting
Agenda Item K-7

DATE: January 12, 2021
TO: Board of Directors
FROM: Tamara Alaniz
RE: Consideration of Resolution 2021-01 Accepting the Property at 3185 Primrose Drive (APN 100-294-08-01)

BACKGROUND

There are several issues with the current location of the Primrose Sewer Lift Station at 3192 Primrose Drive that make its relocation necessary. One significant issue is its location; it is located on private property and not on District property. This restricts access and creates long-term management issues for the infrastructure.

Another issue is that operation of the sewer lift station is difficult from its location down in an approximately seven-foot deep, tight vault; this work environment requires confined-space entry training and protection for our employees. This is especially important to note due to deteriorating electrical connections and old valves that must be exercised within the vault, creating an issue of a high-risk operation with close contact from dangerous gases and liquid.

The cost and risk associated with replacing the large pumps and electrical connections make relocation to an adjacent site a cost-effective and safer alternative to continued operation of the Primrose Sewer Lift Station in its current location.

DISCUSSION

Staff reviewed adjacent and nearby sites to develop alternatives for the sewer lift station relocation. There were two specific sites located across the street, along or near the existing sewer line that were suitable.

The property owners of the two identified sites were sent a letter of inquiry with an offer to purchase for the assessor-valued amount of \$5,000, at which value they were both assessed. The Ballelos property owner returned our inquiry with a counteroffer, thus reaching \$8,500, which is the proposed purchase price presented to the Board in this item. No contact was received from the second property owner.

The District will be responsible for the costs of the property transfer. Counsel Neary has opened the escrow process through Redwood Empire Title Company and we have seen the preliminary title report. No issues were brought forward through the preliminary title report to make the property less desirable for the sewer lift station relocation project.

RECOMMENDED ACTION

Staff recommends the approval of Resolution 2021-001, accepting the property at 3185 Primrose Drive from the Ballelos Trust for a one-time payment from the District of \$8,500.

RESOLUTION NO. 2021-01

A RESOLUTION OF THE BOARD OF DIRECTORS OF BROOKTRAILS TOWNSHIP COMMUNITY SERVICES DISTRICT ACCEPTING THE PROPERTY AT 3185 PRIMROSE DRIVE (APN 100-294-08-01)

WHEREAS, the Board of Directors of the Brooktrails Township Community Services District (Township) understands the need for a wastewater capital project to relocate the Primrose Sewer Lift Station;

WHEREAS, the relocation of the Primrose Sewer Lift Station is best served on a property very near or adjacent to its current location at 3192 Primrose Drive;

WHEREAS, the property at 3185 Primrose Drive is located directly across the street and adjacent to the sewer line from the current location of the sewer lift station;

WHEREAS, the property at 3185 Primrose Drive is suitable for the relocation project; and,

WHEREAS, the property owner has agreed to sell the property 'as is' to the Township for \$8,500.

NOW, THEREFORE, the Board of Directors of Brooktrails Township Community Services District resolves as follows:

The Township accepts the property located at 3185 Primrose Drive from the Ballelos Trust 'as is' and for a fee of \$8,500, for the purpose of relocating the Primrose Sewer Lift Station.

ADOPTED this 12th day of January 2021, at a regular meeting of the Board of Directors of Brooktrails Township Community Services District by the following roll call vote:

AYES:

NAYS:

ABSENT:

R. Richard Williams, Board President

ATTEST:

Tamara Alaniz, Secretary to the Board

PURCHASE AND SALE AGREEMENT

THIS PURCHASE AND SALE AGREEMENT (this "Agreement") is entered into as of January 12, 2021 by and between ROGELIO L. BALLELOS and FELICISIMA S. BALLELOS, as Trustees under the ROGELIO and FELICISIMA BALLELOS TRUST established March 28, 2003 ("Seller") and BROOKTRAILS TOWNSHIP COMMUNITY SERVICES DISTRICT, a public entity, ("Purchaser").

Recitals

A. WHEREAS, Seller owns that certain unimproved real property described in Schedule A, (hereinafter the "Property") of the Preliminary Report dated as of December 4, 2020 issued by Redwood Empire Title Company of Mendocino County, (hereinafter the "Title Company") under order number 20203104DN, (hereinafter the "Preliminary Title Report") attached hereto as Exhibit A and incorporated herein as though fully set forth at length.

B. WHEREAS Purchaser desires to purchase and Seller desires to sell Seller's interest in the Property;

NOW THEREFORE, the parties agree as follows:

Section 1. Purchase and Sale. Seller shall sell all of its interest in the Property to Purchaser pursuant to any escrow instructions provided to the Escrow Holder consistent with this Agreement, and Purchaser, shall purchase the Property from Seller on the terms and conditions stated in this Agreement.

Section 2. Purchase Price. The purchase price for the Property shall be EIGHT THOUSAND FIVE HUNDRED (\$8,500) DOLLARS payable in cash at close of Escrow.

Section 3. Escrow and Closing. Escrow and Closing. This transaction shall be completed through an escrow established with the Title Company. Each party shall promptly deposit all funds and documents as required by the escrow holder to complete this transaction.

Section 4. Close of Escrow. The escrow shall close within ten (10) business days,

plus any additional time to record documents pursuant to COVID restrictions of recording times by the Mendocino County Records' Office after execution of this Agreement ("Close of Escrow"). The escrow holder is authorized to record (via U.S. Mail) the grant deed upon tender of the purchase price to Seller.

Section 5. Closing Costs and Prorations. Purchaser shall pay all costs associated with the transfer, including but not limited to recording costs, transfer taxes on recordation of the deed, any premium for any title insurance policy obtained by Purchaser, all of the escrow fees and all real property taxes and assessments, as may be due – which amounts shall *not* be pro rated.

Section 6. Title. (a) Escrow shall close when the Title Company is prepared to issue a policy of CLTA title insurance in the amount of the purchase price at its regularly scheduled premium to Purchaser showing title vested in Buyer subject to no exceptions other than those listed in Schedule B of the Preliminary Title Report.

Section 7. Review of Property, Test, and Surveys.

Prior to entering into this Agreement, Purchaser either undertook, or had the opportunity to undertake, at Purchaser's expense an inspection of the Property; a review of the physical condition of the Property, including but not limited to, inspection and examination of soils, environmental factors, Hazardous Substances, if any, and archeological information relating to the Property; and a review and investigation of the effect of any zoning, maps, permits, reports, engineering data, regulations, ordinances, and laws affecting the Property.

Purchaser hereby acknowledges that all inspections, investigations and tests have been performed, or Purchaser has had the opportunity to perform such inspections, and Purchaser accepts the Property "AS IS WHERE IS" with no further contingencies related to any condition, whether physical, regulatory, or any other condition of the Property.

Section 8. Disclaimers. Purchaser understands that Seller makes no express or implied warranty with respect to the Property including but not limited to condition of title, or the size, condition or suitability of the Property for any particular purpose. If any of these issues are important to Purchaser's decision to purchase, then Purchaser should investigate the Property independently. Purchaser acknowledges that they have not relied upon any representations by Seller with respect to any aspect of the Property, including size, condition of title, condition of the Property, the status of permits, zoning, or code compliance, or suitability for any particular purpose. Purchaser is to satisfy itself concerning these issues. Purchaser specifically agrees to take the Property AS-IS and acknowledges reliance solely upon his own examination and

inspection of the Property and all related matters as set forth herein, and not upon any warranties, representations or information from Seller. If any facts, conditions or circumstances change or turn out differently from Purchaser believed, Purchaser's obligations hereunder shall remain in full force and effect with no right to delay or terminate.

Section 9. Withholding. Seller is neither a "foreign person" under FIRPTA nor a non-resident under California Revenue and Taxation Code, section 18662.

Section 10. Commissions. Each party represents and warrants to the other party that no broker or finder or other real estate agent is entitled to any commission, finder's fee or other compensation resulting from any action on its part. Purchaser and Seller each agree to indemnify the other and defend and hold harmless the other party from and against any loss, cost, or expense, including attorney's fees, incurred by such party, and against any claims, causes of action or the like brought by any broker, finder or similar agent for a commission or fee on account of this Agreement.

Section 11. Entire Agreement. This Agreement, including the exhibits attached hereto, constitute the entire agreement between the parties pertaining to the subject matter contained in it and supersedes all prior and contemporaneous agreements, representations and understandings of the parties. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by all the parties.

Section 12. Counterparts. This Agreement may be executed simultaneously in one (1) or more counterparts, each of which shall be deemed an original, but all of which shall constitute one (1) and the same instrument.

Section 13. Binding on Successors and Assigns. This Agreement shall be binding on, and shall inure to the benefit of, the parties to it and their respective legal representatives, successors, and assigns.

Section 14. Attorney's Fees. If any legal action, arbitration or other proceeding is brought involving a dispute between the parties or arising out of the execution of this Agreement or sale of the Property, the prevailing party shall be entitled to recover its costs and reasonable attorney's fees incurred in such action or proceeding, in addition to any other relief to which such party may be entitled.

Section 15. Agreement to Perform Necessary Acts. Each party agrees to perform

any further acts and execute and deliver any documents that may be reasonably necessary to carry out the provisions in this Agreement.

Section 16. Notices. All notices, requests, demands, and other communications under this Agreement shall be in writing and shall be deemed to have been duly given on the date of service if served personally on the person to whom notice is to be given or, on the second (2nd) day after mailing if mailed to the party to whom notice is to be given, by First Class Mail, registered or certified, return receipt requested, postage prepaid and properly addressed as follows:

To Seller at: 1341 Mossland Drive, San Jose, Ca. 95131

To Purchaser at: 24860 Birch Street, Willits Ca, 95490 with a copy to Christopher J. Neary, Attorney at Law, Neary and O'Brien, 110 South Main Street, Suite C, Willits, Ca. 95490

Any party may change its address for purposes of this paragraph by giving the other party written notice of the new address to the other party at the address contained herein.

Section 17. Governing Law. This Agreement has been negotiated and entered into in the State of California and shall be governed by, construed, and enforced in accordance with the laws of the State of California and according to its fair meaning, and not in favor of or against any party.

Section 18. Severability. If any provision of this Agreement is held invalid or unenforceable by any court of final jurisdiction, it is the intent of the parties that all the other provisions of this Agreement be construed to remain fully valid, enforceable and binding on the parties.

Section 19. Time is of the Essence. Time is of the essence and performance of this Agreement in respect to all provisions of this Agreement that specify a time for performance, and failure to comply with this provision shall be a material breach of this Agreement.

Section 20. Saturdays, Sundays, and Holidays. If any date by which an election or

a notice must be given falls on a Saturday, Sunday or holiday, then the date by which an election or notice must be given is extended to 5:00 p.m. on the next business day following such Saturday, Sunday or holiday.

Section 21. Waiver. No breach of any provision of this Agreement can be waived unless in writing. Waiver of any one breach of a provision hereof shall not be deemed to be a waiver of any other breach of the same or any other provision, including the time for performance of any such provision. The exercise by a party of any remedy provided in this Agreement or at law shall not prevent the exercise by that party of any other remedy provided in this Agreement or at law.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first written above.

SELLER:

PURCHASER:

BALLELOS TRUST

BROOKTRAILS TOWNSHIP CSD

Rogelio L. Ballelos

R. Richard Williams, President
Board of Directors

Felicisima S. Ballelos

Tamara Alaniz, Secretary

Exhibit A

PRELIMINARY TITLE REPORT



Redwood Empire Title Company of Mendocino County

405 S. Orchard Avenue, P. O. Box 238

Ukiah, CA 95482

Phone: (707)462-8666 • Fax: (707)462-5010

Our No.: 20203104DN

Your No.:

Seller: Rogelio L. Ballelos and Felicisima S. Ballelos, as Trustees under The Rogelio and Felicisima Ballelos Trust, established March 28, 2003

Buyer: Brooktrails Township Community Services District

When replying Please Contact:

ESCROW OFFICER: Debbie Niesen

dniesen@redwoodtitle.com

PRELIMINARY REPORT

Property Address: 3185 Primrose Drive, Willits, CA 95490

In response to the above referenced application for a policy of title insurance, Redwood Empire Title Company of Mendocino County hereby reports that it is prepared to issue, or cause to be issued, as of the date hereof, a Policy or Policies of Title Insurance describing the land and the estate or interest therein hereinafter set forth, insuring against loss which may be sustained by reason of any defect, lien or encumbrance not shown or referred to as an Exception below or not excluded from coverage pursuant to the printed Schedules, Conditions and Stipulations of said Policy forms.

The printed Exceptions and Exclusions from the coverage and Limitations on Covered Risks of said Policy or Policies are set forth in Exhibit A attached. Copies of the Policy forms should be read. They are available from the office which issued this report.

Please read the exceptions shown or referred to below and the exceptions and exclusions set forth in Exhibit A of this report carefully. The exceptions and exclusions are meant to provide you with notice of matters which are not covered under the terms of the title insurance policy and should be carefully considered.

It is important to note that this preliminary report is not a written representation as to the condition of title and may not list all liens, defects and encumbrances affecting title to the land.

This report (and any supplements or amendments hereto) is issued solely for the purpose of facilitating the issuance of a policy of title insurance and no liability is assumed hereby. If it is desired that liability be assumed prior to the issuance of a policy of title insurance, a Binder or Commitment should be requested.

Dated as of December 4, 2020 at 07:30 AM.

Steve Burlesci
Chief Title Officer

sburlesci@redwoodtitle.com

The form of policy of title insurance contemplated by this report is:

CLTA Standard 1990 Owners Policy
Underwritten by Old Republic National Title Insurance Company

SCHEDULE A

1. The estate or interest in the land hereinafter described or referred to covered by this Report is:

a Fee

2. Title to said estate or interest at the date hereof is vested in:

Rogelio L. Ballelos and Felicisima S. Ballelos, as Trustees under The Rogelio and Felicisima Ballelos Trust, established March 28, 2003

3. The land referred to in this report is situated in the State of California, County of Mendocino and is described as follows:

Block 117, Lot 10, of Tract 86, Brooktrails Vacation Village Subdivision, as per map filed August 17, 1966 in Case 2, Drawer 7, Page 1, Mendocino County Records, as amended by map filed August 16, 1967 in Map Case 2, Drawer 7, Page 2:

Excepting and Reserving all the water and water rights in, under or flowing over said property or appurtenant thereto:

Excepting and Reserving therefrom fifty percent (50%) of all oil, gas and other mineral and hydrocarbon substances below a plane five hundred feet beneath the surface thereof, but without the right of surface entry thereto, as reserved and excepted by the Bank of California.

APN: 100-294-08-01

SCHEDULE B

At the date hereof exceptions to coverage in addition to the printed Exceptions and Exclusions in the said policy form would be as follows:

1. The lien of supplemental taxes, if any, assessed pursuant to the provisions of Section 75, et seq. of the Revenue and Taxation Code of the State of California.
2. The herein described real property may lie within the bounds of Brooktrails Resort Improvement District and is subject to all levies and assessments related thereto. Said levies and assessments are collected in the secured real property tax bills. No separate special assessments are due or payable;

However, in the case of improved lots, Brooktrails Ordinance No. 142 requires that Brooktrails must be notified of pending sales so that they may inspect the sewer laterals. Any repairs they require should be ordered by the parties. After re-inspection, a Certificate of Compliance may be issued. No property will receive water and sewer service unless a Certificate of Compliance is presented with the application for service. Please contact the district for details.

3. Easement(s) for the purposes stated herein and incidental purposes as provided in the document(s):
Recorded: May 28, 1952 in Book 317, Page 363 of Official Records
For: pole lines, conduits and incidental purposes
4. Easements, building setback lines, notations and/or recitals as shown or provided for on the map referred to in the legal description.
5. Terms and conditions contained in the Rogelio and Felicisima Ballelos Trust, established March 28, 2003 as disclosed by Grant Deed to Revocable Trust for Grantors recorded May 30, 2003 as 2003-13681 of Official Records
NOTE: The requirement that a Certification of Trust be furnished in accordance with California Probate Code Section 18100.5.

END OF SCHEDULE B

INFORMATIONAL NOTES:

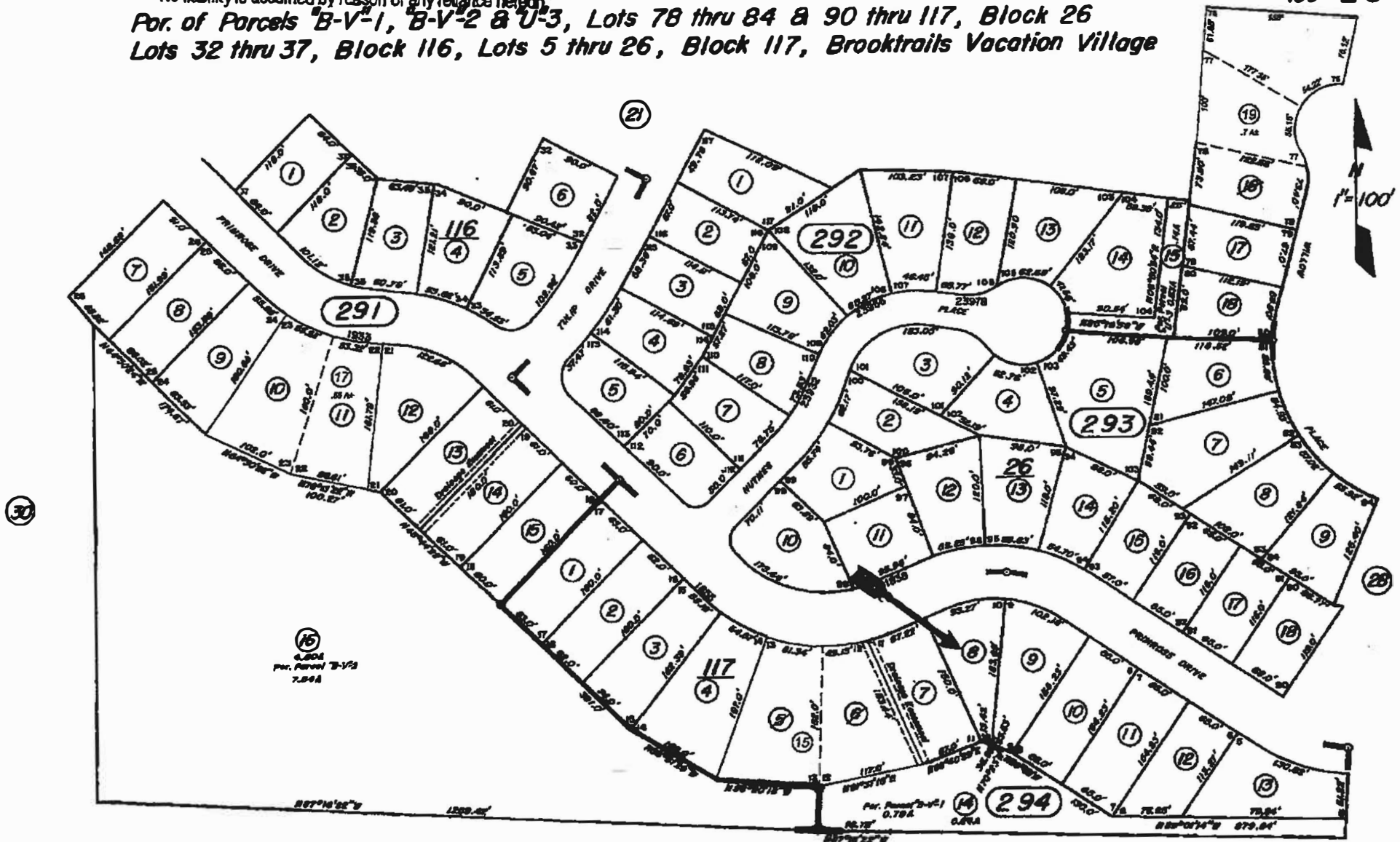
1. Taxes and assessments, general and special, for the fiscal year 2020 - 2021, as follows
Assessor's Parcel No.: 100-294-08-01
Code No.: 153-012
1st Installment: \$116.14, Paid
2nd Installment: \$116.14, Paid
2. NOTE: According to the public records, there have been no deeds conveying the property described in this report recorded within a period of 24 months prior to the date hereof except as follows: NONE

Notice: This is neither a plat nor a survey. It is furnished merely as a convenience to aid you in locating the land indicated hereon with reference to streets and other land. No liability is assumed by reason of any reliance hereon.

Por. of Parcels "B-V-1, B-V-2 & U-3, Lots 78 thru 84 & 90 thru 117, Block 26
Lots 32 thru 37, Block 116, Lots 5 thru 26, Block 117, Brooktrails Vacation Village

153-012

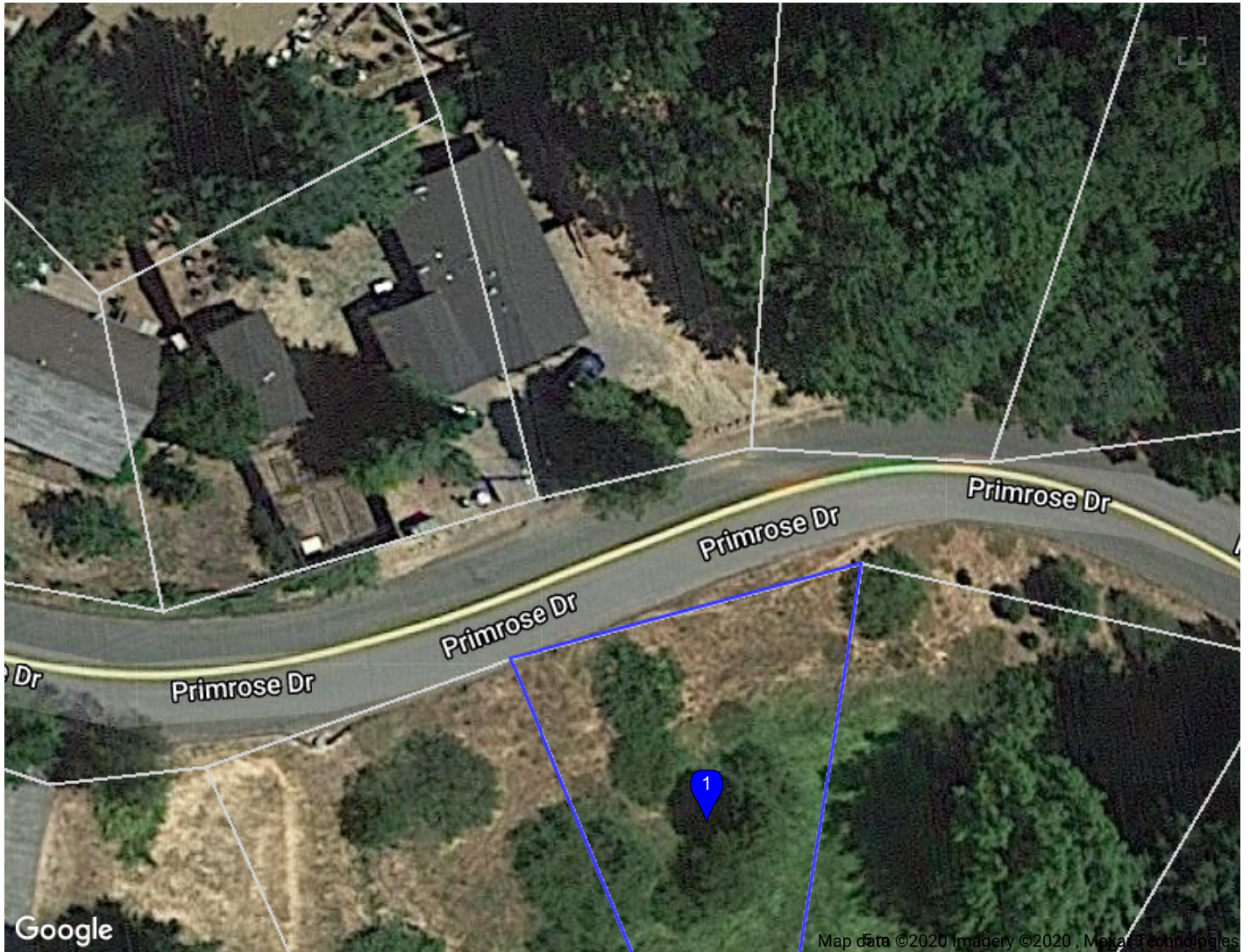
100-29



NOTE: This map was prepared for assessment purposes only. No liability is assumed for the data delineated hereon.

0438
02

Assessor's Map
County of Mendocino, Calif.
Updated March 6, 2017





LIST 1
DETAIL

☒ 1 Property Address: 3185 PRIMROSE DR WILLITS CA 95490-5855

Ownership

County: **MENDOCINO, CA**
Assessor: **KATRINA BARTOLOMIE, ASSESSOR**
Parcel # (APN): **100-294-08-01**
Parcel Status: **ACTIVE**
Owner Name: **BALLELOS ROGELIO L & FELICISIMA S TTEES**
Mailing Address: **1341 MOSSLAND DR SAN JOSE CA 95131**
Legal Description:

Assessment

Total Value:	\$5,000	Use Code:	0000	Use Type:	VACANT
Land Value:	\$5,000	Tax Rate Area:	153-012	Zoning:	SR 6K
Impr Value:		Year Assd:	2020	Census Tract:	107.00/2
Other Value:		Property Tax:		Price/SqFt:	
% Improved:	0%	Delinquent Yr:			
Exempt Amt:		HO Exempt:	N		

Sale History

	Sale 1	Sale 2	Sale 3	Transfer
Document Date:	05/30/2003	08/01/1989		05/30/2003
Document Number:	13681	14289		13681
Document Type:				
Transfer Amount:		\$25,000		
Seller (Grantor):				

Property Characteristics

Bedrooms:	Fireplace:	Units:
Baths (Full):	A/C:	Stories:
Baths (Half):	Heating:	Quality:
Total Rooms:	Pool:	Building Class:
Bldg/Liv Area:	Park Type:	Condition:
Lot Acres:	Spaces:	Site Influence:
Lot SqFt:	Garage SqFt:	Timber Preserve:
Year Built:		Ag Preserve:
Effective Year:		



BROOKTRAILS TOWNSHIP

COMMUNITY SERVICES DISTRICT

24860 Birch Street

Willits, California 95490

Phone: 707-459-2494

Fax: 707-459-0358

btcscd@btcscd.org

Board Meeting
Agenda Item K-8

To: Board of Directors

From: Tamara Alaniz

Date: January 12, 2021

Re: Consideration of Resolution 2021-02 Authorizing the Issuance and Sale of Not to Exceed \$3,500,000 Water Revenue Refunding Bonds and Directing Additional Associated Actions

BACKGROUND

On October 13, 2020, the Board unanimously authorized staff to proceed with consultants engaged to refinance the District's water infrastructure bonds by adopting Resolution No. 2020-09 approving the issuance of Water Revenue Refunding Bonds, Series 2021.

There are three water infrastructure bond debt obligations to be refunded by the Series 2021 Water Revenue Refunding Bonds:

- a) Installment Sale Agreement, dated as of June 13, 2005 ("2005 ISA"), between the District and Public Property Financing Corporation of California, a non-profit public benefit corporation (the "Corporation"), which secures the \$454,000 Certificate of Participation (Brooktrails Township Community Services District—Water Project), Series 2005 issued to the United States of America, acting through Rural Utilities Service, United States Department of Agriculture ("USDA");
- (b) Loan Agreement, dated as of June 13, 2005 ("2005 Loan Agreement"), between the District, as borrower, and USDA, as lender, in the initial principal amount of \$149,000; and,
- (c) Installment Sale Agreement, dated as of April 16, 2008 ("2008 ISA"), between the District and the Corporation, which secures \$3,165,000 Certificate of Participation Brooktrails Township Community Services District (Reservoir Spillway Water Project), Series 2008 issued to the USDA.

The above USDA-funded water debt has an interest rate of 4.25% and can be refunded with no prepayment premium, once a 30-day written notice of prepayment is provided.

DISCUSSION

Approval of Resolution No. 2021-02 will enable the District to move forward to final pricing and closing, thereby securing refunding savings through the issuance of the refinanced bonds. It is currently estimated the District would realize total net present value savings of \$388,790 or 12.265% of the refunded principal of subject USDA water debt obligations. The industry standard is that a refunding should produce 3-5% of net present value savings before being undertaken. With estimated net present value savings of 12.265%, the District is well about its minimum 5% net present value savings requirement, per Section 1 of this resolution.

Total net cash flow savings are currently estimated at \$806,876, and approximately \$28,000 per year through maturity in 2048, which is the current maturity date on 2008 Installment Sale Agreement. (The maturity dates on the refunded debt have not been extended). Existing debt service reserve funds estimated at \$237,752, will be used to pay down debt principal at closing, increasing annual cash flow savings.

It is anticipated that an “AA” rated bond insurance will be available to the District for the planned refunding; and, a surety insurance policy provided by the municipal bond insurance company would be in lieu of a cash funded debt service reserve fund, further enabling the use of existing debt service reserve funds to pay down debt at closing. The bond underwriter, Hilltop Securities and the District’s Municipal Advisor, W. J. Fawell Co., Public Finance will evaluate if selling the refunding bonds with and without bond insurance would maximize refunding savings.

Standard & Poor (S&P) Global Ratings has assigned a rating of “A” with a “stable” outlook to the District’s 2021 water revenue refunding bonds. A copy of the January 4, S&P Global Rating Letter and the January 5, 2021 S&P Rating report are attached.

Required Legal Disclosure

In accordance with Government Code Section 5852.1, the following information has been obtained and disclosed to the Board of Directors prior to the issuance of the Bonds: (i) the estimated true interest cost of the Bonds (being the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the Bonds) is 3.354%, (ii) the estimated finance charge of the Bonds (being the sum of all fees and charges paid to third parties) is \$210,000, (iii) the estimated proceeds of the Bonds expected to be received, net of proceeds for finance charges in (ii) above paid from the principal amount of the Bonds and any reserves or capitalized interest paid or funded with Bonds is \$3,237,000, and (iv) the estimated total payment amount of the Bonds (being the sum of debt service plus finance to be paid to final maturity, plus any financing costs not paid from proceeds of the Bonds) is \$4,568,000. This information is based on good-faith estimates provided by the Underwriter.

Overview of Documents for Approval January 12, 2021 by the Board of Directors:
-Resolution No. 2021-02

This resolution continues the process for refunding the USDA water debt obligations to save on interest costs, completing the Board-required actions. Staff can proceed with consultants on selling the refunding bonds upon approval.

Bill Fawell, Municipal Advisor to the District on the refunding bonds, has recommended that Hilltop Securities be appointed as the bond underwriter. As Municipal Advisor to the District, Mr. Fawell will review the underwriting discount and pricing of the refunding bonds to ensure that all reflect the current market and are reasonable.

Hilltop Securities will serve in the role of bond underwriter in a negotiated sale of the refunding bonds and will oversee the underwriting effort and be responsible for maintaining all records to ensure that all is done in compliance with securities laws and regulations that govern the underwriting of municipal bonds. Hilltop Securities is one of nation's largest municipal bond underwriters. Mike Cavanaugh, Managing Director and Ryan Cunningham, Director, have an excellent reputation and work primarily with California local government issuers on the sale of publicly sold bonds and on direct lender loans, also referred to as private placements. Mr. Cavanaugh and Mr. Cunningham are based in Cardiff-by-the-Sea and do most of their financing work for CA local government agencies. Compensation to the bond underwriters is derived from the underwriting discount paid from financing proceeds that is payable contingent on closing.

Based on input from Mr. Cavanaugh on the current interest rate market for tax-exempt bonds, refunding savings can be maximized using a "AA" insured refunding bond issue versus using a direct lender loan. Therefore, Mr. Fawell has recommended proceeding with refinancing, assuming that refunding bonds will be sold using an "AA" insured bond issue or, if necessary, using the S&P underlying "A" rating without bond insurance.

-Indenture of Trust (form of)

A trust indenture is an agreement in a bond contract made between a bond issuer (District) and a trustee (BNY Mellon) that represents the bondholder's interests by highlighting the rules and responsibilities to which each party must adhere and indicates the income stream for payment of debt service on the bonds to be issued and related matters. The Indenture of Trust was prepared by James Wawrzyniak, Jr. of Jones Hall, the District's Bond Counsel.

-Official Statement (Prospectus)

The Official Statement provides a detailed description of the District and refunding Bonds, plan of refunding, credit information, refunding debt service schedule, sources and uses of bond proceeds, sources of funds to repay the bonds, security for the bonds,

risk factors, local and County economic data, bond rating, description of the legal financing documents such as the authorizing resolution, indenture, tax matters and other financial information that Jones Hall has determined to be disclosed to bond purchasers. This document is used to market the bonds to investors, assuming a public offering. This would not be utilized in the case of a private placement loan from a bank.

Blank portions of the Preliminary Official Statement will be completed once the refunding bonds are sold and final refunding numbers are generated. Dave Fama of Jones Hall is acting as Disclosure Counsel and has prepared the Official Statement.

-Bond Purchase Agreement (form of)

The Bond Purchase Agreement (BPA) is drafted by Underwriter's Counsel as a legally binding document between the bond issuer and bond underwriter, establishing the terms of a bond sale. The terms of a bond purchase agreement will include sale price (rate) and yield for each maturity of the bonds, not to exceed underwriter compensation (payable contingent on closing from financing proceeds), bond interest rates, bond maturity, bond redemption provisions, sinking fund provisions and conditions under which the BPA may be cancelled. This document may but is not required to be used if the bonds are sold via a private placement to a bank.

The blanks in the BPA will be filled once the refunding bonds have been final priced (sold). Upon conclusion of final pricing, the issuer (District) and the bond underwriter will execute the BPA. Underwriter's Counsel is Albert Reyes, Partner with Kutak Rock, a nationally recognized municipal bond counsel firm in the issuance of municipal securities. Mr. Reyes works from the firm's Los Angeles and Irvine offices and served in a similar capacity during the City of Willits wastewater bond refinancing process. Mr. Fawell will review underwriting costs of the refunding bonds to ensure that the rates and terms reflect market conditions on the day of sale.

Financing Schedule

The refunding process is projected to close on or before February 25, 2021, although this is dependent on market conditions, timing of approvals, and other factors:

January 5, 2021	•	Receive S&P Rating and municipal bond insurance bids
January 8, 2021	•	Receive Bond Insurance Bid from AGM
January 12, 2021	•	Board approves Preliminary Official Statement (POS) and Legal Documents
January 20, 2021	•	POS sent to prospective buyers by bond underwriter; pre-marketing period begins
February 3, 2021	•	Refinancing Bonds Priced (sold); Bond Purchase Contract Signed
February 25, 2021	•	Closing; All USDA Water Obligations paid off

RECOMMENDATION

Move to adopt Resolution No. 2021-02 Authorizing the Issuance and Sale of Not to Exceed \$3,500,000 Water Revenue Refunding Bonds and Authorizing and Directing Additional Associated Actions

ATTACHMENTS

- 1.) Resolution No. 2021-02 Authorizing the Issuance of and Sale of Not to Exceed \$3,500,000 of Water Revenue Refunding Bonds and Authorizing and Directing Additional Associated Actions
- 2.) Indenture of Trust (form of)
- 3.) Preliminary Official Statement.
- 4.) Bond Purchase Agreement (form of)
- 5.) S&P Global Rating Letter and six-page Rating Report with assigned “A” rating and “stable” outlook for the District’s 2021 Water Revenue Refunding Bonds

RESOLUTION 2021-02

A RESOLUTION OF THE BOARD OF DIRECTORS OF BROOKTRAILS TOWNSHIP COMMUNITY SERVICES DISTRICT AUTHORIZING THE ISSUANCE AND SALE OF NOT TO EXCEED \$3,500,000 WATER REVENUE REFUNDING BONDS AND DIRECTING ADDITIONAL ASSOCIATED ACTIONS

WHEREAS, the Board of Directors (“Board”) of the Brooktrails Township Community Services District (“Township”) wishes to ensure that long-term debt is monitored and financed in the best and most affordable manner possible;

WHEREAS, the Township owns and operates a system for the supply, treatment and distribution of water within the service area of the Township (the “Water System”), and in order to provide funds to finance improvements to the Water System, the Township previously entered into the following obligations, which are secured by and payable from the net revenues of the Water System (collectively, “Prior Obligations”):

(a) Installment Sale Agreement, dated as of June 13, 2005, between the Township and Public Property Financing Corporation of California, a non-profit public benefit corporation (the “Corporation”), which secures the \$454,000 Certificate of Participation (Brooktrails Township Community Services District—Water Project), Series 2005 issued to the United States of America, acting through Rural Utilities Service, United States Department of Agriculture (“USDA”);

(b) Loan Agreement, dated as of June 13, 2005, between the Township, as borrower, and USDA, as lender, in the initial principal amount of \$149,000; and,

(c) Installment Sale Agreement, dated as of April 16, 2008, between the Township and the Corporation, which secures \$3,165,000 Certificate of Participation Brooktrails Township Community Services District (Reservoir Spillway Water Project), Series 2008 issued to the USDA.

WHEREAS, the Prior Obligations may be prepaid by the Township, without premium, on any date, and in order to take advantage of current interest rates to achieve debt service savings on the Prior Obligations, the Township wishes to refinance the Prior Obligations via the public offering and sale of revenue refunding bonds secured by and payable from the net revenues of the Water System (the “Bonds”); and,

WHEREAS, the information required to be obtained and disclosed by the Board of Directors in accordance with Government Code Section 5852.1 with respect to the Bonds is set forth in the staff report accompanying this Resolution.

NOW, THEREFORE, the Board of Directors of Brooktrails Township Community Services District resolves as follows:

Section 1: Issuance of Bonds; Approval of Indenture

The Board hereby authorizes the issuance of the Bonds in the aggregate principal amount of not to exceed \$3,500,000; provided, the net present value savings realized by the refinancing is at least equal to 5.00%. The Bonds shall be issued pursuant to an Indenture of Trust (the "Indenture"), in substantially the form on file with the Secretary, with such changes as an Authorized Officer may deem advisable. The General Manager or a designee (each, an "Authorized Officer") is hereby authorized and directed for and in the name and on behalf of the Township to execute, and the Secretary is hereby authorized and directed to attest, the Indenture, substantially in the form on file with the Secretary, together with any changes therein or additions thereto deemed advisable by an Authorized Officer, whose execution thereof shall be conclusive evidence of the approval of any such changes or additions.

Section 2: Approval of Negotiated Sale of Bonds

The Board hereby approves the negotiated sale of the Bonds to Hilltop Securities, Inc., as underwriter (the "Underwriter"). The Bonds shall be sold to the Underwriter upon the terms and conditions set forth in the Bond Purchase Agreement, in substantially the form on file with the Secretary; provided, that the maximum amount of Underwriter's discount on the purchase of the Bonds shall not exceed 1.75% of the par amount of the Bonds. Subject to the foregoing, an Authorized Officer is hereby authorized and directed for and in the name and on behalf of the Township to execute the Bond Purchase Agreement, substantially in the form on file with the Secretary, together with any changes therein or additions thereto deemed advisable by an Authorized Officer, whose execution thereof shall be conclusive evidence of the approval of any such changes or additions.

Section 3: Official Statement

The Board hereby approves, and hereby deems nearly final within the meaning of Rule 15c2-12 of the Securities Exchange Act of 1934, the preliminary Official Statement for the Bonds, in the form on file with the Secretary. The Underwriter is hereby authorized to distribute the Official Statement in connection with the sale of the Bonds. Each Authorized Officer is hereby authorized and directed to (a) execute and deliver to the Underwriter a certificate deeming the preliminary Official Statement to be nearly final as of its date, (b) approve any changes in or additions to cause such Official Statement to be put in final form, once pricing information for the Bonds is available, and (c) execute said final Official Statement for and in the name and on behalf of the Township.

Section 4: Continuing Disclosure Certificate

The Board hereby approves the form of the Continuing Disclosure Certificate, which is included as an appendix to the preliminary Official Statement for the Bonds approved above. An Authorized Officer is hereby authorized and directed for and in the name and on behalf of the Township to execute the Continuing Disclosure Certificate, together

with any changes therein or additions thereto deemed advisable by an Authorized Officer, whose execution thereof shall be conclusive evidence of the approval of any such changes or additions.

Section 5: Official Actions

The President, the Vice-President, the General Manager, and all other officers of the Township are each authorized and directed in the name and on behalf of the Township to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate any of the transactions contemplated by the documents approved pursuant to this Resolution, including purchase of a municipal bond insurance policy and/or reserve fund insurance policy for the Bonds. Whenever in this resolution any officer of the Township is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.

Section 6: Effective Date

This Resolution shall take effect immediately upon its adoption.

ADOPTED this 12th day of January 2021, at a regular meeting of the Board of Directors of Brooktrails Township Community Services District by the following roll call vote:

AYES:

NAYS:

ABSENT:

R. Richard Williams, President

ATTEST:

Tamara Alaniz, Secretary to the Board

ATTACHMENT 2

INDENTURE OF TRUST

by and between the

BROOKTRAILS TOWNSHIP COMMUNITY SERVICES DISTRICT

and

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
as Trustee**

Dated as of _____ 1, 2021

Relating to:

\$ _____
**Brooktrails Township Community Services District
Water Revenue Refunding Bonds,
Series 2021 (Bank Qualified)**

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INDENTURE

THIS INDENTURE OF TRUST, made and entered into as of _____ 1, 2021, by and between the BROOKTRAILS TOWNSHIP COMMUNITY SERVICES DISTRICT, a community services district organized and existing under the constitution and laws of the State of California (the "District"), and The Bank of New York Mellon Trust Company, N.A., national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee");

WITNESSETH:

WHEREAS, the District owns and operates a system for the supply, treatment and distribution of water within the service area of the District (as further defined herein, the "Water System"), and in order to provide funds to finance improvements to the Water System, the District previously entered into the following obligations, which are secured by and payable from the net revenues of the Water System (collectively, the "Prior Obligations"):

(a) Installment Sale Agreement, dated as of June 13, 2005, between the District and Public Property Financing Corporation of California, a non-profit public benefit corporation (the "Corporation"), which secures the \$454,000 Certificate of Participation (Brooktrails Township Community Services District—Water Project), Series 2005 issued to the United States of America, acting through Rural Utilities Service, United States Department of Agriculture ("USDA");

(b) Loan Agreement, dated as of June 13, 2005, between the District, as borrower, and USDA, as lender, in the initial principal amount of \$149,000; and

(c) Installment Sale Agreement, dated as of April 16, 2008, between the District and the Corporation, which secures \$3,165,000 Certificate of Participation Brooktrails Township Community Services District (Reservoir Spillway Water Project), Series 2008 issued to the USDA; and

WHEREAS, the Prior Obligations may be prepaid by the District, without premium, on any date, and in order to take advantage of current interest rates to achieve debt service savings on the Prior Obligations, the District wishes to refinance the Prior Obligations via the public offering and sale of revenue refunding bonds secured by and payable from the net revenues of the Water System (as further defined herein, the "Bonds");

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof and of the interest and premium, if any, thereon, the Board of Directors has authorized the execution and delivery of this Indenture;

WHEREAS, all of the Bonds will be secured by a pledge of the Net Revenues, as defined herein, and certain other moneys and securities held by the District and the Trustee hereunder; and,

WHEREAS, the District has determined that all acts and proceedings required by law necessary to make the Bonds, when executed by the District, authenticated and delivered by

the Trustee and duly issued, the valid, binding and legal special obligations of the District, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth, in accordance with its terms, have been done and taken; and the execution and delivery of this Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of and the interest and premium (if any) on all Bonds at any time issued and Outstanding under this Indenture, according to their tenor, 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 Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the Bonds by the Owners thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, the District does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Indenture and of the Bonds and of any certificate, opinion, request or other documents herein mentioned have the meanings herein specified.

"Additional Revenues" means:

(i) Net Revenues from any additions to, or improvements or extensions of, the Water System which, during all or any part of a Fiscal Year or other 12-month period were not in service, in an amount equal to 90% of the estimated additional average annual Net Revenues to be derived from such additions, improvements or extensions for the first 36-month period in which such addition, improvement or extension is respectively to be in operation, as shown in the written report of the District; and

(ii) Net Revenues arising from any increase in tolls, rates and charges which have been adopted by the Board prior to the incurring of additional indebtedness but which, during all or any part of a Fiscal Year or other 12-month period were not in effect, in an amount equal to the amount by which the Net Revenues would have been increased if such increase in tolls, rates and charges had been in effect during the whole of such Fiscal Year or other 12-month period, as shown in the written report of the District.

"Authorized Investments" means any of the following securities, if and to the extent the same are at the time legal for investment of District's funds and are acquired by Fair Market Value (provided that the Trustee shall be entitled to rely upon any investment directions from the District as conclusive certification to the Trustee that the investments described therein are so authorized under policies of the District and the laws of the State):

(a) Federal Securities;

(b) Obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including: (i) Export-Import Bank, (ii) Farm Credit System Financial Assistance Corporation, (iii) Rural Economic Community Development Administration (formerly the Farmers Home Administration), (iv) General Services Administration, (v) U.S. Maritime Administration, (vi) Small Business Administration, (vii) Government National Mortgage Association (GNMA), (viii) U.S. Department of Housing & Urban Development (PHA's), (ix) Federal Housing Administration, and (x) Federal Financing Bank.

(c) Direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America: Senior debt obligations rated "Aaa" by Moody's or "AAA" by S&P issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC); Obligations of the Resolution Funding Corporation (REFCORP); Senior debt obligations of the Federal Home Loan Bank System.

(d) U.S. dollar denominated deposit accounts, demand deposits, including interest bearing money market accounts, time deposits, trust funds, trust accounts, overnight bank

deposits, interest-bearing deposits, other deposit products, certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the District, federal funds and bankers' acceptances with domestic commercial banks which may include the Trustee and its affiliates which have a rating on their short-term certificates of deposit and other deposit products on the date of purchase of "P-1" by Moody's or "A-1" or "A-1+" by S&P.

(e) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" by Moody's or "A-1+" by S&P.

(f) A taxable or tax-exempt government money market fund rated in one of the two highest categories by Moody's or S&P. Such money market funds may include funds for which the Trustee, its affiliates or subsidiaries receives and retains a fee for services provided to the funds, whether as custodian, transfer agent, investment advisor or otherwise.

(g) Demand deposits, including interest bearing money market accounts, time deposits, trust funds, trust accounts, other deposit products, overnight bank deposits, interest-bearing deposits, and certificates of deposit, including those placed by a third party pursuant to an agreement between the Trustee and the Authority, or bankers acceptances of depository institutions, including the Trustee or any of its affiliates, which are fully FDIC-insured.

(h) Pre-refunded "Municipal Obligations" defined as follows: Any obligations or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(1) which are rated, based on an irrevocable escrow account of fund (the "escrow"), in the highest rating category of S&P or Moody's; or

(2) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph (i) of the definition of Federal Securities hereinafter, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such obligations or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the Obligations or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

(i) Municipal obligations rated "Aaa/AAA" or general obligations of the State with a rating of at least "A2/A" or higher by S&P or Moody's.

(j) Investment agreements: (1) with financial institutions whose long-term general credit rating is "A" or better from S&P or Moody's, by the terms of which the Trustee may withdraw funds from the provider of such investment agreement if such rating falls below "A"; or (2) which are fully collateralized by Authorized Investments described in (a), (b) or (c) of this definition in an amount at least equal to 105% of the amount being invested in such investment agreement, by the terms of which such collateral is valued at least quarterly, and the Trustee

may withdraw funds from the provider of such investment agreement if the market value of such collateral falls below 105% of the amount invested in such investment agreement.

(k) The Local Agency Investment Fund referred to in Section 16429.1 of the Government Code of the State.

(l) Ratings of Investment Securities referred to herein shall be determined at the time of purchase of such Permitted Investments and without regard to rating subcategories. The Trustee shall have no responsibility to monitor the ratings of Permitted Investments after the initial purchase of such Permitted Investments or the responsibility to validate the ratings of Permitted Investments prior to the initial purchase.

“Authorized Representative” means the President of the Board, General Manager, Finance Manager, Secretary, or any other officer of the District duly authorized by the Board.

“Balloon Indebtedness” means, with respect to any Parity Obligation or Subordinated Obligation 25% or more of the principal or other face amount of which matures or becomes due on the same date or within a 12-month period (with mandatory sinking fund payments deemed to be payments of matured principal), that portion of such Parity Obligation or Subordinated Obligation which matures or becomes due on such date or within such 12-month period.

“Board” means the Board of Directors of the District, or any other legislative body of the District hereafter provided for pursuant to law.

“Bond Buyer 20 Bond Index” means the index of such name published by The Bond Buyer daily financial publication which can be found at bondbuyer.com/broker/bond-buyer-data or, if such index is no longer published, a comparable index selected by the District.

“Bond Counsel” means (i) Jones Hall, A Professional Law Corporation or (ii) any other attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

“Bond Law” means Sections 53570 et seq. and 53580 et seq. of the California Government Code, as in effect on the Closing Date.

“Bond Registration Books” means the books maintained by the Trustee pursuant to Section 2.08 for the registration and transfer of ownership of the Bonds.

“Bond Year” means the twelve-month period beginning on the anniversary of the Closing Date in each year and ending on the day prior to the anniversary date of the Closing Date in the following year except that (i) the first Bond Year shall begin on the Closing Date, and (ii) the last Bond Year may end on a redemption date prior to maturity of the Bonds.

“Bonds” means the Brooktrails Township Community Services District Water Revenue Refunding Bonds Series 2021, issued and at any time Outstanding hereunder.

“Business Day” means any day other than a Saturday, Sunday, a day on which commercial banks in New York, New York are authorized or required by law to close, or a day on which the Trustee is authorized by law to remain closed.

"Certificate of the District" means a certificate in writing signed by an Authorized Representative, or by any other officer of the District duly authorized by the Board for that purpose.

"Closing Date" means the date upon which there is an exchange of the Bonds for the purchase price thereof from the Original Purchaser, being _____, 2021.

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

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate executed by the District and dated the date of original execution and delivery of the Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Cost of Issuance Fund" means the account by that name established pursuant to Section 3.03.

"Costs of Issuance" means all expenses incurred in connection with the authorization, issuance, sale and delivery of the Bonds and refinancing of the prior obligations, including but not limited to compensation, fees and expenses of the District and the Trustee and their respective counsel, compensation to any financial consultants and underwriters, legal fees and expenses, filing and recording costs, rating agency fees, costs of preparation and reproduction of documents and costs of printing.

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

"Debt Service," when used with respect to any Debt, means, as of any date of calculation, and with respect to any applicable period, the sum of (i) the interest due on such Debt during such period, (ii) the principal (including mandatory sinking fund payments) due on such Debt during such period, and (iii) any other regularly scheduled payments due on such Debt (e.g., annual fees); provided, however, that for purposes of such calculation:

(a) unless a different subsection of this definition applies for purposes of determining maturities or amortization, in determining the amount due in each period, payment shall be assumed to be made in accordance with any amortization schedule established for such Debt;

(b) Balloon Indebtedness shall be treated as if it were to be amortized in substantially equal annual installments during the term of twenty (20) years from the applicable date of calculation, assuming an annual interest rate equal to the Bond Buyer 20 Bond Index;

(c) in determining the Debt Service on any Debt which provides for interest to be payable thereon at a rate per annum that may vary from time to time over the term thereof in accordance with procedures provided in the instrument creating such Debt, for which a Swap Contract is not in place, and which for any future period of time is not susceptible of precise determination, the interest rate on such Debt for any period prior to the date of calculation or for which the interest rate has been determined shall be the actual interest payable during such period, and for each year in which such Debt is Outstanding and for which the actual interest rate cannot be determined, the interest rate on such Debt for the period of determination shall be deemed to be rate of interest based on the last 12-month average of the Bond Buyer 20 Bond Index or such other rate that, in the reasonable judgement of the District, most closely approximates the rate of interest otherwise applicable to such Debt; and

(d) for any Debt bearing interest at a variable interest rate for which a Swap Contract is in place providing for a synthetic fixed interest rate to maturity or for a specific term, the interest rate on such Debt shall be assumed to be the synthetic fixed interest rate specified in such Swap Contract for such term.

"Debt Service Fund" means the fund by that name established and held by the Trustee pursuant to Section 4.03.

"Depository" means (a) initially, DTC, and (b) any other Securities Depositories acting as Depository pursuant to Section 2.10.

"Depository System Participant" means any participant in the Depository's book-entry system.

"District" means the Brooktrails Township Community Services District, a community services district organized and existing under the Constitution and laws of the State, and any successor thereto.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"Event of Default" means any of the events described in Section 8.01.

"Fair Market Value" means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated

interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the District and related parties do not own more than a 10% beneficial interest therein if the return paid by the fund is without regard to the source of the investment. To the extent required by the applicable regulations under the Code, the term "investment" will include a hedge.

"Federal Securities" means any of the following, which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) direct general 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) obligations of any department, agency or instrumentality of the United States of America the timely payment of principal of and interest on which are unconditionally and fully guaranteed by the United States of America.

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

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

(a) all income, rents, rates, fees, assessments, charges or other moneys derived from the services, facilities and commodities sold, furnished or supplied through the facilities of the Water System,

(b) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or pursuant to the law to the Water System, and

(c) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Water System as permitted in this Indenture;

provided, that the term "Gross Revenues" shall not include customers' deposits or any other deposits subject to refund until such deposits have become the property of the District.

"Indenture" means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended pursuant to the provisions hereof.

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants appointed and paid by the District, and who, or each of whom-

(a) is in fact independent and not under domination of the District;

(b) does not have any substantial identity of interest, direct or indirect, with the District; and

(c) is not and no member of which is connected with the District as an officer or employee of the District, but who may be regularly retained to make annual or other audits of the books of or reports to the District.

"Information Services" means in accordance with then-current guidelines of the Securities and Exchange Commission, the Electronic Municipal Market Access System (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board (at <http://emma.msrb.org>), or such service or services as the District may designate in a certificate delivered to the Trustee.

"Insurance Policy" means the Municipal Bond Insurance Policy No. _____ provided by the Insurer for the Bonds.

"Insurer" or " " means _____, as the provider of the Insurance Policy and the Reserve Policy.

"Interest Payment Date" means June 1 and December 1 in each year, beginning June 1, 2021, and continuing so long as any Bonds remain Outstanding.

"Interest Requirement" means, as of any particular date of calculation, the amount equal to any unpaid interest then due and payable, plus an amount which will on the next succeeding Interest Payment Date be equal to the interest to become due and payable on the Bonds on such next succeeding Interest Payment Date.

"Maintenance and Operation Expenses" means the reasonable and necessary costs spent or incurred by the District for maintaining and operating the Water System, calculated in accordance with sound accounting principles, and including all reasonable and necessary administrative costs of the District attributable to the Water System, such as salaries and wages overhead, insurance, taxes (if any), and fees of auditors, accountants, attorneys or engineers, but excluding (i) Debt Service or other similar payments on the Bonds and any Parity Obligations, and (ii) depreciation and obsolescence charges, reserves therefore, and amortization of intangibles, inter-fund transfers, and other bookkeeping entries of a similar nature.

"Maximum Annual Parity Debt Service" means, for any period of calculation, the maximum amount of Parity Debt Service due during such period.

"Moody's" means Moody's Investors Service, and its successors or assigns, except that if such entity shall no longer perform the functions of a securities rating agency, then the term "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

"Net Proceeds", when used with reference to any insurance or condemnation award or sale of property, means the gross proceeds from the sale of property or insurance or condemnation award with respect to which that term is used remaining after payment of all expenses (including attorneys' fees and any extraordinary expenses of the Trustee) incurred in the collection of such gross proceeds.

"Net Revenues" means Gross Revenues less Maintenance and Operation Expenses.

"Original Purchaser" means Samuel A. Ramirez & Co., Inc., as the first purchaser of the Bonds.

"Outstanding", when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 7.03) all Bonds theretofore executed, issued and delivered by the District under this Indenture except -

(a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid or deemed to have been paid within the meaning of Section 9.03; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered by the District pursuant to this Indenture.

"Owner" or "Bond Owner" or "Bondowner", when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Bond Registration Books.

"Parity Debt Service" means, for any period of calculation, Debt Service on Parity Obligations during such period.

"Parity Obligations" means any installment payments, leases, loans or other evidences of indebtedness payable from the Net Revenues on a parity with the foregoing.

"Parity Obligation Instruments" means any resolution, agreement, capital lease, installment sale agreement, indenture, trust agreement, loan agreement or other instrument under which any Parity Obligation is issued or incurred.

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Certificate.

"Principal Corporate Trust Office" means the corporate trust office of the Trustee at the address set forth in Section 9.10 or such other place designated by the Trustee, provided that for purposes of payment, cancellation, surrender, redemption, exchange and transfer of Bonds, such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

"Principal Installment" means, with respect to any particular Principal Payment Date, an amount equal to the sum of (i) the aggregate principal amount of Outstanding Serial Bonds payable on such Principal Payment Date (but not including Sinking Fund Installments) and (ii) the aggregate of Sinking Fund Installments with respect to all Outstanding Term Bonds payable on such Principal Payment Date.

"Principal Payment Date" means the date on which Principal Payments are required to be made pursuant to Section 2.01.

"Record Date" means the 15th calendar day of the month immediately preceding an Interest Payment Date.

"Redemption Account" means the Account by that name established and held by the Trustee pursuant to Section 4.03.

"Redemption Price" means, with respect to any Bond, the principal amount thereof, plus the applicable premium, if any, payable upon redemption thereof pursuant to this Indenture.

"Request of the District" means a request in writing signed by an Authorized Representative, or by any other officer of the District duly authorized by the Board for that purpose.

"Reserve Policy" means the Municipal Bond Insurance Reserve Policy No. R-_____ provided by the Insurer for deposit to the Reserve Account.

"Reserve Requirement" means \$_____, which equals the lesser of (a) maximum annual Debt Service on the Bonds, (b) 125% of the average annual Debt Service on the Bonds, or (c) 10% of the principal amount of the Bonds, as calculated by the District.

"S&P" means S&P Global Ratings, and its successors or assigns, except that if such entity shall no longer perform the functions of a securities rating agency, then the term "S&P" shall be deemed to refer to any other nationally recognized securities rating agency selected by the District.

"Serial Bonds" means all Bonds other than Term Bonds.

"Sinking Fund Installment" means, with respect to any particular date, the amount of money required to be paid by the District on such date toward the retirement of any particular Term Bonds prior to their respective stated maturities.

"State" means the State of California.

"Subordinated Obligation" means Debt issued or incurred by the District that is payable from the Net Revenues on a basis that is subordinate to payment of the Parity Obligations.

"Supplemental Indenture" means any supplement or amendment to this Indenture which complies with the provisions of Section 7.01 or 7.02.

"Swap Contract" means any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement.

"Term Bonds" means the Bonds maturing on June 1, 20__ and June 1, 20__.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., appointed by the District to act as trustee hereunder pursuant to Section 6.01, and any other corporation or association which may at any time be substituted in its place, as provided in Section 6.01.

"Water Revenue Fund" means the fund by that name held by the District as set forth in Section 4.02.

"Water System" means any and all facilities, properties and improvements at any time owned, controlled or operated by the District for the collection and treatment of water and other real or personal property useful in connection therewith.

SECTION 1.02. Rules of Construction. All references in this Indenture to "Articles," "Sections," and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; and the words "herein," "hereof," "hereunder," and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons.

SECTION 1.03. Authorization and Purpose of Bonds. The District has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines that all things, conditions, and acts required by law to exist, happen and/or be performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the District is now authorized, pursuant to the Bond Law and each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture. Accordingly, the District hereby authorizes the issuance of the Bonds pursuant to the Bond Law and this Indenture for the purpose of providing funds to refund the Prior Obligations and to pay Costs of Issuance of the Bonds.

SECTION 1.04. Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract among the District, the Trustee and the Owners from time to time of the Bonds; and the covenants and agreements herein set forth to be performed on behalf of the District shall be for the equal and proportionate benefit, security and protection of all Owners of the Bonds without preference, priority or distinction as to security or otherwise of any of the Bonds over any of the others by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

ARTICLE II

ISSUANCE OF BONDS

SECTION 2.01. Terms of Bonds.

(a) General. The Bonds authorized to be issued by the District under and subject to the Bond Law and the terms of this Indenture shall be issued in a single series in the amount of \$_____ and designated as the "Brooktrails Township Community Services District Water Revenue Refunding Bonds Series 2021".

(b) Maturities. The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond shall have more than one maturity date. The Bonds shall mature on June 1 in each of the years and in the amounts, and shall bear interest at the rates, as follows:

Maturity (June 1)	Principal Amount	Interest Rate
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(c) Payment on the Bonds. Interest on the Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Bond Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check or draft of the Trustee mailed on the applicable Interest Payment Date by first class mail to the Owner or, at the option of any Owner of at least \$1,000,000 aggregate principal amount of the Bonds with respect to which written instructions have been filed with the Trustee prior to the Record Date, by wire transfer, at the address of such Owner as it appears on the Bond Registration Books. In the event there exists a default in payment of interest due on such Interest Payment Date, such interest shall be payable on a payment date established by the Trustee to the persons in whose names the Bonds are registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Trustee to the registered Owners of the Bonds not less than 15 days preceding such special record date. Principal of and premium (if any) on any Bond shall be paid upon presentation and surrender thereof at the Principal Corporate Trust Office of the Trustee. Both the principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

The Bonds shall be dated the Closing Date and bear interest based on a 360-day year comprised of twelve 30-day months from the Interest Payment Date next preceding the date of authentication thereof, unless said date of authentication is an Interest Payment Date, in which event such interest is payable from such date of authentication, and unless said date of authentication is prior to the first Record Date, in which event such interest is payable from the Closing Date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the date to which interest has previously been paid or made available for payment thereon in full.

SECTION 2.02. Redemption of Bonds.

(a) Optional Redemption. The Bonds maturing on or before June 1, 20__ shall not be subject to optional redemption prior to maturity. The Bonds maturing on or after June 1, 20__ shall be subject to redemption prior to their respective maturity dates, at the option of the District, as a whole, or in part, as determined by the District, on any date on or after June 1, 20__, from any source of available funds, at a Redemption Price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption.

The District shall give the Trustee written notice of its intention to optionally redeem Bonds no less than 45 days prior to the proposed redemption date.

(b) Mandatory Sinking-Fund Redemption. The Bonds maturing on June 1, 20__ and June 1, 20__ (the "Term Bonds") are subject to redemption prior to their stated maturities, in part by lot, from Sinking Fund Installments, at the principal amount thereof and interest accrued thereon to the date of redemption, without premium, according to the following schedules:

Term Bonds Maturing June 1, 20__

Redemption Date (June 1)	Principal Amount to be Redeemed
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Term Bonds Maturing June 1, 20__

Redemption Date (June 1)	Principal Amount to be Redeemed
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If some but not all of the Bonds that are Term Bonds have been optionally or extraordinarily redeemed by the District, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of such Bonds that are Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the District, which shall notify the Trustee in writing of such determination.

(c) Extraordinary Redemption from Net Proceeds. The Bonds shall be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date, as determined by the District, from Net Proceeds, upon the terms and conditions of, and as provided for in Section 5.06(b) or Section 5.07, as applicable, at a Redemption Price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption.

(d) Notice of Redemption. Unless waived by any Owner of Bonds to be redeemed, notice of any redemption of Bonds shall be given, at the expense of the District, by the Trustee by mailing a copy of a redemption notice by first class mail at least 20 days and not more than

60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registration Books; provided, that neither the failure to receive such notice nor any immaterial defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Bonds.

All notices of redemption shall be dated and shall state: (i) the CUSIP numbers of all Outstanding Bonds being redeemed; (ii) the stated interest rate with respect to each Bond being redeemed; (iii) the maturity date of each Bond being redeemed; (iv) the Redemption Price; (v) that on the redemption date the Redemption Price will become due and payable with respect to each such Bond or portion thereof called for redemption, and that interest with respect thereto shall cease to accrue from and after said date; and (vi) the place or places where such Bonds are to be surrendered for payment of the Redemption Price, which places of payment may include the Principal Corporate Trust Office of the Trustee. Notices of redemption may be conditional. Such notices may state that no representation is made as to the accuracy or correctness of the CUSIP numbers printed thereon or on the Bonds.

(e) Right to Rescind; Cancellation. The District shall have the right to rescind any notice of optional redemption pursuant to Section 2.02(a) by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Outstanding Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under this Indenture. The District and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

(f) Consequences of Notice. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the District shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to have interest accrue thereon. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Trustee at the Redemption Price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Owner a new Bond or Bonds of the same maturity in the amount of the unredeemed principal. All Bonds which have been redeemed shall be cancelled and destroyed by the Trustee and shall not be redelivered. Neither the failure of any Bond Owner to receive any notice so mailed nor any defect therein shall affect the sufficiency of the proceedings for redemption of any Bonds nor the cessation of accrual of interest thereon.

(g) Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond redeemed in part only, the District shall execute and the Trustee shall authenticate and deliver to the Owner, at the expense of the District, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

(h) Manner of Redemption. Whenever any Bonds are to be selected for redemption, the Trustee shall determine, by lot, the numbers of the Bonds to be redeemed, and shall notify the District thereof.

All Bonds redeemed pursuant to this Section and all Bonds purchased by the District pursuant to this subsection shall be cancelled and destroyed pursuant to Section 9.08.

SECTION 2.03. Form of Bonds. The Bonds, the Trustee's certificate of authentication, and the assignment to appear thereon, shall be substantially in the respective forms set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

SECTION 2.04. Execution of Bonds. The Bonds shall be signed in the name and on behalf of the District with the manual or facsimile signatures of its General Manager, and attested by the manual or facsimile signature of its Board Clerk/Secretary. The Bonds shall then be delivered to the Trustee for authentication by it. In case any officer who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been authenticated or delivered by the Trustee or issued by the District, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the District as though the individual who signed the same had continued to be such officer of the District. Also, any Bond may be signed on behalf of the District by any individual who on the actual date of the execution of such Bond shall be the proper officer although on the nominal date of such Bond such individual shall not have been such officer.

Only such of the Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit A, manually or electronically executed by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.05. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred upon the Bond Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Bond shall be surrendered for transfer, the District shall execute and the Trustee shall thereupon authenticate and deliver to the transferee a new Bond or Bonds of like tenor, maturity and aggregate principal amount. No Bonds the notice of redemption of which has been mailed pursuant to Section 2.02 shall be subject to transfer pursuant to this Section. The District shall pay all costs of the Trustee incurred in connection with any such transfers, except that the Trustee may require the payment by the Bond Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

Prior to any transfer of the Bonds outside the book-entry system (including, but not limited to, the initial transfer outside the book-entry system) the transferor shall provide or cause to be provided to the Trustee all information necessary to allow the Trustee to comply with any applicable tax reporting obligations, including without limitation any cost basis reporting obligations under Internal Revenue Code Section 6045, as amended. The Trustee shall conclusively rely on the information provided to it and shall have no responsibility to verify or ensure the accuracy of such information.

SECTION 2.06. Exchange of Bonds. Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee, for Bonds of the same tenor and maturity and of other

authorized denominations. No Bonds the notice of redemption of which has been mailed pursuant to Section 2.02(d) shall be subject to exchange pursuant to this Section. The District shall pay all costs of the Trustee incurred in connection with any such exchanges, except that the Trustee may require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

SECTION 2.07. Temporary Bonds. The Bonds may be issued initially in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the District and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the District and be registered and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the District issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Principal Corporate Trust Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

SECTION 2.08. Bond Registration Books. The Trustee will keep or cause to be kept at its trust office sufficient Bond Registration Books for the registration and transfer of the Bonds, which shall at all times during regular business hours, and upon reasonable notice, be open to inspection by the District; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as hereinbefore provided.

SECTION 2.09. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the District, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like maturity and principal amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and delivered to, or upon the order of, the District. If any Bond issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, the District, at the expense of the Bond Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like maturity and principal amount in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee). The District may require payment of a reasonable fee for each new Bond issued under this Section and of the expenses which may be incurred by the District and the Trustee. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the District whether or not the Bond alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

SECTION 2.10. Book Entry System.

(a) Original Delivery. The Bonds shall be initially delivered in the form of a separate single fully registered Bond (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the ownership of each such Bond shall be registered on the Bond Registration Books maintained by the Trustee pursuant to Section 2.08 hereof in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Bonds shall be registered in the name of the Nominee on such Bond Registration Books.

With respect to Bonds the ownership of which shall be registered in the name of the Nominee, the District and the Trustee shall have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the District holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the District and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner as shown in the Bond Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed in the event the District elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner as shown in the Bond Registration Books, of any amount with respect to principal, premium, if any, or interest represented by the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The District and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest represented by such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal, interest and premium, if any, represented by the Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal, interest and premium, if any, represented by the Bonds to the extent of the sum or sums so paid. No person other than a Bond Owner shall receive a Bond evidencing the obligation of the District to make payments of principal, interest and premium, if any, pursuant to this Indenture. Upon delivery by the Depository to the Nominee of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the District shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the District shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the District may take any other actions, not inconsistent with this Indenture, to qualify the Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. In the event that either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the District determines to terminate the Depository as such, then the District shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the District and the Trustee in the execution of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the District fails to identify another Securities Depository to replace the Depository, then the Bonds shall no longer be required to be registered in the Bond Registration Books in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Bonds shall designate, in accordance with the provisions hereof.

In the event the District determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain certificated Bonds, the District may notify the Depository System Participants of the availability of such certificated Bonds through the Depository. In such event, the Trustee will execute, transfer and exchange Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the District shall cooperate with the Depository in taking appropriate action (y) to make available one or more separate certificates evidencing the Bonds to any Depository System Participant having Bonds credited to its account with the Depository, or (z) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such Bonds, all at the District's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal, interest and premium, if any, represented by such Bond and all notices with respect to such Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

ARTICLE III

ISSUANCE OF BONDS; PARITY OBLIGATIONS

SECTION 3.01. Issuance of Bonds. Upon the execution and delivery of this Indenture, the District shall execute and deliver Bonds in the aggregate principal amount of \$_____ to the Trustee for authentication and delivery to the Original Purchaser thereof upon the Request of the District.

SECTION 3.02. Application of Proceeds of Sale of Bonds. Upon the receipt of payment for the Bonds on the Closing Date in the amount of \$_____ (being an amount equal to the principal amount of the Bonds (\$_____), less Underwriter's discount (\$_____)), the Trustee shall apply the proceeds of sale thereof as follows:

- (i) the Trustee shall transfer to the USDA pursuant to instructions set forth in a Certificate of the District, in full satisfaction of amounts due with respect to the Parity Obligations, \$_____; and

(ii) the Trustee shall deposit in the Cost of Issuance Fund \$_____.

The Trustee may establish and maintain for so long as is necessary one or more temporary funds and accounts under this Indenture, including but not limited to a temporary fund for holding the proceeds of the Bonds.

SECTION 3.03. Cost of Issuance Fund. There is hereby created a fund to be known as the "Brooktrails Township Community Services District Water Revenue Refunding Bonds Series 2021 Cost of Issuance Fund" (the "Cost of Issuance Fund"), which the Trustee hereby covenants and agrees to cause to be maintained and held in trust. The moneys in the Cost of Issuance Fund shall be used in the manner provided by law solely for the purpose of the payment of Costs of Issuance upon receipt by the Trustee of Requests of the District therefor, on or after the Closing Date. Each such Request of the District shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Any funds remaining in the Cost of Issuance Fund on May 15, 2021, shall be transferred by the Trustee to the Debt Service Fund.

SECTION 3.04. Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be affected in any way by any proceedings taken by the District in connection with the Water System, and the recital contained in the Bonds that the same are issued pursuant to the Bond Law shall be conclusive evidence of their validity and of the regularity of their issuance.

SECTION 3.05. Issuance of Parity Obligations. The District may issue or incur additional Parity Obligations, subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Parity Obligations:

(a) No Event of Default shall have occurred and be continuing under this Indenture or would result from such issuance of incurrence.

(b) The Net Revenues of the Water System, calculated on sound accounting principles, as shown by the books of the District for the latest Fiscal Year or any more recent 12-month period selected by the District ending not more than 60 days prior to the adoption of the Parity Obligation Instrument pursuant to which such Parity Obligation is issued or incurred, plus as the option of the District, Additional Revenues, are at least equal to 120% of Maximum Annual Parity Debt Service.

(c) The District shall deliver to the Trustee a Certificate of the District certifying that the conditions precedent to the issuance of such Parity Obligation set forth in this Section 3.05 have been satisfied.

SECTION 3.06. Subordinated Obligations. Nothing in this Indenture shall prohibit or impair the authority of the District to issue or incur Subordinated Obligations on the terms and in the amount desired by the District.

ARTICLE IV

PLEDGE OF NET REVENUES; FUNDS AND ACCOUNTS

SECTION 4.01. Pledge of Net Revenues; Limited Obligation.

(a) Pledge of Net Revenues. On a parity basis with amounts payable by the District with respect to Parity Obligations, the District hereby transfers, places a charge upon, assigns and sets over to the Trustee, for the benefit of the Owners, that portion of the Net Revenues which is necessary to pay the principal of and interest on the Bonds in any Fiscal Year (taking into account all moneys on deposit in the Debt Service Fund), and such portion of the Net Revenues is hereby irrevocably pledged to the punctual payment of the principal of and interest on the Bonds. The Net Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding, except that out of Net Revenues there may be apportioned and paid such sums for such purposes, as are expressly permitted by this Article. Subject to Section 8.02, said pledge shall constitute a first, direct and exclusive charge and lien on the Net Revenues for the payment of the principal of and interest on the Bonds in accordance with the terms thereof on a parity basis to the pledge of Net Revenues in favor of the Parity Obligations.

(b) Limited Obligation. The general fund of the District is not liable and the credit or taxing power of the District is not pledged for the payment of the principal of and interest on the Bonds. The Owner of the Bonds shall not compel the exercise of the taxing power by the District or the forfeiture of its property. The principal of and interest on the Bonds are not a debt of the District, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of its property, or upon any of its income, receipts, or revenues except the Net Revenues of the Water System as and to the extent set forth in this Indenture.

SECTION 4.02. Receipt and Deposit of Gross Revenues; Water Revenue Fund. The District covenants and agrees that all Gross Revenues, when and as received, will be deposited in the Water Revenue Fund and will be accounted for and held in trust in, the Water Revenue Fund, and the District shall only have such beneficial right or interest in any of such money as in this Indenture and the Parity Obligation Instruments provided. All such Gross Revenues shall be transferred, disbursed, allocated and applied solely to the uses and purposes hereinafter in this Article set forth and in any Parity Obligation Instrument, and shall be accounted for separately and apart from all other money, funds, accounts or other resources of the District.

SECTION 4.03. Allocation of Gross Revenues; Debt Service Fund.

(a) Creation of Debt Service Fund, Redemption Account. The Debt Service Fund, as a special fund, and the Redemption Account and Reserve Account, as special accounts therein, are hereby created, and shall be held and maintained by the Trustee, in trust for the Owners of the Bonds.

(b) Allocation of Gross Revenues. All Gross Revenues shall be held in trust by the District in the Water Revenue Fund and shall be applied, transferred, used and withdrawn solely for the following purposes and in the following order of priority:

(i) Maintenance and Operation Expenses. The District shall first pay from the moneys in the Water Revenue Fund the Maintenance and Operation Expenses as they become due and payable.

(ii) Debt Service Fund and Debt Service on Parity Obligation. On an equal basis, without preference or priority with transfers or allocations by the District for Debt Service due with respect to any Parity Obligations, on or before the fifth Business Day

prior to each Interest Payment Date, the District shall transfer from the Water Revenue Fund to the Trustee for deposit in the Debt Service Fund (A) an amount equal to the Interest Requirement due and payable on all Outstanding Bonds on such Interest Payment Date, plus (B) if such Interest Payment Date is also a Principal Payment Date, an amount equal to the aggregate amount of Principal Installments becoming due and payable on all Outstanding Bonds, in each case, taking into account amounts then on deposit in the Debt Service Fund. No transfer and deposit need be made into the Debt Service Fund if the amount contained therein is at least equal to the Interest Requirement and, if applicable, Principal Installments to become due and payable on such Interest Payment Date.

(iii) Reserve Accounts. If the balance in the Reserve Account for the Bonds or any other debt service reserve account established for any Parity Obligation is less than the reserve requirement therefor (or if an amount is due by the District to any provider of a debt service reserve insurance policy previously deposited to a debt service reserve account), the deficiency or amount due shall be transferred by the District, on a parity basis among the Bonds and all such Parity Obligations, in accordance with the terms of the Indenture and the applicable Parity Obligation Instrument(s).

(iv) Other Amounts Due on Parity Obligations. All other payments required for compliance with this Indenture or any Parity Obligation Instrument pursuant to which any Parity Obligations relating to the Water System shall have been issued or incurred.

(iv) Subordinated Obligation, if Applicable. On an equal basis, without preference or priority, on or before applicable payment dates for Subordinated Obligation (if any), the District shall transfer from the Water Revenue Fund to the applicable payee(s), amounts then becoming due and payable on such Subordinated Obligation (if any).

(v) Surplus. As long as all of the foregoing payments, allocations and transfers are made at the times and in the manner set forth above, any moneys remaining in the Water Revenue Fund may at any time be treated as surplus and applied for any lawful purpose.

SECTION 4.04. Application of Debt Service Fund and Reserve Account.

(a) The Trustee shall withdraw from the Debt Service Fund, not later than 5 Business Days prior to each Interest Payment Date, an amount equal to the Interest Requirement payable on such Interest Payment Date, and shall cause the same to be applied to the payment of said interest when due and is hereby authorized to apply the same to the payment of such interest by check or draft (or by wire transfer, as the case may be), as provided in Section 2.01.

(b) The Trustee shall withdraw from the Debt Service Fund, not later than 5 Business Days prior to each Principal Payment Date, an amount equal to the principal amount of the Outstanding Serial Bonds, if any, maturing on said Principal Payment Date and any Sinking Fund Installments due and payable on said Principal Payment Date, and shall cause the same to be applied to the payment of the principal of said Bonds when due and is hereby authorized to apply the same to such payment upon presentation and surrender of the Bonds as they become due and payable, as provided in Section 2.01.

(c) The amounts available under the Reserve Policy will be used and withdrawn by the Trustee solely for the purpose of making transfers for use in the event of any deficiency at any time in the Debt Service Fund for the purpose of paying scheduled principal and interest on the Bonds pursuant to subsection (a) or subsection (b). The Trustee will comply with all documentation relating to the Reserve Policy as required to maintain the Reserve Policy in full force and effect and as required to receive payments thereunder if and to the extent required to make any payment when and as required under this Indenture.

(d) All withdrawals and transfers under the provisions of subsection (a), subsection (b) or subsection (c) of this Section shall be made not later than 5 Business Days prior to the Interest Payment Date or Principal Payment Date to which they relate, and the amount so withdrawn or transferred shall, for the purposes of this Indenture, be deemed to remain in and be part of the appropriate account until such Interest Payment Date or Principal Payment Date.

SECTION 4.05. Application of Redemption Account. On or before the date which is at least 2 Business Days prior to any date on which Bonds are subject to redemption pursuant to Section 2.02(a) the District shall transfer from the Water Revenue Fund to the Trustee for deposit in the Redemption Account an amount at least equal to the Redemption Price (excluding accrued interest, which is payable from the Debt Service Fund) of such Bonds to be redeemed on such date. Amounts in the Redemption Account shall be applied by the Trustee solely for the purpose of paying the Redemption Price of Bonds to be redeemed pursuant to Sections 2.02(a). If after all of the Bonds have been paid or deemed to have been paid, there are moneys remaining in the Redemption Account, such moneys shall be transferred by the Trustee to the District for deposit in the Water Revenue Fund.

SECTION 4.06. Rate Stabilization Fund. The District may at any time establish a rate stabilization fund (the "Rate Stabilization Fund"). If established, the District agrees and covenants to maintain and hold amounts in such Rate Stabilization Fund separate and apart from other funds and to administer such Rate Stabilization Fund in accordance with this Section 4.06, for the purpose of stabilizing the rates and charges imposed by the District with respect to the Water System. From time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues that are released from the pledge and lien which secures the Bonds and any Parity Obligations, as the District may determine.

The District may, but is not required to, withdraw from any amounts on deposit in a Rate Stabilization Fund and deposit such amounts in the Water Revenue Fund in any Fiscal Year for the purpose of paying Debt Service coming due and payable in such Fiscal Year. Amounts so transferred from a Rate Stabilization Fund to the Water Revenue Fund shall constitute Gross Revenues for such Fiscal Year (except as otherwise provided herein), and shall be applied for the purposes of the Water Revenue Fund. Amounts on deposit in a Rate Stabilization Fund shall not be pledged to or otherwise secure the Bonds or any Parity Obligations. All interest or other earnings on deposits in a Rate Stabilization Fund shall be withdrawn therefrom at least annually and accounted for as Gross Revenues. The District has the right at any time to withdraw any or all amounts on deposit in a Rate Stabilization Fund and apply such amounts for any lawful purposes of the District.

SECTION 4.07. Investments. All moneys in the Water Revenue Fund may be invested by the District from time to time in any investments authorized by law, consistent with the District's investment policy. All moneys in the Debt Service Fund and Cost of Issuance Fund

shall be invested by the Trustee solely in Authorized Investments, as directed pursuant to a Request of the District filed with the Trustee at least two (2) Business Days in advance of such investments. In the absence of any such Request of the District, moneys shall be held in cash (uninvested). Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account, and all interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the fund or account from which such investment was made; and shall be accounted for and applied as provided in this Indenture. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder with the written approval of the District. The Trustee or an affiliate may act as principal or agent in the acquisition or disposition of any investment, and shall be entitled to its customary fees therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants the District the right to receive brokerage confirmations of security transactions as they occur, at no additional cost, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder. The Trustee may rely on the investment directions of the District as to the suitability and legality of the directed investments.

SECTION 4.08. Valuation; Investments.

(a) Method of Valuation and Frequency of Valuation. In computing the amount in any fund or account, Authorized Investments shall be valued at Fair Market Value. With respect to all funds and accounts, valuation shall occur annually. In making any valuations of investments hereunder, the Trustee may utilize and rely conclusively, without liability, on generally recognized pricing services that may be available to the Trustee (including brokers and dealers in securities), including those available through the Trustee's accounting system.

(b) Investment of Amounts Representing Accrued Interest. All amounts representing accrued interest shall be held by the Trustee in the Debt Service Fund, pledged solely to the payment of interest on the Bonds and invested only in Authorized Investments maturing at such times and in such amounts as are necessary to match the interest payments to which they are pledged.

(c) Additional Limitations. Except as otherwise provided in the following sentence, the District covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value. Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code shall be valued at their present value (within the meaning of section 148 of the Code). The Trustee shall not be liable for verification of the application of any sections of the Code or for any determination of Fair Market Value or present value.

ARTICLE V

COVENANTS OF THE DISTRICT

SECTION 5.01. Punctual Payment; Compliance with Documents. The District shall punctually pay or cause to be paid the interest and principal to become due with respect to all of the Bonds in strict conformity with the terms of the Bonds and of this Indenture, and will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture.

SECTION 5.02. Against Encumbrances. The District will not mortgage or otherwise encumber, pledge or place any charge upon the Net Revenues, except as provided in this Indenture.

SECTION 5.03. Discharge of Claims. The District covenants that in order to fully preserve and protect the priority and security of the Bonds, the District shall pay and discharge all lawful claims for labor, materials and supplies furnished for or in connection with the Water System which, if unpaid, may become a lien or charge upon the Net Revenues prior or superior to the lien of the Bonds and impair the security of the Bonds.

SECTION 5.04. Acquisition, Construction or Financing of Improvements to the Water System. The District will acquire, construct, or finance improvements to the Water System to be financed with the proceeds of any Parity Obligations with all practicable dispatch, and such improvements will be made in an expeditious manner and in conformity with laws so as to complete the same as soon as possible.

SECTION 5.05. Maintenance and Operation of Water System in Efficient and Economical Manner. The District covenants and agrees to maintain and operate the Water System in an efficient and economical manner and to operate, maintain and preserve the Water System in good repair and working order.

SECTION 5.06. Against Sale, Eminent Domain.

(a) The District will not sell, lease or otherwise dispose of the Water System or any part thereof essential to the proper operation of the Water System or to the maintenance of the Net Revenues, except as herein expressly permitted. The District will not enter into any lease or agreement which impairs the operation of the Water System or any part thereof necessary to secure adequate Net Revenues for the payment of the interest on and principal or Redemption Price, if any, on the Bonds, or which would otherwise impair the rights of the Owners with respect to the Net Revenues. Any real or personal property which has become non-operative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has worn out, may be sold at not less than the market value thereof without the consent of the Owners.

(b) If all or any part of the Water System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

(i) If (1) the District files with the Trustee a certificate showing (A) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings, (B) a general description of the additions, betterments, extensions or improvements to the Water System proposed to be

acquired and constructed by the District from such Net Proceeds, and (C) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements, and (2) the District, on the basis of such certificate filed with the Trustee, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the District shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the District for such purpose shall be deposited in the Water Revenue Fund.

(ii) If the foregoing conditions are not met, then such Net Proceeds shall be applied to the redemption of the Bonds as provided in Section 2.02(c) and/or Parity Obligations, in the District's sole discretion.

SECTION 5.07. Insurance. The District covenants that it shall at all times maintain such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties. Any such insurance shall be in the form of policies or contracts for insurance with insurers of good standing and shall be payable to the District, or may be in the form of self-insurance by the District. The District shall establish such fund or funds or reserves as it determines, in its sole judgment, are necessary to provide for its share of any such self-insurance.

In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System. The District shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and liens.

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement, then the excess Net Proceeds shall be applied to the redemption of Bonds as provided in Section 2.02(c) and/or Parity Obligations, in the District's sole discretion.

SECTION 5.08. Records and Accounts. The District covenants that it shall keep proper books of record and accounts of the Water System, separate from all other records and accounts, in which complete and correct entries shall be made of all transactions relating to the Water System. Said books shall, upon reasonable request, be subject to the inspection of the Owners of not less than 10% of the Outstanding Bonds or their representatives authorized in writing.

The District covenants that it will cause the books and accounts of the Water System to be audited annually by an Independent Certified Public Accountant and will make available for inspection by the Bond Owners at the office of the Trustee, upon reasonable request with reasonable notice, a copy of the report of such Independent Certified Public Accountant.

The District covenants that it will cause to be prepared annually, not more than 270 days after the close of each Fiscal Year, as a part of its regular annual financial report, a summary statement showing the amount of Gross Revenues and the amount of all other funds collected which are required to be pledged or otherwise made available as security for payment of principal of and interest on the Bonds, the disbursements from the Gross Revenues and other funds in reasonable detail. The District shall furnish a copy of the statement to the Trustee, and upon written request, to any Bond Owner.

SECTION 5.09. Protection of Security and Rights of Owners. The District will preserve and protect the security of the Bonds and the rights of the Owners, and will warrant and defend their rights against all claims and demands of all persons. From and after the sale and delivery of any Bonds by the District, such Bonds shall be incontestable by the District.

SECTION 5.10. Against Competitive Facilities. The District will not acquire, construct, operate or maintain a water system or utility within the service area of the District that would be competitive with the Water System.

SECTION 5.11. Payment of Taxes, Etc. The District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System or any part thereof as the same shall become due. The District will duly observe and conform with all valid requirements of any governmental authority relative to the Water System or any part thereof, and will comply with all requirements with respect to any state or federal grants received to assist in paying for the costs of the acquisition, construction or financing of any improvements to the Water System.

SECTION 5.12. Rates and Charges.

(a) The District shall, to the maximum extent permitted by law, fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which are sufficient to yield Net Revenues at least equal to 120% of all Debt Service on all Parity Obligations payable in each Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this section.

(b) For the purpose of computing the amount of Net Revenues for any Fiscal Year for purposes of the preceding paragraph, the District shall be permitted to transfer amounts on deposit in the Rate Stabilization Fund to the Water Revenue Fund (except that amounts that were transferred into the Rate Stabilization Fund from Gross Revenues received by the District in such Fiscal Year shall not be double-counted), and such transfers may be made until (but not after) 210 days after the end of such Fiscal Year.

SECTION 5.13. No Priority for Additional Obligations. The District covenants that no additional bonds or other obligations shall be issued or incurred having any priority in payment of principal or interest out of the Net Revenues over the Bonds.

SECTION 5.14. Continuing Disclosure Certificate. The District hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Indenture, failure of the District to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however,

the Trustee, at the written request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, shall, but only to the extent indemnified to its satisfaction from any liability or expense, including, without limitation fees and expenses of its attorneys, or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

SECTION 5.15. Tax Covenants.

(a) Private Activity Bond Limitation. The District will assure that the proceeds of the Bonds are not so used as to cause the Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of section 141(c) of the Code.

(b) Federal Guarantee Prohibition. The District will not take any action or permit or suffer any action to be taken if the result of such action would be to cause any of the Bonds to be "federally guaranteed" within the meaning of section 149(b) of the Code.

(c) Rebate Requirement. The District will take any and all actions necessary to assure compliance with section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Bonds.

(d) No Arbitrage. The District will not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Bonds would have caused the Bonds to be "arbitrage bonds" within the meaning of section 148 of the Code.

(e) Maintenance of Tax-Exemption. The District will take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners of the Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

(f) Record Retention. The District will retain its records of all accounting and monitoring it carries out with respect to the Bonds for at least 3 years after the Bonds mature or are redeemed (whichever is earlier); however, if the Bonds are redeemed and refunded, the District will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the obligations that refunded the Bonds.

(g) Compliance with Tax Certificate. The District will comply with the provisions of the Tax Certificate and the Use of Proceeds Certificate with respect to the Bonds, which are incorporated herein as if fully set forth herein. The covenants of this Section will survive payment in full or defeasance of the Bonds.

(h) Bank Qualification. The District hereby designates the Bonds for purposes of paragraph (3) of section 265(b) of the Code and represents that not more than \$10,000,000 aggregate principal amount of obligations the interest on which is excludable (under section 103(a) of the Code) from gross income for federal income tax

purposes (excluding (i) private activity bonds, as defined in section 141 of the Code, except qualified 501(c)(3) bonds as defined in section 145 of the Code and (ii) current refunding obligations to the extent the amount of the refunding obligation does not exceed the outstanding amount of the refunded obligation), including the Bonds, has been or will be issued by the District, including all subordinate entities of the District, during the calendar year 2021.

SECTION 5.16. Further Assurances. The District will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in this Indenture.

ARTICLE VI

THE TRUSTEE

SECTION 6.01. Appointment of Trustee. The Bank of New York Mellon Trust Company, N.A., with an office in Los Angeles, California, national banking association organized and existing under and by virtue of the laws of the United States of America, is hereby appointed Trustee by the District for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The District agrees that it will maintain a Trustee having a corporate trust office in San Francisco or Los Angeles, California, with a combined capital and surplus of at least \$50,000,000, and subject to supervision or examination by federal or State authority, so long as any Bonds are Outstanding. If such bank, corporation, national banking association or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section 5.01 the combined capital and surplus of such bank, corporation, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is hereby authorized to pay the Bonds when duly presented for payment at maturity, or on redemption or purchase prior to maturity, and to cancel all Bonds upon payment thereof. The Trustee shall keep accurate records of all funds administered by it and of all Bonds paid and discharged.

SECTION 6.02. Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and no implied covenants or obligations should be read into this Indenture against the Trustee and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after curing all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default hereunder has occurred (which has not been cured or waived) the Trustee may exercise such of the rights and powers vested in it by this Indenture, and shall use the

same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers but shall not be answerable for the conduct of the same if appointed by it with reasonable care, and shall be entitled to rely conclusively on advice of counsel of its choice concerning all matters of trust and its duty hereunder.

(c) The Trustee shall not be responsible for any recital herein, or in the Bonds, or for the validity of this Indenture or any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby and the Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the District hereunder. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 4.08.

(d) The Trustee shall not be accountable for the use of any proceeds of sale of the Bonds delivered hereunder. The Trustee may become the Owner of Bonds secured hereby with the same rights which it would have if not the Trustee; may acquire and dispose of other bonds or evidence of indebtedness of the District with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee shall represent the Owners of the majority in principal amount of the Bonds then Outstanding.

(e) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a Certificate of the District as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default hereunder of which the Trustee has been given written notice or is deemed to have notice, as provided in Section 6.02(g) hereof, shall also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same. The Trustee may accept a Certificate of the District to the effect that an authorization in the form therein set forth has been adopted by the District, as conclusive evidence that such authorization has been duly adopted and is in full force and effect.

(f) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, as finally adjudicated by a court of law, directors, employees and agents.

(g) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the District to make any of the payments to the Trustee required to be made by the District pursuant hereto or failure by the District to file with the Trustee any document required by this Indenture to be so filed

subsequent to the issuance of the Bonds by a date certain, unless the Trustee shall be specifically notified in writing of such default by the District or by the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Bonds then Outstanding and all notices or other instruments required by this Indenture to be delivered to the Trustee must, in order to be effective, be delivered at the Principal Corporate Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default hereunder except as aforesaid.

(h) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully to inspect the Water System, including all books, papers and records of the District pertaining to the Water System and the Bonds, and to take such memoranda from and with regard thereto as may be desired but which is not privileged by statute or by law.

(i) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(j) Notwithstanding anything elsewhere in this Indenture with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing the right of the District to the execution of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(k) Before taking the action referred to in Section 8.03 or relating to an event of Default or in connection with its duties under this Indenture other than making payments of principal and interest on the Bonds as they become due or causing an acceleration of the Bonds whenever required by the Indenture the Trustee may require that an indemnity bond satisfactory in terms and amount be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is finally adjudicated by a court of law to have resulted from its negligence or willful misconduct in connection with any such action.

(l) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. The Trustee shall not be under any liability for interest on any moneys received hereunder except such as it may agree to in writing.

(m) The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds.

(n) The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct.

(o) The Trustee may consult with counsel, who may be counsel of or to the District, with regard to legal questions, and the opinion of such counsel shall be full and

complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

(p) The Trustee shall have the right to accept and act upon instructions, including funds transfer instructions ("Instructions") given pursuant to this Indenture and delivered using Electronic Means ("Electronic Means" means the following communications methods: e-mail, facsimile transmission, secure electronic transmission containing applicable authorization codes, passwords and/or authentication keys issued by the Trustee, or another method or system specified by the Trustee as available for use in connection with its services hereunder); provided, however, that the District shall provide to the Trustee an incumbency certificate listing officers with the authority to provide such Instructions ("Authorized Officers") and containing specimen signatures of such Authorized Officers, which incumbency certificate shall be amended by the District whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee Instructions using Electronic Means and the Trustee in its discretion elects to act upon such Instructions, the Trustee's understanding of such Instructions shall be deemed controlling. The District understands and agrees that the Trustee cannot determine the identity of the actual sender of such Instructions and that the Trustee shall conclusively presume that directions that purport to have been sent by an Authorized Officer listed on the incumbency certificate provided to the Trustee have been sent by such Authorized Officer. The District shall be responsible for ensuring that only Authorized Officers transmit such Instructions to the Trustee and that the District and all Authorized Officers are solely responsible to safeguard the use and confidentiality of applicable user and authorization codes, passwords and/or authentication keys upon receipt by the District. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such Instructions notwithstanding such directions conflict or are inconsistent with a subsequent written instruction. The District agrees: (i) to assume all risks arising out of the use of Electronic Means to submit Instructions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized Instructions, and the risk of interception and misuse by third parties; (ii) that it is fully informed of the protections and risks associated with the various methods of transmitting Instructions to the Trustee and that there may be more secure methods of transmitting Instructions than the method(s) selected by the District; (iii) that the security procedures (if any) to be followed in connection with its transmission of Instructions provide to it a commercially reasonable degree of protection in light of its particular needs and circumstances; and (iv) to notify the Trustee immediately upon learning of any compromise or unauthorized use of the security procedures.

(q) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of delay in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, which affect the Trustee's ability to perform its obligations hereunder, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, pandemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the Revenues, malicious mischief, condemnation, and unusually

severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

(r) The Trustee shall hold the financial statements in compliance with Section 5.08 solely as an accommodation to the Owners and shall have no duty or obligation to review, analyze or verify such financial statements. The Trustee shall not be deemed to have notice of any information contained therein, or any default or Event of Default which may be disclosed therein in any manner.

(s) The Trustee shall be protected in acting upon any notice, order, requisition, request, consent, certificate, order, opinion (including an opinion of independent counsel), affidavit, letter, telegram or other paper or document in good faith deemed by it to be genuine and correct and to have been signed or sent by the proper person or persons.

SECTION 6.03. Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon the occurrence of an Event of Default hereunder, but only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment of any Bond upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it respectively.

When the Trustee incurs expenses or renders services after the occurrence of an Event of Default, such expenses and the compensation for such services are intended to constitute expenses of administration under any federal or state bankruptcy, insolvency, arrangement, moratorium, reorganization or other debtor relief law.

SECTION 6.04. Notice to Bond Owners of Default. If an Event of Default hereunder occurs with respect to any Bonds, of which the Trustee has been given or is deemed to have notice, as provided in Section 6.02(h) hereof, then the Trustee shall promptly give written notice thereof by first-class mail to the Owner of each such Bond, unless such Event of Default shall have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the District to make any payment when due, the Trustee may elect not to give such notice if and so long as the Trustee in good faith determines that it is in the best interests of the Bond Owners not to give such notice.

SECTION 6.05. Intervention by Trustee. In any judicial proceeding to which the District is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of any of the Bonds, the Trustee may intervene on behalf of such Bond Owners, and subject to Section 6.02 hereof, shall do so if requested in writing by the Owners of at least twenty-five percent (25%) in aggregate principal amount of such Bonds then Outstanding, and upon being indemnified to its satisfaction.

SECTION 6.06. Removal of Trustee. The Owners of a majority in aggregate principal amount of the Outstanding Bonds may at any time, and the District may so long as no Event of Default shall have occurred and then be continuing, remove the Trustee initially appointed, and any successor thereto upon thirty (30) days prior written notice, by an instrument or concurrent instruments in writing delivered to the Trustee (where applicable), whereupon the District or such Owners, as the case may be, shall appoint a successor or successors thereto; provided

that any such successor shall be a bank, national banking association, corporation or trust company meeting the requirements set forth in Section 6.01 hereof.

SECTION 6.07. Resignation by Trustee. The Trustee and any successor Trustee may at any time resign by giving thirty (30) days' written notice by registered or certified mail to the District. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the District shall cause notice thereof to be given by first class mail to the Bond Owners at their respective addresses set forth on the Bond Registration Books. No resignation of the Trustee shall take effect until a successor is appointed and has accepted.

SECTION 6.08. Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to Sections 6.06 or 6.07, respectively, the District shall promptly appoint a successor Trustee. In the event the District shall for any reason whatsoever fail to appoint a successor Trustee within 45 days following the delivery to the Trustee of the instrument described in Section 6.06 or within 45 days following the receipt of notice by the District pursuant to Section 6.07, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of Section 6.01 hereof. Any such successor Trustee appointed by such court shall become the successor Trustee hereunder notwithstanding any action by the District purporting to appoint a successor Trustee following the expiration of such forty-five-day period.

Notwithstanding any other provision of this Indenture, no removal, resignation or termination of the Trustee shall take effect until a successor shall be appointed; provided, however, that if for any reason whatsoever no successor Trustee shall have been appointed within 45 days following receipt of notice by the District pursuant to Section 6.07, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee which meets the requirements of Section 6.01.

SECTION 6.09. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated, or any company resulting from any merger, conversion or consolidation to which it shall be a party, or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business (provided that such company shall be eligible under Section 6.01), shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

SECTION 6.10. Concerning any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the District an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the Request of the District, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Should any instrument in writing from the District be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or

intended to be vested in the predecessor, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the District.

SECTION 6.11. Appointment of Co-Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under this Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee. The following provisions of this Section 6.11 are adopted to these ends.

In the event that the Trustee appoints an additional individual or institution as a separate or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co-trustee but only to the extent necessary to enable such separate or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-trustee shall run to and be enforceable by either of them.

Should any instrument in writing from the District be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the District. In case any separate trustee or co-trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

SECTION 6.12. Indemnification; Limited Liability of Trustee. The District shall indemnify and hold the Trustee and its officers, directors, agents and employees harmless from and against all claims, losses, costs, expenses, liabilities and damages including legal fees and expenses arising from the exercise and performance of its duties hereunder and the termination of this Indenture. Such indemnity and compensation and reimbursement pursuant to Section 6.03 shall survive the resignation or removal of the Trustee hereunder and defeasance of the Bonds. No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder if it shall have reasonable grounds for believing repayment of such funds or adequate indemnity against such liability or risk is not assured to it. The Trustee shall not be liable for any action taken or omitted to be taken by it in accordance with the direction of a majority of the Owners of the principal amount of Bonds Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee under this Indenture.

ARTICLE VII

MODIFICATION AND AMENDMENT OF THE INDENTURE

SECTION 7.01. Amendment by Consent of Bond Owners. This Indenture and the rights and obligations of the District and of the Owners of the Bonds may be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 7.03 hereof, are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the District to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

SECTION 7.02. Amendment Without Consent of Bondholders. This Indenture and the rights and obligations of the District and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture which shall become binding upon execution and delivery, without consent of any Bond Owners, but only to the extent permitted by law and only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the District in this Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the District; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in any other respect whatsoever as the District may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not adversely affect the interests of the Owners of the Bonds; or

(c) to provide for the issuance of any Parity Obligations under this Indenture, and to provide the terms and conditions under which such Parity Obligations may be issued, including but not limited to the establishment of special funds and accounts relating to such Parity Obligations and any other provisions relating solely to such Parity Obligations, subject to and in accordance with the provisions of Section 3.05; or

(d) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest on the Bonds.

(e) Prior to the Trustee entering into any Supplemental Indenture hereunder, there shall be delivered to the Trustee an opinion of Bond Counsel stating, in substance, that such Supplemental Indenture has been adopted in compliance with the requirements of the Indenture.

SECTION 7.03. Disqualified Bonds. Bonds owned or held by or for the account of the District (but excluding Bonds held in any employees' retirement fund) shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding

Bonds in this article provided for, and shall not be entitled to consent to, or take any other action in this article provided for; except that in determining whether the Trustee shall be protected in relying upon any such demand, request, direction, consent or waiver of an Owner, only Bonds which the Trustee actually knows to be owned or held by or for the account of the District shall be disregarded unless all Bonds are so owned or held, in which case such Bonds shall be considered Outstanding for the purpose of such determination. Upon request of the Trustee, the District shall certify to the Trustee those Bonds disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

SECTION 7.04. Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the District may determine that the Bonds shall bear a notation, by endorsement in form approved by the District, as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of his Bond for that purpose at the Principal Corporate Trust Office of the Trustee, a suitable notation as to such action shall be made on such Bond. If the District shall so determine, new Bonds so modified as, in the opinion of the District, shall be necessary to conform to such Bond Owners' action shall be prepared and executed, and in that case upon demand of the Owner of any Bond Outstanding at such effective date such new Bonds shall be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to each Bond Owner, for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

SECTION 7.05. Amendment by Mutual Consent. The provisions of this Article VII shall not prevent any Bond Owner from accepting any amendment as to the particular Bond held by him, provided that due notation thereof is made on such Bond.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

SECTION 8.01. Events of Default and Acceleration of Maturities. The following events shall be Events of Default hereunder:

- (a) Default in the due and punctual payment of the principal of any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise;
- (b) Default in the due and punctual payment of any installment of interest on any Bond when and as such interest installment shall become due and payable;
- (c) Default by the District in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, and such default shall have continued for a period of 60 days after the District shall have been given notice in writing of such default by the Trustee; or
- (d) The filing by the District of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition, filed with or without the consent of the District, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent

jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property.

Upon the occurrence of an Event of Default, the Trustee may and shall, at the direction of the owners of a majority of the principal amount of the Bonds, by written notice to the District, declare the principal of the Bonds to be immediately due and payable, whereupon that portion of the principal of the Bonds thereby coming due and there interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding. This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the District shall deposit with the Trustee a sum sufficient to pay all of the principal of and interest on the Bonds having come due prior to such declaration, with interest on such overdue principal and interest calculated at the rate of interest per annum then borne by the Outstanding Bonds, and the reasonable fees and expenses of the Trustee and those of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of the principal of and interest on the Bonds having come due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of a majority in aggregate principal amount of the Bonds at the time Outstanding may, by written notice to the District and to the Trustee, on behalf of the Owners of all of the Outstanding Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

SECTION 8.02. Application of Funds Upon Acceleration or Event of Default. All amounts held by the Trustee or received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of this Article VIII shall be applied by the Trustee in the following order-

First, to the payment of fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Indenture, then to the Bond Owners in declaring such Event of Default, including reasonable compensation to their agents, attorneys and counsel; and

Second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid. to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts to the extent permitted by law at the rate of interest then borne by the Outstanding Bonds, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably in proportion to the aggregate of such interest, principal and interest on overdue amounts.

SECTION 8.03. Other Remedies; Rights of Bond Owners. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy, in addition to the remedy specified in Section 8.01, at law or in equity to enforce the payment of the principal of, premium,

if any, and interest on the Outstanding Bonds, and to enforce any rights of the Trustee under or with respect to this Indenture.

If an Event of Default shall have occurred and be continuing and if requested so to do by the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds and indemnified as provided in Section 6.02 (k), the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article VIII, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Bond Owners.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the Bond Owners hereunder or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

Nothing herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any Owner any plan of reorganization, arrangement, adjustment, or composition affecting the Bonds or the rights of any Owner thereof, or to authorize the Trustee to vote in respect of the claim of any Owner in any such proceeding without the approval of the Owners so affected.

SECTION 8.04. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Any suit, action or proceeding which any Owner of Bonds shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners of Bonds similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Bonds issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

SECTION 8.05. Appointment of Receivers. Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Bond Owners under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Net

Revenues and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

SECTION 8.06. Non-Waiver. Nothing in this Article VIII or in any other provision of this Indenture, or in the Bonds, shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the interest on and principal of the Bonds to the respective Owners of the Bonds at the respective dates of maturity, as herein provided, out of the Net Revenues and other moneys herein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Bond Owners 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. No delay or omission of any Owner of any of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Bond Owners by the Bond Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Bond Owners, as the case may be.

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

SECTION 8.07. Rights and Remedies of Bond Owners. No Owner of any Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

The right of any Owner of any Bond to receive payment of the principal of and interest and premium (if any) on such Bond as herein provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

SECTION 8.08. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have

been determined adversely, then and in every such case, the District, the Trustee and the Bond Owners shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. Limited Liability of District. Notwithstanding anything in this Indenture contained, the District shall not be required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants herein contained. The District may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the District for such purpose without incurring indebtedness.

SECTION 9.02. Parties Interested Herein. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the District, the Trustee, and the Owners any right, remedy or claim under or by reason of this Indenture, or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the District shall be for the sole and exclusive benefit of the District, the Trustee and the Owners.

SECTION 9.03. Discharge of Indenture. If the District shall pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

- (a) by well and truly paying or causing to be paid the principal of and interest and premium (if any) on such Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to this Indenture, is fully sufficient to pay such Bonds, including all principal, interest and redemption premiums, if any; or
- (c) by depositing with the Trustee or other escrow agent, Federal Securities in such amount as the District (verified by an Independent Certified Public Accountant) shall determine will, together with the interest to accrue thereon, be fully sufficient to pay and discharge the indebtedness on such Bonds, including all principal, interest and redemption premiums, if any;

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been mailed pursuant to Section 2.02(d) or provision satisfactory to the Trustee shall have been made for the mailing of such notice, then, at the election of the District, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the Net Revenues and other funds provided for in this Indenture with respect to such Bonds, and all other pecuniary obligations of the District under this Indenture with respect to all such Bonds, shall cease and terminate, except only the obligation of the District to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from

amounts set aside for such purpose as aforesaid, and all expenses and costs of the Trustee. Notice of such election shall be filed with the Trustee. Any funds thereafter held by the Trustee, which are not required for said purposes, shall be paid over to the District.

SECTION 9.04. Content of Certificates. Every certificate with respect to compliance with a condition or covenant provided for in this Indenture shall include (a) a statement that the person or persons making or giving such certificate have read such covenant or condition and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any such certificate made or given by an officer of the District may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Any such certificate or opinion or representation made or given by counsel may be based, insofar as it relates to factual matters, on information with respect to which is in the possession of the District, upon the certificate or opinion of or representations by an officer or officers of the District, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his certificate, opinion or representation may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

SECTION 9.05. Execution of Documents by Bond Owners. Any request, consent or other instrument required by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Bond Owners in person or by agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the District if made in the manner provided in this Section 9.05.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument or writing acknowledged to him the execution thereof.

The ownership of Bonds shall be provided by the Bond Registration Books.

Any request, consent or vote of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of any Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the District in pursuance of such request, consent or vote.

In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the District (but excluding Bonds held in

any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided, however, that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned or held shall be disregarded; provided, further, that if all Bonds are so owned or held, such Bonds shall not be disregarded and shall be deemed Outstanding. Upon request of the Trustee, the District shall certify to the Trustee those Bonds disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the Bond Owners upon such notice and in accordance with such rules and obligations as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

SECTION 9.06. Waiver of Personal Liability. No officer, agent or employee of the District shall be individually or personally liable for the payment of the interest on or principal of the Bonds; but nothing herein contained shall relieve any such officer, agent or employee from the performance of any official duty provided by law.

SECTION 9.07. Partial Invalidity. If any one or more of the covenants or agreements, or portions thereof, provided in this Indenture on the part of the District (or the Trustee) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of this Indenture or of the Bonds; but the Bond Owners shall retain all rights and benefits accorded to them under the Bond Law or any other applicable provisions of law. The District hereby declares that it would have entered into this Indenture and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Indenture or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 9.08. Destruction of Cancelled Bonds. Whenever in this Indenture provision is made for the surrender to the District of any Bonds which have been paid or cancelled pursuant to the provisions of this Indenture, the Trustee shall destroy such Bonds and, upon request, furnish to the District a certificate of such destruction.

SECTION 9.09. Funds and Accounts. Any fund or account required by this Indenture to be established and maintained by the District or the Trustee may be established and maintained in the accounting records of the District or the Trustee, as the case may be, either as a fund or an account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account. All such records with respect to all such funds and accounts held by the District shall at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such funds and accounts held by the Trustee shall be at all times maintained in accordance with corporate trust industry practices; in each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

SECTION 9.10. Notices. Any notice, request, complaint, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, or sent by telegram, addressed as follows:

(a) if to the District, to Brooktrails Township Community Services District, 24860 Birch Street, Willits, CA 95490, Attention: General Manager; and

(b) if to the Trustee, at The Bank of New York Mellon Trust Company, N.A., 50 Fremont Street, Suite 3900, San Francisco, CA 94105, Attention: Corporate Trust Department.

The District and the Trustee may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Notwithstanding the foregoing provisions of this Section 11.07, the Trustee shall not be deemed to have received, and shall not be liable for failing to act upon the contents of, any notice unless and until the Trustee actually receives such notice.

SECTION 9.11. Unclaimed Moneys. Anything in this Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two years after the date of deposit of such moneys if deposited with the Trustee after said date when such Bonds become due and payable, shall, be repaid by the Trustee (without liability for interest) to the District, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the District for the payment of such Bonds; provided, however, that before being required to make any such payment to the District, the Trustee shall, at the expense and direction of the District, cause to be mailed to the Owners of all such Bonds, at their respective addresses appearing on the Bond Registration Books, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the District.

IN WITNESS WHEREOF, the BROOKTRAILS TOWNSHIP COMMUNITY SERVICES DISTRICT has caused this Indenture to be signed in its name by the President of the Board and attested by the Secretary, and The Bank of New York Mellon Trust Company, N.A., as trustee, in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

BROOKTRAILS TOWNSHIP COMMUNITY
SERVICES DISTRICT

By _____
R. Richard Williams
President of the Board

Attest:

By _____
Tamara Alaniz
General Manager/Secretary

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., as Trustee

By _____
Authorized Officer

EXHIBIT A

FORM OF BOND

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF MENDOCINO

BROOKTRAILS TOWNSHIP COMMUNITY SERVICES DISTRICT
WATER REVENUE REFUNDING BOND
SERIES 2021 (BANK QUALIFIED)

NO. ____ \$ _____

<u>INTEREST RATE</u>	<u>MATURITY DATE</u>	<u>DATED DATE</u>	<u>CUSIP</u>
_____%	June 1, ____	_____, 2021	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: *** _____ DOLLARS***

Under and by virtue of Sections 53570 *et seq.* and 53580 *et seq.* of the California Government Code (the "Bond Law"), the Brooktrails Township Community Services District, a community services district duly organized and existing under the constitution and laws of the State of California (the "District"), for value received, will (subject to any right of prior redemption hereinafter provided for), on the Maturity Date specified above, pay to the Registered Owner named above, or registered assigns (the "Owner"), the Principal Amount stated above, in lawful money of the United States of America, and pay interest thereon in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless (i) this Bond is authenticated on an Interest Payment Date, in which event it shall bear interest from such date of authentication, or (ii) this Bond is authenticated prior to May 15, 2021, in which event it shall bear interest from the Dated Date stated above); provided, however, that if at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on this Bond) until payment of such Principal Amount in full, at the Interest Rate per annum stated above, payable on June 1 and December 1 in each year, commencing June 1, 2021 (each an "Interest Payment Date"), calculated on the basis of a 360-day year comprised of twelve 30-day months.

Principal hereof and premium, if any, upon early redemption hereof are payable at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), in San Francisco, California, or such other place as designated by the Trustee. Interest hereon (including the final interest payment upon maturity or earlier redemption) is payable by check or draft of the Trustee mailed on the applicable Interest Payment Date by first class mail to the Owner at the Owner's address as it appears on the registration books maintained by the Trustee as of the close of business on the 15th day of the month next preceding such Interest Payment Date (the "Record Date"); provided, that at the option of any

Owner of at least \$1,000,000 aggregate principal amount of the Bonds with respect to which written instructions have been filed with the Trustee prior to the Record Date, such interest may be paid by wire transfer.

This Bond is one of a duly authorized issue of Bonds of the District designated as its "Water Revenue Refunding Bonds Series 2021 " (the "Bonds") issued under and pursuant to the Bond Law and under an Indenture of Trust (the "Indenture"), dated as of _____ 1, 2021, by and between the District and the Trustee, and approved by the District by Resolution No. 2021-_____, adopted by the Board of Directors of the District on _____, 2021 (the "Resolution") in the principal amount of \$_____.

Copies of the Indenture are on file at the office of the Board Clerk/Secretary and at the above-mentioned office of the Trustee, and reference to the Indenture and any and all supplements thereto and modifications and amendments thereof, and to the Bond Law is made for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Net Revenues, as that term is defined in the Indenture, and the rights of the Owners of the Bonds. All the terms of the Indenture and the Bond Law are hereby incorporated herein and constitute a contract between the District and the Owner from time to time of this Bond, and to all the provisions thereof the Owner of this Bond, by acceptance hereof, consents and agrees. Each taker and subsequent Owner hereof shall have recourse to all of the provisions of the Bond Law and the Indenture and shall be bound by all of the terms and conditions thereof.

The Bonds are being issued for the purpose of refunding prior obligations of the District and paying the costs of issuing the Bonds. The Bonds are special obligations of the District, secured by and payable from a pledge of the Net Revenues of the District's Water System, as well as amounts in certain other funds and accounts held by the Trustee under the Indenture, as and to the extent set forth in the Indenture. Neither the general fund, the full faith and credit, nor the taxing power of the District, the State of California or any other political subdivision thereof is pledged to the payment of the Bonds. The Bonds are not secured by a legal or equitable pledge of or charge, lien or encumbrance upon any property of the District or any of its income or receipts except the Net Revenues.

The Bonds maturing on or before June 1, 20__ shall not be subject to optional redemption prior to maturity. The Bonds maturing on or after June 1, 20__ shall be subject to redemption prior to their respective maturity dates, at the option of the District, as a whole, or in part, as determined by the District, on any date on or after June 1, 20__, from any source of available funds, at a Redemption Price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption.

The Bonds maturing on June 1, 20__ and June 1, 20__ (the "Term Bonds") are subject to redemption prior to their stated maturities, in part by lot, from sinking fund installments, at the principal amount thereof and interest accrued thereon to the date of redemption, without premium, according to the following schedules:

Term Bonds Maturing June 1, 20__

Redemption Date (June 1)	Principal Amount to be Redeemed
-----------------------------	------------------------------------

Term Bonds Maturing June 1, 20

Redemption Date (June 1)	Principal Amount to be Redeemed
-----------------------------	------------------------------------

If some but not all of the Bonds that are Term Bonds have been optionally or extraordinarily redeemed by the District, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of such Bonds that are Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the District, which shall notify the Trustee in writing of such determination.

The Bonds shall be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date, as determined by the District, from Net Proceeds, upon the terms and conditions of, and as provided for in the Indenture, at a Redemption Price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption.

Unless waived by any Owner of Bonds to be redeemed, notice of any redemption of Bonds shall be given, at the expense of the District, by the Trustee by mailing a copy of a redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registration Books; provided, that neither the failure to receive such notice nor any immaterial defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Bonds.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption. The District has the right to rescind any notice of optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Outstanding Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The District and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

The Bonds are issuable as fully registered Bonds, without coupons, in denominations of \$5,000 or any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Indenture, Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations and of the same maturity.

This Bond is transferable by the Owner hereof, in person, or by his attorney duly authorized in writing, at the office of the Trustee, or such other place as designated by the

Trustee, but only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new Bond or Bonds, of any authorized denomination or denominations, for the same aggregate principal amount and of the same maturity will be issued to the transferee in exchange herefor.

The District and the Trustee may treat the Owner hereof as the absolute Owner hereof for all purposes, and the District and the Trustee shall not be affected by any notice to the contrary.

The Indenture may be amended without the consent of the Owners of the Bonds to the extent set forth in the Indenture.

It is hereby certified that all of the things, conditions and acts required to exist, to have happened or to have been performed precedent to and in the issuance of this Bond do exist, have happened or have been performed in due and regular time and manner as required by the laws of the State of California and that the amount of this Bond, together with all other indebtedness of the District, does not exceed any limit prescribed by any laws of the State of California, and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

This Bond shall not become valid or obligatory for any purpose or be entitled to the benefits of the Indenture until the certificate of authentication and registration hereon shall have been manually signed by an authorized officer or signatory of the Trustee.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the District or its agent for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

IN WITNESS WHEREOF, the Brooktrails Township Community Services District has caused this Bond to be executed in its name and on its behalf with the facsimile signatures of the President of the Board and attested by the facsimile signature of the Secretary, all as of the _____ day of _____, 2021.

BROOKTRAILS TOWNSHIP COMMUNITY
SERVICES DISTRICT

By _____
R. Richard Williams
President of the Board

ATTEST:

By _____
Tamara Alaniz
General Manager/Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Dated: _____, 2021

THE BANK OF NEW YORK MELLON
TRUST COMPANY, N.A., *as Trustee*

By: _____
Authorized Signatory

STATEMENT OF INSURANCE

[To come]

FORM OF ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agent Medallion Program or in such other guarantee program acceptable to the Trustee.

Note: The signature(s) on this Assignment must correspond with the name(s) as written on the face of the within Certificate in every particular without alteration or enlargement or any change whatsoever.

ATTACHMENT 3**PRELIMINARY OFFICIAL STATEMENT DATED JANUARY __, 2021****NEW ISSUE – FULL BOOK-ENTRY****RATINGS: S&P (Insured): “__”****S&P (Underlying): “__”****See “RATINGS”**

In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. The Bonds are “qualified tax-exempt obligations” within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See “TAX MATTERS.”

\$ _____ *

BROOKTRAILS TOWNSHIP COMMUNITY SERVICES DISTRICT
Water Revenue Refunding Bonds
Series 2021
(Bank Qualified)

Dated: Date of Delivery**Due: June 1, as shown on inside cover**

Authority for Issuance. The bonds captioned above (together, the “Bonds”) are being issued by the Brooktrails Township Community Services District (the “District”) pursuant to Articles 10 (commencing with Section 53570) and 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California, an Indenture of Trust dated as of _____ 1, 2021 (the “Indenture”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee, and a Resolution adopted by the Board of Directors of the District on January [12], 2021. See “THE BONDS – Authority for Issuance.”

Security for the Bonds. The Bonds are special obligations of the District, payable solely from “Net Revenues” of the District’s system for the supply, treatment and distribution of water within its service area (as described in more detail herein, the “Water System”), and amounts on deposit in the funds and accounts established under the Indenture as and to the extent provided in the Indenture. See “SECURITY FOR THE BONDS.”

Parity Obligations. Upon issuance of the Bonds, there will be no outstanding obligations payable from the Net Revenues of the Water System on a parity basis with the Bonds. However, the District is authorized under the Indenture to issue or incur other obligations payable from Net Revenues on a parity with the Bonds in the future upon the satisfaction of certain conditions as described herein. See “SECURITY FOR THE BONDS – Parity Obligations.”

Use of Proceeds. The Bonds are being issued to provide funds to (i) prepay certain obligations owed to the United States of America, acting through Rural Utilities Service, United States Department of Agriculture (“USDA”), and (ii) pay the costs of issuing the Bonds. See “REFUNDING PLAN.”

Bond Terms; Book-Entry Only. The Bonds will bear interest at the rates shown on the inside cover, payable semiannually on June 1 and December 1 of each year, commencing on June 1, 2021, and will be issued in fully registered form without coupons in the denomination of \$5,000 or any integral multiple of \$5,000. The Bonds will be issued in book-entry only form, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. Payments of the principal of, premium, if any, and interest on the Bonds will be made to DTC, which is obligated in turn to remit such principal, premium, if any, and interest to its DTC Participants for subsequent disbursement to the beneficial owners of the Bonds. See “THE BONDS – General Bond Terms.”

Redemption. The Bonds are subject to redemption prior to maturity. See “THE BONDS – Redemption.”

Bond Insurance and Reserve Fund Insurance. Scheduled payment of principal of and interest on the Bonds when due is guaranteed pursuant to a municipal bond insurance policy provided by [_____] (the “Insurer”). See “BOND INSURANCE.” The Insurer is also providing a reserve fund insurance policy to satisfy the Reserve Requirement (defined herein) for the Bonds.

MATURITY SCHEDULE
(see inside cover)

THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE OF BONDS. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION WITH RESPECT TO THE PURCHASE OF THE BONDS. INVESTMENT IN THE BONDS INVOLVES RISKS THAT MAY NOT BE APPROPRIATE FOR SOME INVESTORS. SEE “BOND OWNERS’ RISKS.”

The Bonds are offered when, as and if issued and accepted by the Underwriter, subject to approval as to their legality by Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel. Certain legal matters will also be passed upon for the District by Jones Hall, A Professional Law Corporation, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Kutak Rock LLP, Los Angeles, California, as counsel to the Underwriter and for the District by Christopher J. Neary of Neary and O’Brien, as counsel to the District. It is anticipated that the Bonds, in book-entry only form, will be available through the facilities of DTC on or about February __, 2021.

Hilltop Securities Logo

The date of this Official Statement is: _____, 2021

* Preliminary; subject to change.

MATURITY SCHEDULE

\$_____ Serial Bonds
(Base CUSIP†: _____)

Maturity (June 1)	Principal Amount	Interest Rate	Yield	Price	CUSIP†
----------------------	---------------------	------------------	-------	-------	--------

\$_____ % Term Bond due June 1, 20____, Yield ____%, Price %, CUSIP†_____

† Copyright 2021, American Bankers Association. CUSIP data herein are provided for convenience of reference only. Neither the District nor the Underwriter assumes any responsibility for the accuracy of CUSIP data.

BROOKTRAILS TOWNSHIP COMMUNITY SERVICES DISTRICT (MENDOCINO COUNTY, CALIFORNIA)

BOARD OF DIRECTORS

Rick Williams, *President*
Tina Tyler-O'Shea, *Vice President*
Ed Horrick, *Director*
Tony Orth, *Director*
Ralph Santos, *Director*

DISTRICT STAFF

Tamara Alaniz, *General Manager/Secretary*
Philip St. Pierre, *Finance Manager*
Christopher J. Neary of Neary and O'Brien, Attorneys at Law, *General Counsel*

MUNICIPAL ADVISOR

W.J. Fawell Co., Public Finance
Carlsbad, California

BOND COUNSEL and DISCLOSURE COUNSEL

Jones Hall, A Professional Law Corporation
San Francisco, California

TRUSTEE

The Bank of New York Mellon Trust Company, N.A.
San Francisco, California

GENERAL INFORMATION ABOUT THIS OFFICIAL STATEMENT

No Offering May Be Made Except by this Official Statement. No dealer, broker, salesperson or other person has been authorized to give any information or to make any representations with respect to the Bonds other than as contained in this Official Statement, and if given or made, such other information or representation must not be relied upon as having been authorized.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, create any implication that there has been no change in the affairs of the District or the Water System since the date of this Official Statement.

Use of this Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract with the purchasers of the Bonds.

Preparation of this Official Statement. The information contained in this Official Statement has been obtained from sources that are believed to be reliable, but this information is not guaranteed as to accuracy or completeness.

Document References and Summaries. All references to and summaries of the Indenture or other documents contained in this Official Statement are subject to the provisions of those documents and do not purport to be complete statements of those documents.

Stabilization of and Changes to Offering Prices. The Underwriters may over allot or take other steps that stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. If commenced, the Underwriter may discontinue such market stabilization at any time. The Underwriter may offer and sell the Bonds to certain dealers, dealer banks and banks acting as agent at prices lower than the public offering prices stated on the cover page of this Official Statement, and those public offering prices may be changed from time to time by the Underwriter.

Bonds are Exempt from Securities Laws Registration. The issuance and sale of the Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exemptions for the issuance and sale of municipal securities provided under Section 3(a)(2) of the Securities Act of 1933 and Section 3(a)(12) of the Securities Exchange Act of 1934.

Estimates and Projections. Certain statements included or incorporated by reference in this Official Statement constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

Bond Insurer Disclaimer. [To come]

Internet Site. The District maintains an internet site; however, none of the information contained on that internet site is incorporated by reference in this Official Statement.

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APPENDIX E: Form of Opinion of Bond Counsel
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OFFICIAL STATEMENT

\$ _____ *

BROOKTRAILS TOWNSHIP COMMUNITY SERVICES DISTRICT
Water Revenue Refunding Bonds
Series 2021 (Bank Qualified)

INTRODUCTION

This introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. Capitalized terms used but not defined in this Official Statement have the meanings given in the Indenture (as defined below). See "APPENDIX A – Summary of Certain Provisions of the Indenture."

Authority for Issuance. The bonds captioned above (together, the "**Bonds**") are being issued by the Brooktrails Township Community Services District (the "**District**") under Articles 10 (commencing with Section 53570) and 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "**Bond Law**"), an Indenture of Trust dated as of _____ 1, 2021 (the "**Indenture**"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the "**Trustee**"), and a Resolution adopted by the Board of Directors of the District (the "**Board**") on January [12], 2021. See "THE BONDS – Authority for Issuance."

Purpose of the Bonds. The Bonds are being issued to provide funds to (i) prepay certain obligations owed to the United States of America, acting through Rural Utilities Service, United States Department of Agriculture ("**USDA**"), and (ii) pay the costs of issuing the Bonds. See "REFUNDING PLAN."

Security for the Bonds. The Bonds are special obligations of the District, payable solely from "Net Revenues" of the District's system for the supply, treatment and distribution of water within the service area of the District (the "**Water System**"), and amounts on deposit in the funds and accounts established under the Indenture as and to the extent provided in the Indenture. "**Net Revenues**" are generally defined in the Indenture as the "Gross Revenues" received from the Water System, less the amount of "Maintenance and Operation Expenses" of the Water System (as those terms are defined in the Indenture). See "SECURITY FOR THE BONDS."

Bond Insurance and Reserve Fund Insurance. Scheduled payment of principal of and interest on the Bonds when due is guaranteed pursuant to a municipal bond insurance policy provided by [_____] (the "**Insurer**"). See "BOND INSURANCE." The Insurer is also providing a reserve fund insurance policy to satisfy the Reserve Requirement (defined herein) for the Bonds.

* Preliminary; subject to change.

Parity Obligations. Upon the issuance of the Bonds, there will be no outstanding obligations of the District outstanding on a parity with the Bonds. The District may enter into parity obligations from time-to-time in the future, subject to the conditions contained in the Indenture. See “SECURITY FOR THE BONDS – Parity Obligations.”

Rate Covenant. Under the Indenture, the District is obligated to fix, prescribe, revise, and collect charges for the Water System during each Fiscal Year that are sufficient to yield Net Revenues of at least 120% of Debt Service on the Bonds and all Parity Obligations (if any) in such Fiscal Year. See “SECURITY FOR THE BONDS – Rate Covenant.”

Risks of Investment. The Bonds are repayable only from certain money available to the District from the Water System and certain other funds and accounts established under the Indenture to the extent set forth in the Indenture. For a discussion of some of the risks associated with the purchase of the Bonds, see “BOND OWNERS’ RISKS.”

THE BONDS ARE NOT SECURED BY A LEGAL OR EQUITABLE PLEDGE OF, OR CHARGE, OR LIEN, OR ENCUMBRANCE UPON, ANY OF THE PROPERTY OF THE DISTRICT OR ANY OF ITS INCOME OR RECEIPTS, EXCEPT THE NET REVENUES OF THE WATER SYSTEM AND AMOUNTS ON DEPOSIT IN THE FUNDS AND ACCOUNTS ESTABLISHED UNDER THE INDENTURE AS AND TO THE EXTENT PROVIDED IN THE INDENTURE.

REFUNDING PLAN

General

In order to provide funds to finance improvements to the Water System, the District previously entered into the following obligations (collectively, the “**Prior Obligations**”):

- Installment Sale Agreement, dated as of June 13, 2005, between the District and Public Property Financing Corporation of California, a non-profit public benefit corporation (the “**Corporation**”), which secures the \$454,000 Certificate of Participation (Brooktrails Township Community Services District—Water Project), Series 2005 issued to the USDA;
- Loan Agreement, dated as of June 13, 2005, between the District, as borrower, and USDA, as lender, in the initial principal amount of \$149,000; and
- Installment Sale Agreement, dated as of April 16, 2008, between the District and the Corporation, which secures \$3,165,000 Certificate of Participation Brooktrails Township Community Services District (Reservoir Spillway Water Project), Series 2008 issued to the USDA.

The Prior Obligations may be prepaid in whole or in part on any date, without premium. The net proceeds of the Bonds, together with other funds of the District related to the Prior Obligations, will be used to prepay, in full, the Prior Obligations on the closing date for the Bonds.

Sources and Uses of Funds

The estimated sources and uses of funds relating to the Bonds are as follows:

Sources:

Principal Amount of Bonds

Plus: [Net] Original Issue Premium

Plus: Amounts Related to Prior Obligations

TOTAL SOURCES

Uses:

Pay-off of Prior Obligations

Cost of Issuance⁽¹⁾

TOTAL USES

-
- (1) Represents funds to be used to pay costs of issuance, which include Underwriter's discount, legal fees, municipal advisor's fee, printing costs, rating agency fee, premiums for bond insurance and reserve fund insurance, and other expenses of issuing the Bonds.

DEBT SERVICE SCHEDULE

Annual debt service on the Bonds is presented below, assuming the District does not optionally redeem principal.

Period Ending June 1	Bonds Principal	Bonds Interest	Total Bonds Debt Service
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
Total:			

Source: Underwriter.

THE BONDS

This section provides summaries of the Bonds and certain provisions of the Indenture. See APPENDIX A for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

Authority for Issuance

The Bonds are being issued by the District under a Resolution adopted by the Board on January [12], 2021, the Bond Law and the Indenture.

General Bond Terms

Bond Terms. The Bonds will be dated their date of delivery and issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple of \$5,000. The Bonds will mature in the amounts and on the dates, and bear interest at the rates per annum, set forth on the inside cover page of this Official Statement.

Payments. Interest on the Bonds will be payable on June 1 and December 1 of each year to maturity, beginning June 1, 2021 (each an “**Interest Payment Date**”).

Interest on the Bonds will be payable on each Interest Payment Date to the person whose name appears on the Bond Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check or draft of the Trustee mailed by first class mail to the Owner or, at the option of any Owner of at least \$1,000,000 aggregate principal amount of the Bonds with respect to which written instructions have been filed with the Trustee prior to the applicable Record Date, by wire transfer, at the address of such Owner as it appears on the Bond Registration Books.

If there exists a default in payment of interest due on such Interest Payment Date, such interest will be payable on a payment date established by the Trustee to the persons in whose names the Bonds are registered at the close of business on a special record date for the payment of such defaulted interest established by notice mailed by the Trustee to the registered Owners of the Bonds not less than 15 days preceding such special record date.

Principal of and premium (if any) on any Bond will be paid upon presentation and surrender thereof at the Principal Corporate Trust Office of the Trustee. Both the principal of and interest and premium (if any) on the Bonds will be payable in lawful money of the United States of America.

However, as long as Cede & Co. is the registered owner of the Bonds, as described below, payments of the principal of, premium, if any, and interest on the Bonds will be made directly to DTC, or its nominee, Cede & Co.

Calculation of Interest. The Bonds will be dated their date of delivery and bear interest based on a 360-day year comprised of twelve 30-day months from the Interest Payment Date next preceding its date of authentication, unless said date of authentication is an Interest Payment Date, in which event such interest is payable from such date of authentication, and unless said date of authentication is prior to May 15, 2021, in which event such interest is payable from their date of delivery; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond will bear interest from the date to which interest has previously been paid or made available for payment thereon in full.

Record Date. The Indenture defines the “**Record Date**” for the Bonds as the 15th calendar day of the month immediately preceding an Interest Payment Date.

Book-Entry Only System. The Bonds will be registered in the name of Cede & Co., as nominee of the Depository Trust Company (“**DTC**”), as the initial securities depository for the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Purchasers of the Bonds will not receive physical bonds representing their ownership interests in the Bonds purchased. Principal and interest payments with respect to the Bonds are payable directly to DTC by the Trustee. Upon receipt of payments of principal and interest, DTC will in turn distribute such payments to the beneficial owners of the Bonds. See “APPENDIX F – DTC and the Book-Entry Only System.” *So long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, references in this Official Statement to the “owners” mean Cede & Co., and not the purchasers or Beneficial Owners of the Bonds. See “APPENDIX F – DTC and the Book-Entry Only System.”*

Redemption*

Optional Redemption. The Bonds maturing on or before June 1, 20__ shall not be subject to optional redemption prior to maturity. The Bonds maturing on or after June 1, 20__ shall be subject to redemption prior to their respective maturity dates, at the option of the District, as a whole, or in part, as determined by the District, on any date on or after June 1, 20__, from any source of available funds, at a Redemption Price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date of redemption.

Mandatory Sinking Fund Redemption. The Bonds maturing on June 1, 20__ and June 1, 20__ (the “**Term Bonds**”) are subject to redemption prior to their stated maturities, in part by lot, from Sinking Fund Installments, at the principal amount thereof and interest accrued thereon to the date of redemption, without premium, according to the following schedules:

Term Bonds Maturing June 1, 20__

Redemption Date <u>(June</u>	Principal Amount to be
<u>1)</u>	<u>Redeemed</u>

Term Bonds Maturing June 1, 20__

Redemption Date <u>(June</u>	Principal Amount to be
<u>1)</u>	<u>Redeemed</u>

If some but not all of the Bonds that are Term Bonds have been optionally or extraordinarily redeemed by the District, the total amount of all future sinking fund payments will be reduced by

* Preliminary; subject to change.

the aggregate principal amount of such Bonds that are Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis as determined by the District, which shall notify the Trustee in writing of such determination.

Extraordinary Redemption from Net Proceeds of Insurance or Condemnation. The Bonds shall be subject to extraordinary redemption prior to their respective stated maturities, as a whole or in part on any date, as determined by the District, from Net Proceeds of insurance or eminent domain proceedings, upon the terms and conditions of, and as provided for in the Indenture, at a Redemption Price equal to the principal amount of the Bonds to be redeemed, without premium, plus accrued interest thereon to the date fixed for redemption.

Notice of Redemption. Unless waived by any Owner of Bonds to be redeemed, notice of any redemption of Bonds shall be given, at the expense of the District, by the Trustee by mailing a copy of a redemption notice by first class mail at least 20 days and not more than 60 days prior to the date fixed for redemption to the Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Registration Books; provided, that neither the failure to receive such notice nor any immaterial defect in any notice shall affect the sufficiency of the proceedings for the redemption of the Bonds.

All notices of redemption shall be dated and shall state: (i) the CUSIP numbers of all Outstanding Bonds being redeemed; (ii) the stated interest rate with respect to each Bond being redeemed; (iii) the maturity date of each Bond being redeemed; (iv) the Redemption Price; (v) that on the redemption date the Redemption Price will become due and payable with respect to each such Bond or portion thereof called for redemption, and that interest with respect thereto shall cease to accrue from and after said date; and (vi) the place or places where such Bonds are to be surrendered for payment of the Redemption Price, which places of payment may include the Principal Corporate Trust Office of the Trustee.

Notwithstanding the foregoing, while the Bonds are subject to DTC's book-entry system, the Trustee will be required to give notice of redemption only to DTC as provided in the letter of representations executed by the District and received and accepted by DTC. DTC and the Participants will have sole responsibility for providing any such notice of redemption to the beneficial owners of the Bonds to be redeemed. Any failure of DTC to notify any Participant, or any failure of Participants to notify the Beneficial Owner of any Bonds to be redeemed, of a notice of redemption or its content or effect will not affect the validity of the notice of redemption, or alter the effect of redemption set forth in the Indenture.

Right to Rescind; Cancellation. The District shall have the right to rescind any notice of optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Outstanding Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under this Indenture. The District and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Consequences of Notice. Notice of redemption having been given as aforesaid, the Bonds or portions of Bonds so to be redeemed shall, on the redemption date, become due and payable at the Redemption Price therein specified, and from and after such date (unless the District shall default in the payment of the Redemption Price) such Bonds or portions of Bonds shall cease to have interest accrue thereon. Upon surrender of such Bonds for redemption in

accordance with said notice, such Bonds shall be paid by the Trustee at the Redemption Price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. Upon surrender for any partial redemption of any Bond, there shall be prepared for the Owner a new Bond or Bonds of the same maturity in the amount of the unredeemed principal. All Bonds which have been redeemed shall be cancelled and destroyed by the Trustee and shall not be redelivered. Neither the failure of any Bond Owner to receive any notice so mailed nor any defect therein shall affect the sufficiency of the proceedings for redemption of any Bonds nor the cessation of accrual of interest thereon.

Selection of Bonds for Partial Redemption. If only a portion of any Bond is called for redemption, then upon surrender of such Bond redeemed in part only, the District will execute and the Trustee shall authenticate and deliver to the Owner, at the expense of the District, a new Bond or Bonds, of the same maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond or Bonds.

Manner of Redemption. Whenever any Bonds are to be selected for redemption, the Trustee will determine, by lot, the numbers of the Bonds to be redeemed, and will notify the District thereof.

Registration, Transfer and Exchange

Bond Registration Books. The Trustee will keep or cause to be kept at its trust office sufficient Bond Registration Books for the registration and transfer of the Bonds, which will at all times during regular business hours, and upon reasonable notice, be open to inspection by the District; and, upon presentation for such purpose, the Trustee will, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said books, Bonds as provided in the Indenture.

Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred upon the Bond Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed.

Whenever any Bond is surrendered for transfer, the District will execute and the Trustee will thereupon authenticate and deliver to the transferee a new Bond or Bonds of like tenor, maturity and aggregate principal amount. No Bonds the notice of redemption of which has been mailed pursuant to the Indenture will be subject to transfer under this provision of the Indenture.

Exchange of Bonds. Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee, for Bonds of the same tenor and maturity and of other authorized denominations. No Bonds the notice of redemption of which has been mailed pursuant to the Indenture will be subject to exchange under this provision of the Indenture.

SECURITY FOR THE BONDS

This section provides summaries of the security for the Bonds, and certain provisions of the Indenture. See APPENDIX A for a more complete summary of the Indenture. Capitalized terms used but not defined in this section have the meanings given in APPENDIX A.

General

Pledge of Net Revenues. Under the Indenture, on a parity basis with amounts payable by the District with respect to Parity Obligations, the District transfers, places a charge upon, assigns and sets over to the Trustee, for the benefit of the Owners, that portion of the Net Revenues which is necessary to pay the principal of and interest on the Bonds in any Fiscal Year (taking into account all moneys on deposit in the Debt Service Fund), and such portion of the Net Revenues is irrevocably pledged to the punctual payment of the principal of and interest on the Bonds. The Net Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding, except that out of Net Revenues there may be apportioned and paid such sums for such purposes, as are expressly permitted by the Indenture. Said pledge shall constitute a first, direct and exclusive charge and lien on the Net Revenues for the payment of the principal of and interest on the Bonds in accordance with the terms thereof on a parity basis to the pledge of Net Revenues in favor of the Parity Obligations.

Limited Obligation of the District. The general fund of the District is not liable and the credit or taxing power of the District is not pledged for the payment of the principal of and interest on the Bonds. The Owner of the Bonds shall not compel the exercise of the taxing power by the District or the forfeiture of its property. The principal of and interest on the Bonds are not a debt of the District, nor a legal or equitable pledge, charge, lien or encumbrance, upon any of its property, or upon any of its income, receipts, or revenues except the Net Revenues of the Water System as and to the extent set forth in the Indenture.

Key Definitions

As noted above, the Bonds are secured by a pledge and lien on the Net Revenues of the Water System. In the Indenture, “**Net Revenues**” is defined as Gross Revenues less Maintenance and Operation Expenses.

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

- (a) all income, rents, rates, fees, assessments, charges or other moneys derived from the services, facilities and commodities sold, furnished or supplied through the facilities of the Water System,
- (b) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or pursuant to the law to the Water System, and
- (c) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Water System as permitted in the Indenture;

provided, that the term “Gross Revenues” shall not include customers’ deposits or any other deposits subject to refund until such deposits have become the property of the District.

“Maintenance and Operation Expenses” as the reasonable and necessary costs spent or incurred by the District for maintaining and operating the Water System, calculated in accordance with sound accounting principles, and all reasonable and necessary expenses of management and repair and other expenses to maintain and preserve the Water System in good repair and working order, and including all reasonable and necessary administrative costs of the District attributable to the Water System and the Bonds, such as salaries and wages and the necessary contribution to retirement of employees, overhead, insurance, taxes (if any), expenses, compensation and indemnification of the Trustee, and fees of auditors, accountants, attorneys or engineers, and including all other reasonable and necessary costs of the District or charges required to be paid by it to comply with the terms of the Bonds or this Indenture, but excluding (i) depreciation, replacement and obsolescence charges or reserves therefor; (ii) the costs of the District’s meter replacement program; (iii) the costs of the District’s conservation rebate and incentive program; (iv) staffing costs related to capital projects; and (v) amortization of intangibles or other bookkeeping entries of a similar nature.

Flow of Funds under the Indenture

Water Revenue Fund. In order to carry out and effectuate the pledge and lien contained in the Indenture, the District covenants and agrees that all Gross Revenues shall be received by the District in trust under the Indenture and shall be deposited when and as received in a special fund designated as the “Water Revenue Fund,” which fund the District previously established and which the District agrees and covenants to maintain and hold separate and apart from other funds so long as any Bonds remain unpaid. Moneys in the Water Revenue Fund shall be used and applied by the District as provided in the Indenture and any Parity Obligation Instrument.

Debt Service Fund; Reserve Account and Redemption Account. The Debt Service Fund, as a special fund, and the Reserve Account and Redemption Account, as special accounts therein, shall be held and maintained by the Trustee, in trust for the Owners of the Bonds, under the Indenture for the purposes specified therein.

Allocation of Gross Revenues. For the benefit of the Owners of the Bonds and the Parity Obligations, all Gross Revenues shall be held in trust by the District in the Water Revenue Fund and shall be applied, transferred, used and withdrawn solely for the following purposes and in the following order of priority:

Maintenance and Operation Expenses. The District shall first pay from the moneys in the Water Revenue Fund the Maintenance and Operation Expenses as they become due and payable.

Debt Service Fund and Debt Service on Parity Obligation. On an equal basis, without preference or priority with transfers or allocations by the District for Debt Service due with respect to any Parity Obligations, on or before the 5th Business Day prior to each Interest Payment Date, the District shall transfer from the Water Revenue Fund to the Trustee for deposit in the Debt Service Fund (A) an amount equal to the Interest Requirement due and payable on all Outstanding Bonds on such Interest Payment Date, plus (B) if such Interest Payment Date is also a Principal Payment Date, an amount equal to the aggregate amount of Principal Installments becoming due and payable on all Outstanding Bonds, in each case, taking into account amounts then on deposit in the Debt

Service Fund. No transfer and deposit need be made into the Debt Service Fund if the amount contained therein is at least equal to the Interest Requirement and, if applicable, Principal Installments to become due and payable on such Interest Payment Date.

Reserve Accounts. If the balance in the Reserve Account for the Bonds or any other debt service reserve account established for any Parity Obligation is less than the reserve requirement therefor (or if an amount is due by the District to any provider of a debt service reserve insurance policy previously deposited to the Reserve Account or a debt service reserve account for Parity Obligations), the deficiency or amount due shall be transferred by the District, on a parity basis among the Bonds and all such Parity Obligations, in accordance with the terms of the Indenture and the applicable Parity Obligation Instrument(s).

Other Amounts Due on Parity Obligations. All other payments required for compliance with the Indenture or any Parity Obligation Instrument pursuant to which any Parity Obligations relating to the Water System shall have been issued or incurred.

Subordinated Obligation, if applicable. On an equal basis, without preference or priority, on or before applicable payment dates for Subordinated Obligation (if any), the District shall transfer from the Water Revenue Fund to the applicable payee(s), amounts then becoming due and payable on such Subordinated Obligation (if any).

Surplus. As long as all of the foregoing payments, allocations and transfers are made at the times and in the manner set forth above, any moneys remaining in the Water Revenue Fund may at any time be treated as surplus and applied for any lawful purpose.

Application of Debt Service Fund

The Trustee shall withdraw from the Debt Service Fund, not later than 5 Business Days prior to each Interest Payment Date, an amount equal to the Interest Requirement payable on such Interest Payment Date, and shall cause the same to be applied to the payment of said interest when due and is hereby authorized to apply the same to the payment of such interest.

The Trustee shall withdraw from the Debt Service Fund, not later than 5 Business Days prior to each Principal Payment Date, an amount equal to the principal amount due on said Principal Payment Date (including any Sinking Fund Installments due and payable on said Principal Payment Date), and shall cause the same to be applied to the payment of such principal.

If amounts in the Debt Service Fund are insufficient to pay principal or interest on the Bonds as provided above, the Trustee shall withdraw amounts available under the Reserve Policy. See “– Reserve Account and Reserve Policy,” below.

Reserve Account and Reserve Policy

With the Debt Service Fund, the Trustee shall establish and hold for the benefit of the Bondholders, the Reserve Account in the amount of the Reserve Requirement. The Reserve Requirement will be satisfied by the delivery of the Reserve Policy by the Insurer.

The “**Reserve Requirement**” for the Bonds is \$_____, which equals the lesser of (a) maximum annual Debt Service on the Bonds, (b) 125% of the average annual Debt Service on the Bonds, or (c) 10% of the principal amount of the Bonds, as calculated by the District. The

District has no obligation to replace the Reserve Policy or to fund the Reserve Account with cash or any other security if, at any time that the Bonds are Outstanding, amounts are not available under the Reserve Policy, there is a rating downgrade of the Insurer providing the Reserve Policy or for any other reason.

The amounts available under the Reserve Policy will be used and withdrawn by the Trustee solely for the purpose of making transfers for use in the event of any deficiency at any time in such account for the purpose of paying scheduled principal and interest on the Bonds under the Indenture. The Trustee will comply with all documentation relating to the Reserve Policy as required to maintain the Reserve Policy in full force and effect and as required to receive payments thereunder if and to the extent required to make any payment when and as required under the Indenture. See APPENDIX A for additional provisions related to the Reserve Policy.

Redemption Account

With the Debt Service Fund, the Trustee shall establish and hold for the benefit of the Bondholders, the Redemption Account. On or before the date which is at least 2 Business Days prior to any date on which Bonds are subject to optional redemption pursuant to the Indenture, the District shall transfer from the Water Revenue Fund to the Trustee for deposit in the Redemption Account an amount at least equal to the Redemption Price (excluding accrued interest, which is payable from the Debt Service Fund) of such Bonds to be redeemed on such date. Amounts in the Redemption Account shall be applied by the Trustee solely for the purpose of paying the Redemption Price of Bonds to be optionally redeemed pursuant to the Indenture. If after all of the Bonds have been paid or deemed to have been paid, there are moneys remaining in the Redemption Account, such moneys shall be transferred by the Trustee to the District for deposit in the Water Revenue Fund.

Rate Stabilization Fund

The District may at any time establish a rate stabilization fund (the “**Rate Stabilization Fund**”). If established, the District agrees and covenants to maintain and hold amounts in such Rate Stabilization Fund separate and apart from other funds and to administer such Rate Stabilization Fund in accordance with the Indenture, for the purpose of stabilizing the rates and charges imposed by the District with respect to the Water System. From time to time the District may deposit amounts in the Rate Stabilization Fund, from any source of legally available funds, including but not limited to Net Revenues that are released from the pledge and lien which secures the Bonds and any Parity Obligations, as the District may determine.

The District may, but is not required to, withdraw from any amounts on deposit in a Rate Stabilization Fund and deposit such amounts in the Water Revenue Fund in any Fiscal Year for the purpose of paying Debt Service coming due and payable in such Fiscal Year. Amounts so transferred from a Rate Stabilization Fund to the Water Revenue Fund shall constitute Gross Revenues for such Fiscal Year (except as otherwise provided in the Indenture), and shall be applied for the purposes of the Water Revenue Fund. Amounts on deposit in a Rate Stabilization Fund shall not be pledged to or otherwise secure the Bonds or any Parity Obligations. All interest or other earnings on deposits in a Rate Stabilization Fund shall be withdrawn therefrom at least annually and accounted for as Gross Revenues. The District has the right at any time to withdraw any or all amounts on deposit in a Rate Stabilization Fund and apply such amounts for any lawful purposes of the District.

Rate Covenant

The District shall, to the maximum extent permitted by law, fix, prescribe, revise and collect rates, fees and charges for the services and facilities furnished by the Water System during each Fiscal Year which are sufficient to yield Net Revenues at least equal to 120% of all Debt Service on all Parity Obligations payable in each Fiscal Year. The District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Net Revenues from such reduced rates and charges are reasonably expected to be sufficient to meet the requirements of this section.

For the purpose of computing the amount of Net Revenues for any Fiscal Year for purposes of the preceding paragraph, the District shall be permitted to transfer amounts on deposit in the Rate Stabilization Fund to the Water Revenue Fund (except that amounts that were transferred into the Rate Stabilization Fund from Gross Revenues received by the District in such Fiscal Year shall not be double-counted), and such transfers may be made until (but not after) 210 days after the end of such Fiscal Year.

Parity Obligations

No Existing Parity Obligations. Upon the issuance of the Bonds, there will be no other obligations of the District payable from the Net Revenues on a parity basis with the Bonds.

Future Parity Obligations. In the future, the District may issue or incur additional Parity Obligations, subject to the following specific conditions which are hereby made conditions precedent to the issuance and delivery of such Parity Obligations:

(a) No Event of Default shall have occurred and be continuing under the Indenture or would result from such issuance of incurrence.

(b) The Net Revenues of the Water System, calculated on sound accounting principles, as shown by the books of the District for the latest Fiscal Year or any more recent 12-month period selected by the District ending not more than 60 days prior to the adoption of the Parity Obligation Instrument pursuant to which such Parity Obligation is issued or incurred, plus as the option of the District, Additional Revenues, are at least equal to 120% of Maximum Annual Parity Debt Service.

(c) The District shall deliver to the Trustee a Certificate of the District certifying that the foregoing conditions precedent to the issuance of such Parity Obligation set have been satisfied.

For the definitions of "Additional Revenues" and "Maximum Annual Parity Debt Service," see APPENDIX A.

Senior and Subordinated Obligations

No Senior Obligations. The District covenants in the Indenture that no additional bonds or other obligations shall be issued or incurred having any priority in payment of principal or interest out of the Net Revenues over the Bonds.

Subordinated Obligations. Nothing in the Indenture prohibits or impairs the authority of the District to issue or incur Subordinated Obligations on the terms and in the amount desired by the District.

Casualty Insurance; Net Proceeds of Insurance

The District covenants that it shall at all times maintain such insurance on the Water System as is customarily maintained with respect to works and properties of like character against accident to, loss of or damage to such works or properties.

Any such insurance shall be in the form of policies or contracts for insurance with Insurers or a shared risk pool of good standing and shall be payable to the District, or may be in the form of self-insurance by the District. The District shall establish such fund or funds or reserves as it determines, in its sole judgment, are necessary to provide for its share of any such self-insurance.

In the event of any damage to or destruction of the Water System caused by the perils covered by such insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of the Water System. The District shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, and shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and the Water System shall be free and clear of all claims and liens.

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement, then the excess Net Proceeds shall be applied to the extraordinary redemption of Bonds as provided in the Indenture and/or Parity Obligations, in the District's sole discretion.

Net Proceeds of Eminent Domain

If all or any part of the Water System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

If (1) the District files with the Trustee a certificate showing (A) the estimated loss of annual Net Revenues, if any, suffered or to be suffered by the District by reason of such eminent domain proceedings, (B) a general description of the additions, betterments, extensions or improvements to the Water System proposed to be acquired and constructed by the District from such Net Proceeds, and (C) an estimate of the additional annual Net Revenues to be derived from such additions, betterments, extensions or improvements, and (2) the District, on the basis of such certificate filed with the Trustee, determines that the estimated additional annual Net Revenues will sufficiently offset the estimated loss of annual Net Revenues resulting from such eminent domain proceedings so that the ability of the District to meet its obligations hereunder will not be substantially impaired (which determination shall be final and conclusive), then the District shall promptly proceed with the acquisition and construction of such additions, betterments, extensions or improvements substantially in accordance with such certificate and such Net Proceeds shall be applied for the payment of the costs of such acquisition and construction, and any balance of such Net Proceeds not required by the District for such purpose shall be deposited in the Water Revenue Fund.

If the foregoing conditions are not met, then such Net Proceeds shall be applied to the extraordinary redemption of the Bonds as provided in the Indenture and/or Parity Obligations, in the District's sole discretion.

BOND INSURANCE

[To come]

THE DISTRICT

General

The District is a community services district that provides water and sewer, fire suppression and emergency medical services to a 12.6-square-mile service area in Mendocino County (the “County”). The District is located adjacent to and west of the City of Willits (the “City”), approximately 90 miles north of the City of Santa Rosa on Highway 101.

The area within the District started as a vacation community, but has subsequently seen more permanent residents, including retirees as well as families with children. The land in the District is part of a specific plan created by the County in 1997, and subsequently amended, which governs the land uses of properties in the District. The District provides water, wastewater, fire prevention and suppression, emergency medical and rescue, solid waste collection and disposal (as a franchise), parks and recreation, and, community planning and development design review services in its service area.

The District was formed from several subdivisions in the 1960s under the Community Services District Law (California Government Code, Section 61000 et seq.) to provide municipal services to residents and businesses within its service area. The District serves approximately 3,500 residents through 1,554 water connections and 1,436 wastewater connections, of which 99.9% are residential.

For additional economic and demographic information on the City and the County, see APPENDIX D.

Governance and Management

Board of Directors. The District is a special district governed by a five-member Board of Directors (the “Board”), whose members are elected to 4-year overlapping terms. The current board members are shown in the front-part of this Official Statement.

General Manager. Day-to-day operations of the District are the responsibility of the General Manager of the District, who is appointed by the Board. Tamara Alaniz is the current General Manager of the District. She has held that position since late 2018. Prior to being hired at the District, she managed several water districts in Mendocino and San Bernardino counties. She holds a Master’s Degree in Public Administration from California State University with an emphasis in Water Resource Management.

Organization and Employees. The District’s staff consists of approximately 11 full-time equivalent (“FTE”) employees assigned to the following departments: Utilities, Fire and Administration.

The District has a single bargaining unit for all employees, except the General Manager who works under contract. The unit is governed by a Memorandum of Understanding (“**MOU**”), which was negotiated and adopted in Spring of 2019 through the term of June 30, 2021. The District has good working relationships between employees, management and the Board, and its employees have never experienced a work stoppage. The process of updating the MOU will begin in February 2021 and will likely again be for a two-year term.

Pension Plans

General. All qualified employees of the District are eligible to participate in the Public Agency Cost- Sharing Multiple-Employer Defined Pension Plan (the “**Plan**”) administered by the California Public Employees’ Retirement System (“**CalPERS**”). The Plan consists of a miscellaneous risk pool and a safety risk pool, which are comprised of individual employer miscellaneous and safety plans, respectively. The employees of the Water System participate in the Plan’s miscellaneous risk pool. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on CalPERS website or may be obtained from their executive office at 400 P Street, Sacramento, California 95814.

Plan Description. CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with 5 years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees’ Retirement Law.

On September 12, 2012, the California Governor signed the California Public Employees’ Pension Reform Act of 2013 (“**PEPRA**”) into law. PEPRA took effect January 1, 2013. The new legislation closed the District’s CalPERS 2.5% at 55 Risk Pool Retirement Plan to new employee entrants, not previously employed by an agency under CalPERS, effective December 31, 2012. All employees hired after January 1, 2013 are eligible for the District’s CalPERS 2.0% at 62 Retirement Plan under PEPRA.

Additional details regarding the Plan applicable to employees of the District, including benefits provided, actuarial assumptions, discount rates, employees covered, and other important matters, are set forth in Note 5 to the District’s Audited Financial Statements for the Fiscal Year Ended June 30, 2019, which are included as APPENDIX B.

CalPERS Actuarial Assumptions and Policies. In the aftermath of the economic downturn in 2008, the CalPERS Board of Administration (“**PERS Board**”) has on several occasions adopted policies aimed at properly funding the pension system, while also attempting to lessen the resulting negative impacts on member agencies in the form of higher rates. These policies are used to set employer contribution rates for each local agency. While investment returns in the years since the economic downturn have largely reversed previous losses, the changes are designed to limit the possibility of the pension system becoming significantly underfunded in the future.

On March 14, 2012, for example, the PERS Board voted to lower the PERS’ rate of expected price inflation and its investment rate of return (net of administrative expenses) (the “**PERS Discount Rate**”) from 7.75% to 7.50%. On November 17, 2015, the PERS Board approved a new funding risk mitigation policy to incrementally lower the PERS Discount Rate by establishing a mechanism whereby such rate is reduced by a minimum of 0.05% to a maximum of 0.25% in years when investment returns outperform the existing PERS Discount Rate by at least four percentage points. On December 21, 2016, the PERS Board voted to lower the PERS Discount Rate to 7.0% over the next three years in accordance with the following schedule:

7.375% in fiscal year 2017-18, 7.25% in fiscal year 2018-19 and 7.00% in fiscal year 2019-20. Lowering the PERS Discount Rate likely means employers that contract with PERS to administer their pension plans (such as the District) will see increases in their normal costs and unfunded actuarial liabilities. Active members hired after January 1, 2013, under the PEPR (described above) will likely also see their contribution rates rise.

Contributions. For the fiscal year ended June 30, 2019, the District's contributions to the Plan were \$242,516.

Net Pension Liability. The District's net pension liability for the Miscellaneous Plan is measured as the proportionate share of the net pension liability for the miscellaneous risk pool. As of June 30, 2019, the net pension liability of the Plan is measured as of June 30, 2017 (the measurement date). For the fiscal year ended June 30, 2019, the District's net pension liability for the Miscellaneous Plan was \$1,927,817.

Other Post-Employment Benefits (OPEB)

Plan Description. The District's agent multiple-employer defined benefit OPEB Plan provides OPEB for all eligible full-time general and public safety employees of the District. Benefits are provided through third-party insurers, and the full cost of the benefits is provided by the OPEB Plan. The District's plan is a multiple-employer defined benefit OPEB Plan administered by the District. The Board, through resolutions and regulations, has the authority to establish and amend the benefit terms. A separate OPEB Trust Fund has been established by the District. The plan issues publicly available financing statements as a component of the District's basic financial statements and can be obtained at the District's offices.

The OPEB Plan is closed to new entrants. As of June 30, 2019, there were 11 inactive/active employees covered by the benefit terms.

Contributions. District regulations grant authority to the Board to establish and amend contribution requirements. Employees are not required to contribute to the OPEB Plan. For the year ended June 30, 2019, the District's contribution was 1.9% of covered employee payroll, and the total amount contributed was \$14,341.

Net OPEB Liability. As of June 30, 2019, the District's net OPEB liability was measured, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2017. For the fiscal years ended June 30, 2019, the District's net OPEB liability was \$175,700.

Risk Management

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District participates as a member of the Special District Risk Management Authority ("SDRMA") for purposes of general liability, property coverages and for workers' compensation insurance.

Additional details regarding the District's current insurance coverages, deductibles and self-insured amounts are set forth in Note 5 to the District's Audited Financial Statements for the Fiscal Year Ended June 30, 2019, which are included as APPENDIX B.

THE WATER SYSTEM

Overview

The Water System is operated by the District's Utilities Department, which is responsible for water, wastewater and parks and recreation services. Working as a team, all Department employees have achieved Drinking Water Distribution certification at a level III. There are currently 11 full-time equivalent employees in the Department.

The Water System includes storage, treatment and distribution facilities to provide drinking water to 1,555 water connections. All the water used by the Water System is surface/run-off water, and is stored in two reservoirs – Lake Emily and Lake Ada Rose. The two reservoirs have a combined storage capacity of 400 acre-feet (approximately 130.34 million gallons).

From Lake Ada Rose, the water is treated at the Water Treatment Plant before being stored and distributed to customers via at least 64 miles of water main lines, 18 pump stations, and 24 water tanks with a storage capacity of 1.7 million gallons. Daily demand averages 240,000 gallons of drinking water per day, with peak daily demand at approximately 1 AF (325,851). The Water Treatment Plant has a design capacity of 1.2 mgd with a clearwell and backwash pond system designed to preserve the life of the filtration media. The clearwell and backwash pond system was constructed in 2005 to improve the operations at the treatment plant.

The District invests in capital improvements to the facilities of the Water System to maintain the infrastructure and ensure a reliable long-term supply of water. For a list of currently planned capital improvements, see "Capital Improvement Plan".

Sources of Water Supply

General – Surface Water. All the water currently used by the Water System is surface/run-off water fed by Willis Creek and an unnamed tributary, which are part of the Eel River watershed. That surface water collects in two reservoirs, Lake Emily Lake Ada Rose. The two reservoirs have a combined storage capacity of 400 acre-feet (approximately 130.34 million gallons).

Drought-Related Water Restrictions. Drought in 2013-2014 resulted in unusually low flows in the Eel River, creating a "sharing" problem between human and agricultural uses and the needs of fish and wildlife in the watershed.

On June 30, 2014, because of the impact of the Statewide drought on the Eel River, the State Water Resources Control Board ("**SWRCB**") issued a Curtailment Order affecting post-1914 water rights holders on the Eel River, including the District. Pursuant to the Curtailment Order,. On October 24, 2014, the Curtailment Order was lifted, meaning that the District could use its junior water right to supply potable water to its existing customers.

On October 17, 2014, the SWRCB issued a compliance order (the "**Compliance Order**") establishing a moratorium on new water connections impacting all municipal water providers around the Little Lake Valley, including the District, the City of Willits and the Pine Mountain Mutual Water Company. The Moratorium Order indicated the District was out of compliance with applicable State law, because it did not have a reliable supply of water to serve its customers.

Pursuant to the Moratorium Order, no new connections were permitted until the District could prove that.

In Fall 2017, the Moratorium Order was lifted, meaning the District may again allow new connections to the Water System. The number of new water connections was limited to 23 new connections, of which 2 new connections have been made to-date. In addition, the District still limits water use by each customer of the Water System to a maximum of 9,000 gallons per month.

Water Supply Enhancement Project – Groundwater. In December 2013, the Board initiated water conservation measures. This includes mandatory water conservation measures. In addition, some residents have installed rainwater collection and storage tanks.

The SWRCB accepted the District's request for funding for groundwater exploration and possible development of one or more wells should the exploration phase locate sites that could be developed. Phase one of the project has been funded through a State grant and none of the wells yielded a significant supply. One small groundwater well was drilled near the treatment plant with a yield of approximately 2 gallons per minute. No other groundwater test wells yielded enough supply to warrant development of a production well.

Due to the lack of significant groundwater well yields, the District is exploring an intertie with the City of Willits, pursuant to which the District could obtain water from the City.

SGMA Considerations. The Sustainable Groundwater Management Act (“**SGMA**”) was enacted in 2014 and requires formation of local groundwater management agencies to achieve sustainable management of local groundwater basins by 2040. The District operates a small groundwater well with a maximum flow of 2 gallons per minute for the purpose of supplemental supply to the treatment plant. The District is not subject to SGMA.

Regulatory Matters

Drought-Related Orders. In 2014, the SWRCB issued several orders curtailing water use and water connections in the District as a result of drought conditions in the Eel River watershed. See “Sources of Water Supply” above for additional information.

Clean Water Regulations. The Water System is primarily regulated by, and operates under a water supply permit issued by the California State Water Resources Control Board through its Division of Drinking Water (DDW). The DDW establishes drinking water standards, regulates public drinking water systems, and certifies drinking water treatment and distribution operators. The Water System also operates under various other permits issued by other State and Federal agencies relating to various aspects of its operations. The District is in material compliance with all of its regulatory requirements.

Water Sales

The following table shows the District's annual water sales for the past five calendar years.

Table 1
Brooktrails Township Community Services District
Annual Water Sales

Calendar Year	Water Sales (Million Gallons)
2015	62,248,000
2016	75,811,214
2017	69,405,816
2018	63,568,811
2019	66,742,438

Source: Brooktrails Township Community Services District.

Water Connections

The District currently supplies water to 1,554 water connections. 1,435 of these connections also have a sewer connection. The following table shows the District's water connections for the past five fiscal years:

Table 2
Brooktrails Township Community Services District
Water Connections

Fiscal Year⁽¹⁾	Residential	Commercial/ Institutional	Total
2015-16	1548	4	1552
2016-17	1548	4	1552
2017-18	1549	4	1553
2018-19	1549	4	1553
2019-20	1550	4	1554

(1) Number of connections as of June 30 of applicable fiscal year.

Source: Brooktrails Township Community Services District.

Principal Customers

The District customer base is comprised of 1,555 customers, with a small convenience store and deli. The City of Willits Airport tenants are the only additional non-residential customers. All customers pay similar bill amounts, with small variations (within \$20-30) in water use charges.

Water Rates and Charges

General. The District's rates and charges are established by its elected governing board and are not subject to review or approval by any other agency. Water rates and service charges are established based upon a recommendation during the annual budgeting process and includes input from District staff and the Board.

Customers of the Water System are billed on yearly and monthly, based on a combination of the following charges:

- Water reliability assessment (fixed and yearly)
- Water base rate charge (fixed and monthly)
- Water usage charge (variable, based on consumption)

The Service Charge applies regardless of the amount of water consumed.

Water Reliability Assessment. The Water Reliability Assessment is charged to each developed property at a rate of \$5 annually and vacant properties at \$30 annually. The assessment pays for the purpose of financing capital costs or maintenance and operation expenses for the water collection, treatment and distribution system.

Current Monthly Rates. The table below summarizes the current rates and charges of the Water System.

Table 4
Brooktrails Township Community Services District
Current Water Rates and Charges
As of January 1, 2020

Meter Size	Fixed Charge
5/8"	\$60
3/4"	\$60
1"	\$60
Water Usage	Variable Charge
Per CF ⁽¹⁾	\$0.03118

(1) One CF equals 7.48 gallons of water.

Source: Brooktrails Township Community Services District.

Connection Fees. New development in the District's service area that connects to the Water System is responsible for water and wastewater connection charges. The connection charge for the Water System is \$23,711.

Comparative Rates and Charges

The following table sets forth the monthly basic water charge for residential customers in the immediate area. [The charges shown are based on a customer with a 5/8" meter using no more than 1,203 CF of water per month and includes billed charges paid by a typical residential customer on their water bill. This level of water use is an average, rather than the maximum allowable monthly use for a single-family customer in the District.]

Table 5
Brooktrails Township Community Services District
Comparative Single-Family Residential Monthly Water Service Charges

Service Provider	Monthly Water Service Charge⁽¹⁾
City of Willits	\$65
Brooktrails Township CSD	\$70

(1) Assuming average usage and no more than 1,203 cf (9,000 gallons) of water.
Source: Brooktrails Township Community Services District.

Billing and Collection; Delinquencies

Water Reliability Assessment. The Water Reliability Assessment is billed annually, and collected as part of the property tax bill by the County of Mendocino. If unpaid, the County will hold a tax sale on the property. The District could pursue judicial foreclosure of the lien after it remains unpaid for 4 years.

Rates and Charges. The District bills monthly for water service and payment is due on the 20th of each month. If payment is not received by that due date, the customer is assessed a 10% late fee. If payment is not received after another 30 days, notices of disconnection are given, with disconnection actually occurring approximately 61 days after the original due date (approximately 90 days from the original billing date). To restore service, a customer would have to pay the outstanding balance plus a \$75 charge to reestablish service, with a \$250 fee to reestablish service outside of normal work hours. These policies are in place so that the majority of customers who pay their bills on time are not subsidizing the additional costs associated with delinquent accounts.

Special payment arrangements can be made if a customer contacts the District prior to having their service disconnected. If a collection problem has occurred, the District may require a deposit to continue service. Customers who voluntarily close their accounts are sent a final bill which is due two weeks from the billing date. If payment is not received within this time period, the District sends a reminder notice and the customer is given two additional weeks to pay. Closed accounts that remain delinquent will have a lien placed on the property.

These policies are subject to State law, which governs discontinuation of utility service for non-payment, as well as current changes in force due to the COVID-19 pandemic. See *"BOND OWNERS' RISKS – Statutory and Regulatory Impacts"* and *"COVID-19 Pandemic."* For example, the District has suspended all shut offs and is waiving late fees for those who have been impacted by the virus. Extended payment plans and short-term payment arrangements can be made on a case-by-case basis. Over the past five fiscal years, the number of uncollectible accounts is averaging approximately 1.0% of total water rate revenues.

Capital Improvement Plan

General. The District is continually making improvements to the Water System to maintain operations, accommodate new connections, and maintain compliance with all currently known federal and State mandates. In addition, the District has been progressing its plans related to alternative water supplies as noted above under “Sources of Water Supply.”

Current CIP. The District’s short term capital improvement program for the next four years is set forth below.

Table 6
Brooktrails Township Community Services District
Capital Improvement Plan

Project Type / Name	FY20-21	FY21-22	FY22-23	FY23-24	Total
Tank 3 Replacement	\$375,000				
Generator Installations (+/-4)		\$150,000			
Tank 2 Replacement			\$330,000		
Generator Installations (+/-4)				\$150,000	
Total					\$1,005,000

Source: Brooktrails Township Community Services District.

Significant Accounting Policies

Governmental accounting systems are organized and operated on a fund basis. A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein. Funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The Water System is accounted for as an enterprise fund. Enterprise funds are used to account for operations, (i) that are financed and operated in a manner similar to private business enterprises (where the intent of the governing body is that the costs [expenses, including depreciation] of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges) or (ii) where the governing body has decided that periodic determination of revenues earned, expenses incurred and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

For additional District accounting policies, see the notes to the financial statements in APPENDIX B.

Investment Policy and Balances

The District’s investment policy is intended to provide a guideline for the prudent investment of surplus cash, reserves, trust funds, and restricted monies and to outline a policy for maximizing the efficiency of the District’s cash management system in compliance with Section 53646 of the Government Code of California. The policy applies to all financial assets of the District as accounted for in the audited financial statements, other than proceeds of long-term debt.

In accordance with the strategic goal of fiscal responsibility, the primary objectives of the District's investment activities, in order of priority, are: safety of principal through the mitigation of both credit and market risk; maintenance of the liquidity necessary to meet cash flow needs; and, lastly, return on investment. The District reviews the investment policy periodically and may adjust the policy as investment objectives change.

The District's investment portfolio is generally comprised of U.S. Treasury notes, negotiable certificates of deposit, and the State of California Local Agency Investment Fund (LAIF).

Reserves Policy and Balances

On October 13, 2020, the Board adopted a new "Reserves Policy." The Reserves Policy provides as follows:

- Operating Reserves. Operating reserves are established at a level equal to at least 3 months (and not more than 6 months) of operating and maintenance expenses for all departments. The purpose of the operating reserves is to provide liquidity with assigned funds dedicated to unanticipated operating and maintenance expenses, and include regular debt service payments as budgeted.
- Capital Reserves. Capital reserves are established annually by department during the budget process and dependent on anticipated revenues for the applicable fiscal year. If revenues are generated above the policy-established reserve limits, operating and maintenance costs are in line with the budget, no emergency projects are anticipated, and bank account balances exceed the greater of \$3.0 million or 75% of the fiscal year expense budget, the revenues shall become additional capital reserves for the applicable department. The primary purpose of the capital reserves is to provide assigned funds for capital expenses, including repair, replacement, rehabilitation and upgrading of capital facilities, infrastructure and heavy equipment.
- Debt Reserves. Debt reserves will be maintained in accordance with applicable debt agreements of the District. Upon termination of any debt requiring a reserve, remaining monies may be redistributed to the department funds from which they were paid.
- Monitoring Reserve Levels. The General Manager and the Deputy Finance Officer will collaborate to assess and report to the Board on reserve levels annually during budget preparation.

The following table summarizes the District's reserve balances for the Water System as of July 1, 2020.

Table 7
Brooktrails Township Community Services District
Water System Reserve Target and Balances
As of July 1, 2020

Reserve Type	Balance (Water System)
Operating Reserves (calculated using total expenses, not only the water department)	\$1,000,000
Capital Reserves	100,000
Debt Reserves	235,000
Total	1,335,000

Source: Brooktrails Township Community Services District.

Long-Term Obligations

Prior Obligations. The Bonds are being issued to prepay, in full, the Prior Obligations. See "REFUNDING PLAN."

Upon the issuance of the Bonds (and prepayment of the Prior Obligations), there will be no other obligations of the Water System payable from the Net Revenues of the Water System on a parity basis with the Bonds. However, the District may issue or incur Parity Obligations in the future in accordance with the Indenture. See "SECURITY FOR THE BONDS – Parity Obligations."

Historical and Projected Revenues, Expenses and Coverage

The following tables set forth the Water System's historical and projected revenues, expenditures and debt service coverage ratios over a ten-year period, with Fiscal Years 2015-16 through 2019-20 showing historical results, and Fiscal Years 2020-21 through and 2024-25 showing projections.

The preparation of the projections was based upon certain assumptions and forecasts with respect to conditions that may occur in the future. While the District believes that these assumptions and forecasts are reasonable for the purposes of the projected selected operating data, it makes no representations that they will in fact occur and the District does not assume any responsibility for the failure to meet such projections. If actual results are less favorable than the results projected, or if the assumptions used in preparing such projections prove to be incorrect, the District's ability to make timely payment of the principal of and interest on the Bonds may materially be adversely affected.

Table 8
Brooktrails Township Community Services District
Historical Revenues, Expenses and Coverage of the Water System

	2015-16	2016-17	2017-18	2018-19	2019-20*
Operating Revenues					
Sale of Water	\$1,027,766	\$1,051,463	\$1,200,907	\$1,202,044	\$1,470,897
Availability Charges	115,148	121,273	108,771	131,090	
Availability Liens	-	-	-	64,989	
Penalties ⁽¹⁾	-	-	107,026	33,802	
Other Operating Revenues	<u>32,447</u>	<u>55,382</u>	<u>12,654</u>	<u>10,508</u>	<u>35,000</u>
Total Operating Revenues	1,175,361	1,228,118	1,429,358	1,442,433	1,505,879
Operating Expenses					
Personnel Services	254,197	242,012	341,017	327,132	234,431
Contractual Services	26,113	4,945	18,288	16,972	20,000
Interfund Overhead and Services	143,793	140,046	140,046	160,722	70,824
Utilities	126,767	142,096	139,511	137,124	160,800
Insurance	23,090	24,350	25,242	25,937	106,208
Other Supplies and Expenses	<u>277,742</u>	<u>374,586</u>	<u>310,472</u>	<u>433,596</u>	<u>324,685</u>
Total Operating Expenses	851,702	928,035	974,576	1,101,483	916,948
Revenues Available for Debt Service	323,659	300,083	454,782	340,950	588,949
Debt Service					
Prior Obligations (USDA)	213,170	213,399	216,605	213,655	213,655
Debt Service Coverage Ratio	1.52x	1.41x	2.10x	1.60x	2.76x

* Projected (based on adopted budget).

⁽¹⁾ Prior to 2018, District management enacted a penalties process that accrued 10% of the total bill amount, in addition to the 10% of the past due amount, every month past due. Current management implements the District policy to penalize the billed amount by 10% for the first month past due plus an additional 1.5% of any remainder due each month until the balance is paid, therefore the previously enacted total 10% penalty monthly practice has been discontinued. As a result, the penalty amounts in the audited financial statements are notably different between recent years.

Source: Brooktrails Township Community Services District, Audited Financial Statement.

Table 9
Brooktrails Township Community Services District
Projected Revenues, Expenses and Coverage of the Water System

	2020-21	2021-22	2022-23	2023-24	2024-25
Operating Revenues					
Sale of Water	1,421,978	1,436,198	1,437,634	1,439,072	1,440,511
Availability Charges/Lien	120,000	120,000	120,000	120,000	120,000
Other Operating Revenues	<u>63,000</u>	<u>63,000</u>	<u>63,000</u>	<u>63,000</u>	<u>63,000</u>
Total Operating Revenues	1,604,978	1,619,198	1,620,634	1,622,072	1,623,511
Operating Expenses					
Personnel Services	234,431	234,900	235,370	235,840	236,312
Interfund Overhead and Services	70,825	70,966	71,108	71,250	71,393
Capital Outlay & Reserves	425,000	390,000	340,780	341,462	342,145
Other Supplies and Expenses	<u>661,693</u>	<u>664,493</u>	<u>745,913</u>	<u>745,231</u>	<u>744,549</u>
Total Operating Expenses	1,391,949⁽¹⁾	1,360,359	1,393,171	1,393,783	1,394,399
Revenues Available for Debt Service	213,029	258,839	227,463	228,289	229,112
Debt Service					
2021 Bonds*	170,000	170,000	170,000	170,000	170,000
Debt Service Coverage Ratio*	1.25x	1.52x	1.34x	1.34x	1.35x

⁽¹⁾ Operating expense increase over 2019-20 primarily due to cost of living increases in salaries and hiring an additional salaried employee.

Source: Brooktrails Township Community Services District and the Underwriter.

* Preliminary; subject to change.

BOND OWNERS' RISKS

The following describes certain special considerations and risk factors affecting the payment of and security for the Bonds. The following discussion is not meant to be an exhaustive list of the risks associated with the purchase of any Bonds and the order presented does not necessarily reflect the relative importance of the various risks. Potential investors in the Bonds are advised to consider the following special factors along with all other information in this Official Statement in evaluating the Bonds. There can be no assurance that other considerations will not materialize in the future.

Net Revenues; Rate Covenant

Net Revenues are dependent upon the demand for water sales, which can be affected by population factors, conservation-based demand reductions mandated by legislation or regulation by the State of California, and more stringent drinking water regulations. There can be no assurance that water service demand will be consistent with the levels contemplated in this Official Statement. A decrease in the demand for water could require an increase in rates or charges in order to comply with the rate covenant contained in the Indenture. The District's ability to meet its rate covenant is dependent upon its capacity to increase rates without driving down demand to a level insufficient to meet debt service on the Bonds and any future Parity Obligations.

Expenses of the District

There can be no assurance that expenses of the District will be consistent with the levels contemplated in this Official Statement. Changes in technology, changes in quality standards, and increases in the cost of operation or other expenses could require substantial increases in rates or charges in order to comply with the rate covenant in the Indenture. Such rate increases could drive down demand for water and related services or otherwise increase the possibility of nonpayment of the Bonds.

Limitations on Remedies Available to Bond Owners

The ability of the District to comply with its covenants under the Indenture and to generate Net Revenues sufficient to pay principal of and interest on the Bonds may be adversely affected by actions and events outside of the control of the District, and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of assessments, fees and charges. Furthermore, any remedies available to the owners of the Bonds upon the occurrence of an event of default under the Indenture are in many respects dependent upon judicial actions, which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on Bondholder remedies contained in the Indenture, the rights and obligations under the Bonds and the Indenture may be subject to the following: the United States Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the Federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State of California and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated,

could subject the Owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation or modification of their rights.

Seismic and Environmental Considerations

Like much of the State, the District is in a seismically active area of the Alquist-Priolo Fault Zone. If there were to be a severe occurrence of seismic activity in the area of the District, there could be an interruption in the service provided by the Water System, resulting in a temporary reduction in the amount of Net Revenues available to pay debt service when due on the Bonds.

The District is also located in an area of wildland-urban interface with potential for wildfires and is classified by California Department of Forestry and Fire Protection (CalFIRE) as being within a High Fire Hazard severity zone. Ongoing efforts by the District Fire Department to mitigate hazardous vegetation and create defensible space occur District-wide in cooperation with CalFIRE. Although several wildfires occurred in parts of Northern California in 2017, 2018, 2019 and 2020, the District has not been materially affected by wildfires with no fire damage impacting the service area, residents, or users. Along with its own fire department, the District is a partner to several mutual and automatic aid agreements that provide additional fire suppression support to the service area. However, facilities of the District, surface water availability and storage, and operations of the District may be vulnerable to damage or negative impacts resulting from future wildfires.

Other environmental conditions, such as flooding or landslides, could affect or interrupt the service provided by the Water System, resulting in a temporary reduction in the amount of Net Revenues available to pay debt service when due on the Bonds.

Water Supply Issues

All the water currently used by the Water System is surface/run-off water fed by Willits Creek and an unnamed tributary, which are part of the Eel River watershed. That surface water collects in two reservoirs, Lake Emily Lake Ada Rose. The two reservoirs have a combined storage capacity of 400 acre-feet (approximately 130.34 million gallons).

Drought in 2013-2014 resulted in unusually low flows in the Eel River, creating a “sharing” problem between human and agricultural uses and the needs of fish and wildlife in the watershed. The SWRCB issued several orders limiting the District’s water consumption during this time. See “THE WATER SYSTEM – Sources of Water Supply.”

Although the drought has ended and the orders have been lifted by the SWRCB, drought may again appear in the future.

In addition, the number of new water connections was limited to 23 new connections, of which 2 new connections have been made to-date. In addition, the District still limits water use by each customer of the Water System to 9,000 gallons per month.

Although the District is exploring alternative sources of water supply (including groundwater wells), no assurance can be given that these projects will be successful.

Articles XIII C and XIII D of the California Constitution

General. On November 5, 1996, California voters approved Proposition 218, the so-called “Right to Vote on Taxes Act.” Proposition 218 added Articles XIII C and XIII D to the State Constitution, which affect the ability of local governments to levy and collect both existing and future taxes, assessments, and property-related fees and charges. Proposition 218, which generally became effective on November 6, 1996, limited local governments’ authority to impose or increase property-related “fee” or “charge,” which is defined as “any levy other than an ad valorem tax, a special tax or an assessment, imposed by a [local government] upon a parcel or upon a person as an incident of property ownership, including user fees or charges for a property related service” (and referred to in this section as a “property-related fee or charge”).

On November 2, 2010, California voters approved Proposition 26, entitled the “Supermajority Vote to Pass New Taxes and Fees Act.” Section 1 of Proposition 26 declares that Proposition 26 is intended to limit the ability of the State Legislature and local government to circumvent existing restrictions on increasing taxes by defining the new or expanded taxes as “fees.” Proposition 26 amended Articles XIII A and XIII C of the State Constitution. The amendments to Article XIII A limit the ability of the State Legislature to impose higher taxes (as defined in Proposition 26) without a two-thirds vote of the Legislature. Proposition 26’s amendments to Article XIII C broadly define “tax,” but specifically exclude, among other things:

- “(1) A charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.
- (2) A charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.
- ...
- (6) A charge imposed as a condition of property development.
- (7) Assessments and property-related fees imposed in accordance with the provisions of Article XIII D.”

Property-Related Fees and Charges. Under Article XIII D, before a local government agency may impose or increase any property-related fee or charge, the entity must give written notice to the record owner of each parcel of land affected by that fee or charge. The agency must then hold a hearing upon the proposed imposition or increase at least 45 days after the written notice is mailed, and, if a majority of the property owners of the identified parcels present written protests against the proposal, the agency may not impose or increase the property-related fee or charge.

Further, under Article XIII D, revenues derived from a property-related fee or charge may not exceed the funds required to provide the “property-related service” and the entity may not use such fee or charge for any purpose other than that for which it imposed the fee or charge. The amount of a property-related fee or charge may not exceed the proportional cost of the service attributable to the parcel, and no property-related fee or charge may be imposed for a service unless that service is actually used by, or is immediately available to, the owner of the property in question.

Initiative Power. In addition, Article XIII C states that “the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge. The power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments and neither the Legislature nor any local government charter shall impose a signature requirement higher than that applicable to statewide statutory initiatives.”

Judicial Interpretation of Articles XIII C and XIII D. After Proposition 218 was enacted in 1996, appellate court cases and an Attorney General’s opinion initially indicated that fees and charges for water and wastewater services, which are based on the amount of services consumed, would not be considered property-related fees and charges, and thus not subject to the requirements of Article XIII D. However, numerous subsequent court cases have held that certain types of water and wastewater charges are for property-related service and could be subject to the requirements of Proposition 218. These cases include, for example, *Bighorn-Desert View Water Agency v. Verjil* (39 Cal.4th 205; 46 Cal. Rptr. 3d 73 (Cal. 2006)), *Capistrano Taxpayers Assoc., Inc. v. City of San Juan Capistrano* (235 Cal.App.4th 1493; 186 Cal. Rptr. 3d 362 (Cal. App. 4th Distr. 2015)), and *Morgan v. Imperial Irrigation District* (223 Cal.App.4th 892; 167 Cal.Rptr.3d 687 (Cal. App. 4th Distr. 2014)).

Current Practice Regarding Rates and Charges. The District’s practice in implementing increases in water rates and charges has been to comply with the requirements of Article XIII D, including the practice of providing property owners with a 45-day mailed notice and public hearing before the Board approves rate increases.

Conclusion. It is not possible to predict how courts will further interpret Article XIII C and Article XIII D in future judicial decisions, and what, if any, further implementing legislation will be enacted. Under the *Bighorn* case, local voters could adopt an initiative measure that reduces or unfavorably alters the District’s water rates and charges, although it is not clear whether any such reduction or repeal by initiative would be enforceable if such rates and charges are pledged to the repayment of bonds or other indebtedness, as is the case with respect to the Bonds. While a 2014 decision by one California court of appeal indicates that an initiative measure may be invalid if it reduces water rates below the amounts necessary to cover a local agency’s costs of providing service, including the revenues required to repay bonds and other indebtedness, that decision was focused on another issue and other courts of appeal might decide differently if confronted with the same question. (See *Mission Springs Water District v. Verjil* (218 Cal.App.4th 892; 160 Cal.Rptr.3d 524 (Cal. App. 4th Distr. 2013)).) ***There can be no assurance that the courts will not further interpret, or the voters will not amend, Article XIII C and Article XIII D to limit the ability of local agencies to impose, levy, charge and collect increased fees and charges for water, or to call into question previously adopted water rate increases.***

Statutory and Regulatory Impacts

The kind and degree of water treatment is regulated, to a large extent, by the federal government and the State of California. Treatment standards set forth in federal and state law control the operations of the Water System and mandate its use of technology. If the federal government, acting through the Environmental Protection Agency, or the State of California, acting through the Department of Health Services, or additional federal or state legislation, should impose stricter water quality standards upon the Water System, the District’s expenses could increase accordingly and rates and charges would have to be increased to offset those expenses.

In addition, the District is subject to various other laws and regulations that could adversely impact Net Revenues. For example, SB 998, enacted in 2018, has imposed certain restrictions on the ability of water providers to turn off water connections to customers for non-payment of water charges. Restrictions on the ability of the District to turn off water connections may increase delinquencies.

It is not possible to predict the direction which federal or state regulation will take with respect to drinking water quality standards, although it is likely over time that both will impose more stringent standards with attendant higher costs. Although the District has covenanted in the Indenture to fix, prescribe and collect rates and charges for the water service during each Fiscal Year sufficient to yield the debt service coverage required by the Indenture, no assurance can be given that the cost of compliance with such laws and regulations will not materially adversely affect the ability of the District to generate Net Revenues in the amounts required to pay debt service on the Bonds.

Secondary Market for Bonds

There can be no guarantee that there will be a secondary market for the Bonds or, if a secondary market exists, that any Bonds can be sold for any particular price. Occasionally, because of general market conditions or because of adverse history or economic prospects connected with a particular issue, secondary marketing practices in connection with a particular issue are suspended or terminated. Additionally, prices of issues for which a market is being made will depend upon then-prevailing circumstances. Such prices could be substantially different from the original purchase price.

Future Parity Obligations

As described in “SECURITY FOR THE BONDS – Parity Obligations” above, the Indenture permits the District to issue Parity Obligations payable on a parity with the payment of debt service of the Bonds. In the event of a decline in Net Revenues available to pay debt service on the Bonds, the existence of Parity Obligations could adversely affect the District’s ability to pay debt service on the Bonds.

COVID-19 Pandemic

The ongoing spread of the COVID-19 coronavirus pandemic, and responses intended to slow its spread, may result in material adverse impacts to the Water System and its finances. There can be no assurances that the spread of the virus, the related shelter-in-place orders and social distancing requirements imposed by the State of California, or other State or local mandates and/or other responses intended to slow its spread will not materially adversely impact the revenues received by the Water System.

For example, the District has suspended account shut-offs for delinquent bills and waived late fees for six months (reenacting late fees in September 2020). The District works with customers to establish extended payment plans and short-term payment arrangements when necessary. Despite the foregoing, the Water System has not experienced significant adverse impacts from COVID-19, but this may change without notice in the future.

Cyber Security

The District, like many other public and private entities, relies on computer and other digital networks and systems to conduct its operations. As a public entity, the District is potentially subject to cyber threats, including without limitation, hacking, viruses, ransomware, malware and other attacks. No assurance can be given that their efforts to manage cyber threats and attacks will be successful in all cases, or that any such attack will not materially impact the operations or finances of any entity, including with respect to the administration of the Bonds. However, the District has installed anti-virus software and retains a professional technology consultant to ensure software and hardware updates are at a lesser risk of cyberattacks. The District is also reliant on other entities and service providers in connection with the administration of the Bonds. No assurance can be given that the District and these other entities will not be affected by cyber threats and attacks in a manner that may affect the Bond owners.

TAX MATTERS

Federal Tax Status. In the opinion of Jones Hall, A Professional Law Corporation, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax. The Bonds are “qualified tax-exempt obligations” within the meaning of section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “**Tax Code**”), such that, in the case of certain financial institutions (within the meaning of section 265(b)(5) of the Tax Code), a deduction for federal income tax purposes is allowed for 80% of that portion of such financial institution’s interest expense allocable to interest payable on the Bonds.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986, as amended (the “**Tax Code**”) that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes, and in order for the Bonds to be “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds, or may cause the Bonds to not be “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code.

Tax Treatment of Original Issue Discount and Premium. If the initial offering price to the public at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes “original issue discount” for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public at which a Bond is sold is greater than the amount payable at maturity thereof, then such difference constitutes “bond premium” for purposes of federal income taxes and State of California personal income taxes.

Under the Tax Code, original issue discount is treated as interest excluded from federal gross income and exempt from State of California personal income taxes to the extent properly allocable to each owner thereof subject to the limitations described in the first paragraph of this section. The original issue discount accrues over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line

interpolations between compounding dates). The amount of original issue discount accruing during each period is added to the adjusted basis of such Bonds to determine taxable gain upon disposition (including sale, redemption, or payment on maturity) of such Bond. The Tax Code contains certain provisions relating to the accrual of original issue discount in the case of purchasers of the Bonds who purchase the Bonds after the initial offering of a substantial amount of such maturity. Owners of such Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of purchasers who do not purchase in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Under the Tax Code, bond premium is amortized on an annual basis over the term of the Bond (said term being the shorter of the Bond's maturity date or its call date). The amount of bond premium amortized each year reduces the adjusted basis of the owner of the Bond for purposes of determining taxable gain or loss upon disposition. The amount of bond premium on a Bond is amortized each year over the term to maturity of the Bond on the basis of a constant interest rate compounded on each interest or principal payment date (with straight-line interpolations between compounding dates). Amortized Bond premium is not deductible for federal income tax purposes. Owners of premium Bonds, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to State of California personal income tax and federal income tax consequences of owning such Bonds.

California Tax Status. In the further opinion of Bond Counsel, interest on the Bonds is exempt from California personal income taxes.

Other Tax Considerations. Current and future legislative proposals, if enacted into law, clarification of the Tax Code or court decisions may cause interest on the Bonds to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or cause the Bonds to not be "qualified tax-exempt obligations," or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals, clarification of the Tax Code or court decisions may also affect the market price for, or marketability of, the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, such legislation would apply to bonds issued prior to enactment.

The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of such opinion, and Bond Counsel has expressed no opinion with respect to any proposed legislation or as to the tax treatment of interest on the Bonds, or as to the consequences of owning or receiving interest on the Bonds, as of any future date. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Other than as expressly described above, Bond Counsel expresses no opinion regarding other federal or state tax consequences arising with respect to the Bonds, the ownership, sale or disposition of the Bonds, or the amount, accrual or receipt of interest on the Bonds.

CERTAIN LEGAL MATTERS

Jones Hall, A Professional Law Corporation, Bond Counsel, will render an opinion with respect to the validity of the Bonds, the form of which opinion is set forth in APPENDIX E. Certain legal matters will also be passed upon for the District by Jones Hall, as Disclosure Counsel. Certain legal matters will be passed upon for the District by Christopher J. Neary of Neary and O'Brien, Attorneys at Law, as counsel to the District, and for the Underwriter by Kutak Rock LLP, as counsel to the Underwriter. The compensation of Bond Counsel, Disclosure Counsel and Underwriter's Counsel is contingent on the closing of the Bonds.

NO LITIGATION

No litigation is pending or threatened against the District concerning the validity of the Bonds, the proceedings under which the Bonds are to be issued, the validity of any provision of the Bonds or the Indenture, the pledge of Net Revenues by the District under the Indenture or the titles to office of the present members of the Board. In addition, there is no litigation pending or threatened against the District, which if determined adversely to the District would, in the opinion of the District, materially impair the ability of the District to pay principal of and interest on the Bonds as they become due.

RATINGS

S&P Global Ratings ("**S&P**") is anticipated to assign its municipal bond rating of "___" on the Bonds based on the expectation that the Insurer will issue its Insurance Policy for the Bonds. S&P has also assigned an underlying municipal bond rating of "___" to the Bonds. These ratings reflect only the views of S&P, and an explanation of the significance of these ratings, and any outlook assigned to or associated with these ratings, should be obtained from S&P. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. The District has provided certain additional information and materials to S&P (some of which does not appear in this Official Statement).

There is no assurance that these ratings will continue for any given period of time or that these ratings will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of any rating on the Bonds may have an adverse effect on the market price or marketability of the Bonds.

CONTINUING DISCLOSURE

The District will covenant for the benefit of owners of the Bonds to provide certain financial information and operating data relating to the District and the Water System by not later than nine months after the end of the District's fiscal year (currently April 1 based on the District's fiscal year end of June 30), commencing April 1, 2022, with the report for Fiscal Year 2020-21 (the "**Annual Report**") and to provide notices of the occurrence of certain listed events.

These covenants have been made in order to assist the Underwriter in complying with Securities Exchange Commission Rule 15c2-12(b)(5) (the "**Rule**"). The specific nature of the information to be contained in the Annual Report or the notices of listed events by the District is set forth in "APPENDIX C – Form of Continuing Disclosure Certificate."

The District has never previously entered into a continuing disclosure undertaking under the Rule. [It has hired _____ to serve as dissemination agent.]

BANK QUALIFIED

The Tax Code generally prohibits the deduction of interest on indebtedness incurred or continued to purchase or carry tax-exempt obligations, such as the Bonds. Banks and financial institutions, however, are permitted an 80% deduction for their interest expense allocable to "qualified tax-exempt obligations" of small governmental units that do not reasonably expect to issue in the aggregate more than \$10,000,000 of tax-exempt obligations in a calendar year, and that designate such obligations as "qualified tax-exempt obligations". The District has so designated the Bonds as "qualified tax-exempt obligations."

UNDERWRITING

Hilltop Securities, Inc., as underwriter (the "**Underwriter**"), has agreed to purchase the Bonds from the District at a purchase price of \$_____, which represents the aggregate principal amount of the Bonds, plus [net] original issue premium of \$_____, less Underwriter's discount of \$_____.

The purchase contract under which the Underwriter is purchasing the Bonds provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to make such purchase is subject to certain terms and conditions set forth in the purchase contract.

The public offering prices of the Bonds may be changed from time to time by the Underwriter. The Underwriter may offer and sell the Bonds to certain dealers and others at a price lower than the offering price stated on the cover page of this Official Statement.

MUNICIPAL ADVISOR

The District has retained W.J. Fawell Co., Public Finance, as its registered municipal advisor (the "**Municipal Advisor**"), in connection with the authorization and delivery of the Bonds. The Municipal Advisor assumes no responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies. The compensation of the Municipal Advisor is contingent on the closing of the Bonds.

EXECUTION

The execution of this Official Statement and its delivery have been authorized by the Board of Directors of the District.

BROOKTRAILS TOWNSHIP COMMUNITY
SERVICES DISTRICT

By: _____

Tamara Alaniz, General Manager

APPENDIX A

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

Certain provisions of the Indenture are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture. In the event of a conflict between this summary and the Indenture, the terms of the Indenture shall govern.

APPENDIX B

**DISTRICT AUDITED FINANCIAL STATEMENTS
FOR FISCAL YEAR ENDED JUNE 30, 2019**

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

\$ _____
BROOKTRAILS TOWNSHIP COMMUNITY SERVICES DISTRICT
Water Revenue Refunding Bonds
Series 2021 (Bank Qualified)

This CONTINUING DISCLOSURE CERTIFICATE (the “Disclosure Certificate”) is executed and delivered by BROOKTRAILS TOWNSHIP COMMUNITY SERVICES DISTRICT (the “District”) in connection with the issuance by the District of the captioned bonds (the “Bonds”) under an Indenture of Trust, dated as of _____ 1, 2021 (the “Indenture”), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”).

The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriter in complying with the Rule.

Section 2. Definitions. In addition to the definitions set forth above and in the Indenture, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“*Annual Report*” means any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

“*Annual Report Date*” means the date that is nine months after the end of the District’s fiscal year (currently April 1 based on the District’s fiscal year end of June 30).

“*Dissemination Agent*” means the District, or any successor Dissemination Agent designated in writing by the District and which has filed with the District and the Trustee a written acceptance of such designation.

“*Listed Events*” means any of the events listed in Section 5(a) of this Disclosure Certificate.

“*MSRB*” means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information that may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

“*Official Statement*” means the final official statement executed by the District in connection with the issuance of the Bonds.

“*Participating Underwriter*” means Hilltop Securities, Inc., as the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as it may be amended from time to time.

Section 3. Provision of Annual Reports.

(a) The District shall, or shall cause the Dissemination Agent to, not later than the Annual Report Date, commencing April 1, 2022, with the report for the Fiscal Year 2020-21, provide to the MSRB, in an electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. Not later than 15 Business Days prior to the Annual Report Date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by 15 Business Days prior to the Annual Report Date the Dissemination Agent (if other than the District) has not received a copy of the Annual Report, the Dissemination Agent shall contact the District to determine if the District is in compliance with the previous sentence. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date, if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Certificate; provided, that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the Annual Report Date if not available by that date. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c). The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District does not provide (or cause the Dissemination Agent to provide) an Annual Report by the Annual Report Date, the District shall provide (or cause the Dissemination Agent to provide) to the MSRB, in an electronic format as prescribed by the MSRB, a notice in substantially the form attached as Exhibit A.

(c) With respect to each Annual Report, the Dissemination Agent shall: (i) determine each year prior to the Annual Report Date the then-applicable rules and electronic format prescribed by the MSRB for the filing of annual continuing disclosure reports; and (ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, and stating the date it was provided.

Section 4. Content of Annual Reports. The District's Annual Report shall contain or incorporate by reference the following:

(a) The District's audited financial statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's

audited financial statements are not available by the Annual Report Date, the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or before the Annual Report Date, financial information and operating data with respect to the District for the preceding fiscal year, similar to that provided in the corresponding statements and tables in the Official Statement:

- (i) Principal amount of Bonds and Parity Obligations (if any) outstanding.
- (ii) A table showing the number of connections of the Water System, similar to the information provided in Table [____]
- (iii) A table showing the top ten largest customers of the Water System, similar to the information provided in Table [____]
- (iv) A table showing Gross Revenues, Maintenance and Operation Expenses, Debt Service due on the Bonds, and coverage, similar to the information provided in Table [____].
- (v) A summary of any changes in the Water System's rates and charges since the date of the previous Annual Report, similar to the information provided in Table [____].

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

(d) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on the MSRB's Internet web site or filed with the Securities and Exchange Commission. The District shall clearly identify each such other document so included by reference.

Section 5. Reporting of Significant Events.

(a) The District shall give, or cause to be given, notice of the occurrence of any of the following Listed Events with respect to the Bonds:

- (1) Principal and interest payment delinquencies.
- (2) Non-payment related defaults, if material.
- (3) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (4) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (5) Substitution of credit or liquidity providers, or their failure to perform.

- (6) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.
- (7) Modifications to rights of security holders, if material.
- (8) Bond calls, if material, and tender offers.
- (9) Defeasances.
- (10) Release, substitution, or sale of property securing repayment of the securities, if material.
- (11) Rating changes.
- (12) Bankruptcy, insolvency, receivership or similar event of the District.
- (13) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material.
- (14) Appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (15) Incurrence of a financial obligation of the District, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the District, any of which affect security holders, if material (for the definition of "financial obligation," see clause (e)).
- (16) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the District, any of which reflect financial difficulties (for the definition of "financial obligation," see clause (e)).

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(8) and (9) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bonds under the Indenture.

(c) The District acknowledges that the events described in subparagraphs (a)(2), (a)(7), (a)(8) (if the event is a bond call), (a)(10), (a)(13), (a)(14) and (a)(15) of this Section 5 contain the qualifier "if material" and that subparagraph (a)(6) also contains the qualifier "material" with respect to certain notices, determinations or other events affecting the tax status of the Bonds. The District shall cause a notice to be filed as set forth in paragraph (b) above with respect to any such event only to the extent that the District determines the event's occurrence is material for purposes of U.S. federal securities law.

(d) For purposes of this Disclosure Certificate, any event described in paragraph (a)(12) above is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the District in a proceeding under the United States

Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the District, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the District.

(e) For purposes of Section 5(a)(15) and (16), “financial obligation” means a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

Section 6. Identifying Information for Filings with the MSRB. All documents provided to the MSRB under the Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District’s obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any Dissemination Agent, with or without appointing a successor Dissemination Agent. Any Dissemination Agent may resign by providing 30 days’ written notice to the District.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

- (a) if the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;
- (b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
- (c) the proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first Annual Report filed pursuant hereto containing the amended operating data or financial information shall explain, in narrative form,

the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

If an amendment is made to this Disclosure Certificate modifying the accounting principles to be followed in preparing financial statements, the Annual Report for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative.

A notice of any amendment made pursuant to this Section 9 shall be filed in the same manner as for a Listed Event under Section 5(b).

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. If the District fails to comply with any provision of this Disclosure Certificate, the Participating Underwriter or any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. If the Dissemination Agent is a person or entity other than the District, this Section 12 shall apply:

(a) The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District hereunder, and shall not be deemed to be acting in any fiduciary capacity for the District, the Bond holders or any other party. The obligations of the District under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

(b) The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time, and shall be reimbursed for all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Section 14. Counterparts. This Disclosure Certificate may be executed in several counterparts, each of which shall be regarded as an original, and all of which shall constitute one and the same instrument.

Date: _____, 2021

**BROOKTRAILS TOWNSHIP COMMUNITY
SERVICES DISTRICT**

By _____
General Manager

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: BROOKTRAILS TOWNSHIP COMMUNITY SERVICES DISTRICT

Name of Issue: \$_____ Brooktrails Township Community Services District Water
Revenue Refunding Bonds Series 2021 (Bank Qualified)

Date of Issuance: _____, 2021

NOTICE IS HEREBY GIVEN that the District has not provided an Annual Report with respect to the above-named Bonds as required by the Continuing Disclosure Certificate executed by the District in connection with the issuance of the Bonds. The District anticipates that the Annual Report will be filed by _____.

Dated: _____

BROOKTRAILS TOWNSHIP COMMUNITY
SERVICES DISTRICT

By _____

APPENDIX D

GENERAL INFORMATION REGARDING CITY OF WILLITS AND COUNTY OF MENDOCINO

APPENDIX E

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

Brooktrails Township Community Services District
24860 Birch Street
Willits, California 95490

OPINION: \$_____ Brooktrails Township Community Services District
 Water Revenue Refunding Bonds Series 2020 (Bank Qualified)

Members of the Board:

We have acted as bond counsel to the Brooktrails Township Community Services District (the "District") in connection with the issuance by the District of the captioned bonds (the "Bonds"). In such capacity, we have examined such law and such certified proceedings, certifications and other documents as we have deemed necessary to render this opinion.

The Bonds are issued pursuant to Articles 10 (commencing with Section 53570) and 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Bond Law"), the Indenture of Trust, dated as of _____ 1, 2021 (the "Indenture"), by and between the District and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and a resolution (the "Resolution") of the Board of Directors of the District adopted January [12], 2021. Under the Indenture, the District has pledged certain revenues (the "Net Revenues") for the payment of principal, premium (if any), and interest on the Bonds when due.

Regarding questions of fact material to our opinion, we have relied on representations of the District contained in the Indenture, and in the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based on the foregoing, we are of the opinion that, under existing law:

1. The District is a duly created and validly existing community services district organized and existing under and by virtue of the laws of the State of California with the power to adopt the Resolution, enter into the Indenture and perform the agreements on its part contained therein, and issue the Bonds.
2. The Indenture has been duly authorized, executed and delivered by the District, and constitutes a valid and binding obligation of the District, enforceable against the District.
3. The Indenture creates a valid lien on the Net Revenues and other funds pledged by the Indenture for the security of the Bonds.

4. The Bonds have been duly authorized and executed by the District, and are valid and binding limited obligations of the District, payable solely from the Net Revenues and other funds provided therefor in the Indenture.

5. Interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax. The Bonds are “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Internal Revenue Code of 1986, as amended (the “Tax Code”), and, in the case of certain financial institutions (within the meaning of Section 265(b)(5) of the Tax Code), a deduction is allowed for 80 percent of that portion of such financial institutions’ interest expense allocable to the portion of the Bonds designated as and comprising interest.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Tax Code that must be satisfied subsequent to the issuance of the Bonds in order that the interest thereon be, and continue to be, excludable from gross income for federal income tax purposes, and in order for the Bonds to be “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code. The District has made certain representations and covenants in order to comply with each such requirement. Inaccuracy of those representations, or failure to comply with certain of those covenants, may cause the inclusion of such interest in gross income for federal income tax purposes, which may be retroactive to the date of issuance of the Bonds, or may cause the Bonds not to be “qualified tax-exempt obligations” within the meaning of Section 265(b)(3) of the Tax Code.

6. Interest on the Bonds is exempt from personal income taxation imposed by the State of California.

We express no opinion regarding any other tax consequences arising with respect to the ownership, sale or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Indenture are limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors’ rights generally, and by equitable principles, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur. Our engagement with respect to this matter has terminated as of the date hereof.

Respectfully submitted,

A Professional Law Corporation

APPENDIX F

DTC AND THE BOOK-ENTRY ONLY SYSTEM

The following description of the Depository Trust Company (“DTC”), the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal, interest and other payments on the Bonds to DTC Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interest in the Bonds and other related transactions by and between DTC, the DTC Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the DTC Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

Neither the issuer of the Bonds (the “Issuer”) nor the trustee, fiscal agent or paying agent appointed with respect to the Bonds (the “Agent”) take any responsibility for the information contained in this Appendix.

No assurances can be given that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

1. The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Securities”). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each issue of the Securities, each in the aggregate principal amount of such issue, and will be deposited with DTC. If, however, the aggregate principal amount of any issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.

2. DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned

subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. *The information contained on this Internet site is not incorporated herein by reference.*

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as

possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

APPENDIX G

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ATTACHMENT 4

PURCHASE CONTRACT

\$ _____

**BROOKTRAILS TOWNSHIP COMMUNITY
SERVICES DISTRICT
WATER REVENUE REFUNDING BONDS
SERIES 2021**

_____, 2021

Brooktrails Township Community Services District
24860 Birch Street
Willits, California 95490

Ladies and Gentlemen:

The undersigned, as underwriter (the “**Underwriter**”), offers to enter into this Purchase Contract (the “**Purchase Contract**”) with the Brooktrails Township Community Services District (the “**District**”), which, upon acceptance by the District will be binding upon the District and the Underwriter. This offer is made subject to the District’s acceptance hereof by execution of this Purchase Contract and delivery to the Underwriter on or before 11:59 p.m. California time on the date hereof, and if not so accepted will be subject to withdrawal by the Underwriter upon written notice delivered to the District at any time prior to the acceptance hereof by the District. Any terms used but not defined herein shall have the meaning set forth in the Indenture (defined below).

The primary role of the Underwriter is to purchase the Bonds (defined herein), in an arm’s-length commercial transaction between the District and the Underwriter. The Underwriter has financial and other interests that differ from those of the District. The District acknowledges and agrees that: (i) the purchase and sale of the Bonds (as defined below) pursuant to this Purchase Contract is an arm’s length commercial transaction between the District and the Underwriter in which the Underwriter is acting solely as a principal and not as an agent of the District and the Underwriter is not acting as a municipal advisor, financial advisor or fiduciary to the District; (ii) the Underwriter has not assumed any advisory or fiduciary responsibility to the District with respect to the transaction contemplated by the Purchase Contract and the discussions, undertakings or procedures leading thereto (irrespective of whether the Underwriter, or any affiliate of the Underwriter have provided other services or is currently providing other services to the District on other matters); (iii) the only obligations the Underwriter has to the District with respect to the transaction contemplated by this Purchase Contract are expressly set forth in this Purchase Contract; and (iv) the District has consulted with the District’s own financial and/or municipal legal, accounting, tax and other advisors, as applicable, to the extent the District has deemed appropriate. The District acknowledges that it has previously provided the Underwriter with an acknowledgement of receipt of the required Underwriter disclosure under Rule G-17 of the Municipal Securities Rulemaking Board (the “**MSRB**”).

1. Purchase, Sale and Delivery of the Bonds.

(a) Subject to the terms and conditions, and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase, and the

District agrees to cause The Bank of New York Mellon Trust Company, N.A., as trustee (the “**Trustee**”), to authenticate and deliver to the Underwriter all (but not less than all) of the Brooktrails Township Community Services District Water Revenue Refunding Bonds, Series 2021 (the “**Bonds**”), in the aggregate principal amount of \$_____ to be dated the date of Closing (as defined below).

The Bonds will be issued pursuant to the Indenture of Trust, dated as of _____ 1, 2021 (the “**Indenture**”), between the District and the Trustee. The Underwriter shall have the obligation under this Purchase Contract to purchase all, but not less than all, of the aggregate principal amount of Bonds. The Board of Directors of the District has adopted a resolution on January __, 2021 (the “**District Resolution**”) authorizing the issuance of the Bonds and approving the execution and delivery of certain documents related thereto.

The purchase price for the Bonds shall be \$_____ (the “**Purchase Price**”) (the principal amount of the Bonds, plus a net original issue premium of \$_____, less an underwriting discount of \$_____). The Bonds shall be payable in the principal amounts and shall bear interest at the rates as set forth in Exhibit A hereto. The Purchase Price for the Bonds shall be payable by the Underwriter to the District on the date of Closing.

The net proceeds of the Bonds will be used to prepay certain obligations owed to the United States of America, acting through Rural Utilities Service, United States Department of Agriculture (the “**Prior Water Obligations**”). A portion of the proceeds of the Bonds will be used to pay the costs of issuance of the Bonds.

The scheduled payment of principal of and interest the Bonds when due will be guaranteed under municipal bond insurance policy (the “**Policy**”) to be issued concurrently with the delivery of the Bonds by [Assured Guaranty Municipal Corp.] (the “**Insurer**”). The proceeds of the Bonds will also be used to fund a Reserve Fund via purchase of a reserve fund insurance policy (the “**Surety**”) issued by the Insurer.

The Bonds shall be substantially in the form described in, shall be issued under the provisions of, and shall be payable and subject to redemption as provided in, the Indenture, all as described in the Official Statement relating to the Bonds dated the date hereof. The proceeds of the Bonds will be used by the District for the purposes set forth in the hereinafter mentioned Official Statement.

The obligation of the District to pay the principal of and interest on Bonds is a special obligation of the District, secured by a pledge of Revenues and payable solely from Net Revenues (as such terms are defined in the Indenture), and certain other amounts held under the Indenture. The principal of and interest on the Bonds are not required to be paid from any other funds of the District, including any proceeds of any taxes, and does not constitute a debt or pledge of the faith and credit of the District or the State of California (the “**State**”) or any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

(b) The District hereby ratifies the use by the Underwriter of the Preliminary Official Statement, dated _____, 2021 relating to the Bonds, (together with the cover page and all appendices thereto, the “**Preliminary Official Statement**”), and authorizes the Underwriter to use and distribute the Preliminary Official Statement, the Official Statement (as defined below), the Indenture, the District Resolution, the Continuing Disclosure Certificate (as defined below), and this

Purchase Contract and all information contained therein, and all other documents, certificates and statements furnished by the District to the Underwriter in connection with the offer and sale of the Bonds by the Underwriter.

(c) The Underwriter agrees to offer all the Bonds to the public initially at the prices (or yields) set forth on Exhibit A hereto and on the cover page of the Official Statement of the District pertaining to the Bonds, dated _____, 2021 (such Official Statement, together with all appendices thereto, and with such changes therein and supplements thereto as are consented to in writing by the Underwriter, the “**Official Statement**”). Subsequent to the initial public offering of the Bonds, and subject to Section 5 below, the Underwriter reserves the right to change the public offering prices (or yields) as it deems necessary in connection with the marketing of the Bonds. Subject to Section 5 below, the Bonds may be offered and sold to certain dealers at prices lower than such initial public offering prices. “Public Offering” shall include an offering to a representative number of institutional investors or registered investment companies, regardless of the number of such investors to which the Bonds are sold. The Underwriter agrees that prior to the time the final Official Statement relating to the Bonds is available, the Underwriter will send to any potential purchaser of the Bonds, upon the request of such potential purchaser, a copy of the most recent Preliminary Official Statement. Such Preliminary Official Statement shall be sent by first class mail or electronic distribution (or other equally prompt means) not later than the first business day following the date upon which each such request is received.

(d) The District shall also deliver the Official Statement in electronic form to the Underwriter in order to enable the Underwriter to distribute the Official Statement to any potential customer of the Underwriter requesting an Official Statement during the time period beginning when the Official Statement becomes available and ending on the last day of the Underwriting Period as determined in accordance with 2(j) below. The Official Statement shall be provided for distribution, at the expense of the District, no later than the earlier of (i) seven (7) business days after the date of this Purchase Contract or (ii) one (1) business day prior to the Closing Date, in order to permit the Underwriter to comply with Rule 15c2-12 of the Securities and Exchange Commission (“**Rule 15c2-12**”), and the applicable rules of the MSRB, with respect to distribution of the Official Statement. The District shall prepare the Official Statement, including any amendments thereto, in word-searchable PDF format as described in the MSRB’s Rule G-32 and shall provide the electronic copy of the word-searchable PDF format of the Official Statement to the Underwriter. The Underwriter shall inform the District in writing of the date which is twenty-five (25) days following the Closing Date (as hereinafter defined), and covenants to file the Official Statement with the MSRB on a timely basis.

(e) At 8:30 a.m., Pacific Time, on _____, 2021, or at such other time or business date as shall be agreed upon by the Underwriter and the District (such time and date being herein referred to as the “**Closing Date**”), the District will deliver to the Underwriter:

(i) the Bonds, in book-entry form, through the facilities of The Depository Trust Company or its agent (all Bonds having had the CUSIP numbers assigned to them thereon), duly executed by an authorized officer of the District as provided in the Indenture; and

(ii) the other documents herein mentioned at the offices of Jones Hall, A Professional Law Corporation, San Francisco, California (“**Bond Counsel**”) or another place to be mutually agreed to by the District and the Underwriter and the

Underwriter will accept such delivery and pay the purchase price of the Bonds as set forth in paragraph (a) of this section in immediately available funds (such delivery and payment being herein referred to as the “**Closing**”).

Upon initial issuance, the ownership of such Bonds shall be registered in the registration books kept by the Trustee in the name of Cede & Co., as the nominee of The Depository Trust Company.

(f) The Underwriter represents to and agrees with the District that, as of the date hereof and as of the Closing Date:

(i) The Underwriter is duly authorized to execute this Purchase Contract and to take any action under this Purchase Contract required to be taken by it;

(ii) The Underwriter is in compliance with MSRB Rule G-37 with respect to the District, and is not prohibited thereby from acting as the underwriter with respect to securities of the District;

(iii) The Underwriter has, and has had, no financial advisory relationship, as that term is defined in California Government Code Section 53590 (c) or MSRB Rule G-32, with the District with respect to the Bonds, and no investment firm controlling, controlled by or under common control with the Underwriter has or has had any such financial advisory relationship; and

(iv) The Underwriter has reasonably determined that the District’s undertaking to provide continuing disclosure with respect to the Bonds pursuant to the Continuing Disclosure Certificate is sufficient to effect compliance with Rule 15c2-12.

2. Representations, Warranties and Agreements of the District. The District hereby represents and warrants to and agrees with the Underwriter that:

(a) It is duly organized and validly existing community services district pursuant to the laws of the State of California;

(b) The Board of Directors of the District has duly and validly adopted the District Resolution, authorized the execution and delivery of this Purchase Contract, the Indenture, and the Continuing Disclosure Certificate dated the Closing Date (the “**Continuing Disclosure Certificate**”), as required by the Rule 15c2-12, and substantially in the form attached as an appendix to the Official Statement (such resolution and agreements being collectively referred to as the “**District Documents**”) and has duly authorized and approved the delivery and use of the Preliminary Official Statement, the execution, delivery and use of the Official Statement, the execution and delivery of the other District Documents, the Bonds and the performance by the District of its obligations contained therein, and the taking of any and all action on its part as may be necessary to carry out, give effect to and consummate the transactions on the part of the District contemplated by each of said documents;

(c) At the date hereof, the District has the full legal right, power and authority (i) to execute, deliver and perform its obligations under this Purchase Contract and the other District Documents and to carry out all other transactions on its part contemplated hereby and under the Indenture, (ii) to sell and deliver the Bonds to the Underwriter pursuant to this Purchase Contract and the Indenture as provided herein, and (iii) to carry out, give effect to and consummate the transactions on its part contemplated by the District Documents;

(d) The District is in compliance with the District Resolution and this Purchase Contract, and at the Closing Date will be in compliance in all material respects with its obligations under the District Documents;

(e) The District, to the best of its knowledge, is not in breach of or in default under any applicable law or administrative rule or regulation of the State or the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the District is a party, or is otherwise subject or bound, which breach or default could have a material adverse effect on the ability of the District to perform its obligations under the Bonds or the District Documents;

(f) The adoption by the Board of Directors of the District Resolution, the delivery of the Bonds, and the execution and delivery by the District of the District Documents, any other applicable agreements and the other instruments contemplated by any of such documents to which the District is a party, and compliance with the provisions of each thereof, will not, to the best of the knowledge of the District, conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State or the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the District is a party or is otherwise subject or bound;

(g) All approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to the performance of, or the absence of which would materially adversely affect the District's ability to perform, its obligations hereunder, or under the other District Documents or the Bonds, have been obtained and are in full force and effect; provided that no representation is made as to any necessary "blue sky" filings;

(h) The Bonds, the District Documents and other applicable documents conform as to form and tenor to the descriptions thereof contained in the Official Statement and when authenticated by the Trustee in accordance with the Indenture and delivered to and paid for by the Underwriter on the Closing as provided herein the Bonds will be validly executed, delivered and entitled to all the benefits of the Indenture, subject to any applicable bankruptcy, reorganization, insolvency, moratorium or other law affecting the enforcement of creditors' rights generally;

(i) The District has deemed the Preliminary Official Statement to be final as of the date of the Preliminary Official Statement, as required by Rule 15c2-12. As of the date

hereof and at all times up to the Closing Date, the information contained in the Official Statement is, and will be, true and correct in all material respects and does not, and will not, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(j) If between the date of this Purchase Contract and until the earlier of (i) ninety (90) days after the end of the “underwriting period” (as defined in Rule 15c2-12) (the “**Underwriting Period**”), or (ii) twenty-five (25) days following the end of the Underwriting Period if the Official Statement is available to any person from the MSRB as contemplated by Rule 15c2-12(b)(4) an event occurs, of which the District has knowledge, which would cause the information relating to the District or the District’s functions, duties and responsibilities contained in the Official Statement, as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such statements, in the light of the circumstances under which they were made, not misleading, the District will notify the Underwriter, and if, in the opinion of the Underwriter and the District, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the District will cooperate with the Underwriter in the preparation of an amendment or supplement to the Official Statement in a form and in a manner approved by the Underwriter, provided all expenses thereby incurred for such preparation will be paid for by the District;

(k) Except as set forth in the Official Statement, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body is pending or to the knowledge of the officers of the District executing this Purchase Contract, is threatened in any way, affecting the existence of the District or the titles of the District’s officers to their respective offices or seeking to restrain or to enjoin the issuance, sale or delivery of the Bonds, the application of the proceeds thereof in accordance with the Indenture, or the collection or application of Revenues or the proceeds thereof pledged or to be pledged to pay the principal of and interest on the Bonds, or in any way contesting or affecting the validity or enforceability of the Bonds, the District Documents, or any action of the District contemplated by any of said documents relating to the Bonds, the Revenues, or in any way contesting the completeness or accuracy of the Preliminary Official Statement or the Official Statement or the powers of the District or its authority with respect to the Bonds, the District Documents, or any action of the District contemplated by any of said documents, or which would adversely affect the exemption of interest paid on the Bonds from gross income for federal income tax purposes or from California personal income taxation, nor to the knowledge of the officer of the District executing this Purchase Contract is there any basis therefor;

(l) Between the date of this Purchase Contract and the date of Closing and except as otherwise disclosed in the Official Statement, the District will not, without the prior written consent of the Underwriter, offer or issue any bonds, notes or other obligations for borrowed money, or incur any material liabilities, directly or contingently secured by Revenues or payable from Net Revenues.

(m) The District will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order for the Underwriter to qualify the Bonds for offer and sale under the “blue

sky” or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate; provided, however, the District shall not be required to register as a dealer or a broker of securities or consent to service of process or register as a foreign corporation in any such state or jurisdiction;

(n) Any certificate signed by any official of the District authorized to do so and delivered by the District to the Underwriter shall be deemed a representation and warranty by the District to the Underwriter as to the statements made therein;

(o) The District is not in default, nor has it been in default at any time, as to the payment of principal or interest with respect to an obligation of the District or on an obligation guaranteed by the District as guarantor or successor of a guarantor, which default has or could have a material adverse effect on the ability of the District to perform its obligations under the Bonds or the District Documents;

(p) The District is not presently and as a result of the execution of the Indenture and the sale of the Bonds will not be in violation of any debt limitation, appropriation limitation or any other provision of the California Constitution or statutes or any additional debt or similar provision of any bond, note, contract or other evidence of indebtedness to which the District is a party or to which the District is bound;

(q) The District will not knowingly take or omit to take any action, which action or omission will in any way cause the proceeds from the sale of the Bonds to be applied in a manner other than as provided in the Indenture; and

(r) Upon the issuance of the Bonds, the District will not, as of the date of Closing, have outstanding any other indebtedness which indebtedness is secured by a lien on Revenues superior to or on a parity with the lien on Revenues securing the Bonds.

(s) Except as disclosed in the Official Statement, the District has not, in the last five years, failed to comply in any material respect in its obligations under any continuing disclosure undertaking entered into pursuant to Rule 15c2-12. The District will undertake, pursuant to the Continuing Disclosure Certificate to provide annual reports and notices of certain enumerated events in accordance with the requirements of Rule 15c2-12.

3. Conditions to the Obligations of the Underwriter.

(a) The Underwriter has entered into this Purchase Contract in reliance upon the representation and warranties, and agreements of the District herein and in the documents and instruments to be delivered at the Closing and upon the performance by the District of its obligations hereunder, both as of the date hereof and as of the date of the Closing. Accordingly, the Underwriter’s obligations under this Purchase Contract to purchase and pay for the Bonds shall be subject to the performance by the District of its obligations to be performed hereunder and under such documents and instruments referenced herein to be delivered at or prior to the Closing, and shall also be subject to the following conditions (the “**Closing Conditions**”):

(b) The Underwriter shall have received at the Closing counterpart originals, or certified copies, of the following documents, in each case satisfactory in form and substance to the Underwriter:

(i) the Official Statement, executed on behalf of the District by the General Manager or such other official as may be authorized by the District Resolution;

(ii) the District Resolution, together with the certificate of the Secretary of the District dated as of the Closing Date, to the effect that the District Resolution is a true, correct and complete copy of the one duly adopted by the District and that it has not been amended, modified or rescinded (except as may have been agreed to by the Underwriter) and is in full force and effect as of the Closing Date;

(iii) a copy of each District Document, executed by the parties thereto;

(iv) an approving opinion, dated the date of Closing and addressed to the District, of Bond Counsel, in form and substance as attached as “APPENDIX E” to the Official Statement, together with a reliance letter addressed to the Underwriter;

(v) the opinion, dated the date of Closing, and addressed to the Underwriter, of General Counsel to the District, substantially in the form attached hereto as Exhibit B;

(vi) the opinion, dated the date of Closing and addressed to the Underwriter, of counsel to the Trustee, in form and substance satisfactory to the Underwriter and Bond Counsel;

(vii) a certificate of the Trustee, dated the date of Closing to the effect that:

(a) the Trustee is duly organized and validly existing as a national banking association in good standing under the laws of the United States, having the full power and authority to enter into and perform its duties under the Indenture and to authenticate and deliver the Bonds to the Underwriter pursuant to the Indenture;

(b) the Trustee is duly authorized to enter into the Indenture, and when the Indenture is duly executed and delivered by the respective parties thereto, to authenticate and deliver the Bonds to the Underwriter pursuant to the Indenture;

(c) to the best of the knowledge of the Trustee, no consent, approval, authorization or other action by any governmental or regulatory agency having jurisdiction over the Trustee that has not been obtained is or will be required for the execution and delivery of the Bonds or the performance by the Trustee of its duties under the Indenture, except as such may be required under the state securities or “blue sky” laws in connection with the distribution of the Bonds by the Underwriter;

(d) to the best of the knowledge of the Trustee, the execution and delivery by the Trustee of the Indenture and the authentication and delivery of the Bonds, and compliance with the terms thereof will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture, bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties (except that no representation, warranty or agreement is made by the Trustee with respect to any Federal or state securities or “blue sky” laws or regulations), or (except with respect to the lien of the Indenture) 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 held by the Trustee;

(e) to the best of the knowledge of the Trustee, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court or governmental agency, public board or body served upon or threatened against or affecting the existence of the Trustee or seeking to prohibit, restrain or enjoin the authentication and delivery of the Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Bonds, the Indenture or contesting the powers of the Trustee to enter into and perform its obligation under any of the foregoing, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated hereby, or which, in any way, would adversely affect the validity of the Bonds, the Indenture or any agreement or instrument to which the Trustee is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby; and

(f) subject to the provisions of the Indenture, the Trustee will apply the proceeds from the Bonds to the purposes specified in the Indenture;

(viii) evidence satisfactory to the Underwriter that the Bonds shall have received the ratings as set forth in the Official Statement and that any such ratings have not been revoked or downgraded;

(ix) a copy of the Report of Proposed Debt Issuance and Report of Final Sale required to be delivered to the California Debt and Investment Advisory Commission pursuant to Section 53583 of the Government Code and Section 8855(g) of the Government Code;

(x) an opinion of Kutak Rock LLP, counsel to the Underwriter (“**Underwriter’s Counsel**”), dated the date of the Closing in the form satisfactory to the Underwriter;

(xi) a supplemental opinion, dated the Closing Date and addressed to the Underwriter, of Bond Counsel, in form and substance to the effect that:

(a) The statements contained in the Official Statement on the cover page relating to tax exemption, the description of the Bonds and security for the Bonds, and statements under the captions “INTRODUCTION,” “THE BONDS,” “SECURITY FOR THE BONDS,” “TAX MATTERS” and APPENDICES A and E to the extent they purport to summarize certain provisions of the District Documents and the opinion of such counsel, present a fair and accurate summary of such provisions;

(b) The Bonds are exempt from registration under the Securities Act of 1933, as amended, and the Indenture is exempt from qualification as an indenture pursuant to the Trust Indenture Act of 1939, as amended; and

(c) The Purchase Contract has been duly authorized, executed and delivered by the District, and, assuming due authorization, execution and delivery by the other parties thereto, constitutes the legal, valid and binding agreement of the District enforceable against the District in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors’ rights generally and equitable remedies if equitable remedies are sought, and except no opinion need be expressed as to the enforceability of the indemnification, waiver, choice of law or contributions provisions contained in the Purchase Contract;

(xii) a certificate, dated the Closing Date and signed by an authorized officer of the District, certifying that (i) the representations and warranties of the District contained herein are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (ii) to the best of his or her knowledge, no event has occurred since the date of the Official Statement affecting the District which should be disclosed in the Official Statement for the purposes for which it is to be used in order to make the statements and information contained in the Official Statement not misleading in any material respect; (iii) the District has complied with all the agreements and has satisfied all the conditions on its part to be performed or satisfied under this Purchase Contract and the Indenture at and prior to the Closing; and (iv) certifying that the District has authorized and consented to the inclusion in the Official Statement of the District’s financial report and accountant’s opinion for the fiscal year ending June 30, 2019, and no further consent of any party is required for such inclusion;

(xiii) a nonarbitrage and tax certificate of the District in form satisfactory to Bond Counsel;

(xiv) The negative assurance letter of Jones Hall, A Professional Law Corporation, Disclosure Counsel, dated the Closing Date and addressed to the Underwriter, to the effect that, based upon the information made available to them in the course of their participation in the preparation of the Preliminary Official Statement and Official Statement and without passing on and without assuming any responsibility for the accuracy, completeness and fairness of the statements in the Preliminary Official Statement and Official Statement, and having made no independent investigation or verification thereof, no facts have come to their attention

that lead them to believe that the Preliminary Official Statement as of its date and as of the date of the Purchase Contract, and the Official Statement as of its date or as of the Closing Date (except for any CUSIP numbers, financial or statistical data or forecasts, numbers, charts, estimates, projections, assumptions or expressions of opinion, the information under the captions “NO LITIGATION,” “RATINGS” and “UNDERWRITING” and in the appendices thereto (excluding Appendix C - “FORM OF CONTINUING DISCLOSURE CERTIFICATE,”), any information about the Insurer, the Policy, the Surety, DTC and its book-entry only system, as to which no opinion or view need be expressed) contained any untrue statement of a material fact or omitted to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

(xv) Acknowledgement of prepayment of the Prior Water Obligations executed by the United States of America, Rural Utilities Service;

(xvi) The Policy duly executed by the Insurer;

(xvii) The Surety duly executed by the Insurer;

(xviii) An opinion of counsel to the Insurer, dated the Closing Date, addressed to the District and the Underwriter, in form and substance satisfactory to the Underwriter and Bond Counsel;

(xix) A certificate or certificates of the Insurer, dated the Closing Date, as to the accuracy of the information relating to the Insurer, the Policy and the Surety included in the Official Statement and such other matters reasonably requested by the Underwriter and Bond Counsel; and

(xx) Such additional legal opinions, certificates, instruments and other documents as the Underwriter may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the statements and information contained in the Official Statement, of the District’s representations and warranties 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 in connection with the transactions contemplated on its part hereby and by the Indenture and the Official Statement.

If any of the conditions to the obligations of the Underwriter contained in this section or elsewhere in this Purchase Contract shall not have been satisfied when and as required herein, all obligations of the Underwriter hereunder may be terminated by the Underwriter at, or at any time prior to, the Closing Date by written notice to the District.

(c) Termination.

The Underwriter may terminate its obligation to purchase the Bonds at any time before the Closing date if the market price or marketability of the Bonds or the ability of the Underwriter to enforce contracts for the sale of the Bonds shall be materially adversely affected in the reasonable judgment of the Underwriter by the occurrence of any of the following:

(i) Legislation shall be enacted by or introduced in the Congress of the United States or recommended to the Congress for passage by the President of the United States, or the Treasury Department of the United States or the Internal Revenue Service or favorably reported for passage to either House of the Congress by any committee of such House to which such legislation has been referred for consideration, a decision by a court of the United States or of the State or the United States Tax Court shall be rendered, or an order, ruling, regulation (final, temporary or proposed), press release, statement or other form of notice by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed, the effect of any or all of which would be to alter, directly or indirectly, federal income taxation upon interest received on obligations of the general character of the Bonds, or the interest on the Bonds as described in the Official Statement, or other action or events shall have transpired which may have the purpose or effect, directly or indirectly, of changing the federal income tax consequences of any of the transactions contemplated herein; or

(ii) Legislation introduced in or enacted (or resolution passed) by the Congress or an order, decree, or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary, or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the effect that obligations of the general character of the Bonds are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering, or sale of obligations of the general character of the Bonds, as contemplated hereby or by the Official Statement or otherwise, is or would be in violation of the federal securities law as amended and then in effect; or

(iii) A general suspension of trading in securities on the New York Stock Exchange or any other national securities exchange, the establishment of minimum or maximum prices on any such national securities exchange, the establishment of material restrictions (not in force as of the date hereof) upon trading securities generally by any governmental authority or any national securities exchange, or any material increase of restrictions now in force (including, with respect to the extension of credit by, or the charge to the net capital requirements of, the Underwriter); or

(iv) A general banking moratorium shall have been established by federal, New York or California authorities; or

(v) Establishment of any new restrictions in securities materially affecting the free market for securities of the same nature as the Bonds (including the imposition of any limitations on interest rates) or the charge to the net capital requirements of the Underwriter established by the New York Stock Exchange, the Securities and Exchange Commission, any other Federal or state agency or the Congress of the United States, or by Executive Order; or

(vi) Any amendment to the federal or California Constitution or action by any federal or California court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the District, its property, income or securities (or interest thereon), or the ability of the District to issue the Bonds and pledge Revenues as contemplated by the Indenture and the Official Statement; or

(vii) There shall have occurred any (1) new material outbreak of hostilities (including, without limitation, an act of terrorism) or (2) new material other national or international calamity or crisis, or any material adverse change in the financial, political or economic conditions affecting the United States, including, but not limited to, an escalation of hostilities or national or international calamity or crisis that existed prior to the date hereto; or

(viii) Any rating of the Bonds by a national rating agency shall have been withdrawn or downgraded or placed on negative outlook or negative watch; or

(ix) Any rating of the Bonds or other obligations of the Insurer by a national rating agency shall have been withdrawn or downgraded or placed on negative outlook or negative watch; or

(x) A material disruption in securities settlement, payment or clearance services affecting the Bonds shall have occurred; or

(xi) Any event occurring, or information becoming known which, in the reasonable judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Preliminary Official Statement, as of its date, or the Official Statement, or results in the Preliminary Official Statement, as of its date, or the Official Statement containing any untrue statement of a material fact or omitting to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading in any material aspect.

4. Conditions to Obligations of the District. The performance by the District of its obligations is conditioned upon (i) the performance by the Underwriter of its obligations hereunder; and (ii) receipt by the District and the Underwriter of opinions and certificates being delivered at the Closing by persons and entities other than the District.

5. Establishment of Issue Price.

A. The Underwriter agrees to assist the District in establishing the issue price of the Bonds and shall execute and deliver to the District at Closing an “issue price” or similar certificate, together with the supporting pricing wires or equivalent communications, substantially in the form attached hereto as Exhibit C, with such modifications as may be appropriate or necessary, in the reasonable judgment of the Underwriter, the District and Bond Counsel, to accurately reflect, as applicable, the sales price or prices or the initial offering price or prices to the public of the Bonds.

B. Except as otherwise set forth in Exhibit A attached hereto, the District will treat the first price at which 10% of each maturity of the Bonds (the “**10% test**”) is sold to the public as the issue price of that maturity. At or promptly after the execution of this Purchase Contract, the

Underwriter shall report to the District the price or prices at which it has sold to the public each maturity of the Bonds. For purposes of this Section, if Bonds mature on the same date but have different interest rates, each separate CUSIP number within that maturity will be treated as a separate maturity of the Bonds.

C. The Underwriter confirms that it has offered the Bonds to the public on or before the date of this Purchase Contract at the offering price or prices (the “**initial offering price**”), or at the corresponding yield or yields, set forth in Exhibit A attached hereto, except as otherwise set forth therein. Exhibit A also sets forth, as of the date of this Purchase Contract, the maturities, if any, of the Bonds for which the Underwriter represents that (i) the 10% test has been satisfied (assuming orders are confirmed by the close of the business day immediately following the date of this Purchase Contract) and (ii) the 10% test has not been satisfied and for which the District and the Underwriter agree that the restrictions set forth in the next sentence shall apply, which will allow the District to treat the initial offering price to the public of each such maturity as of the sale date as the issue price of that maturity (the “**hold-the-offering-price rule**”). So long as the hold-the-offering-price rule remains applicable to any maturity of the Bonds, the Underwriter will neither offer nor sell unsold Bonds of that maturity to any person at a price that is higher than the initial offering price to the public during the period starting on the sale date and ending on the earlier of the following:

- a. the close of the fifth (5th) business day after the sale date; or
- b. the date on which the Underwriter has sold at least 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

The Underwriter will advise the District promptly after the close of the fifth (5th) business day after the sale date whether it has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public.

D. The Underwriter confirms that:

(i) any selling group agreement and any third-party distribution agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer who is a member of the selling group and each broker-dealer that is a party to such third-party distribution agreement, as applicable:

(A)(i) to report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter that the 10% test has been satisfied as to the Bonds of that maturity and (ii) to comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter,

(B) to promptly notify the Underwriter of any sales of Bonds that, to its knowledge, are made to a purchaser who is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below), and

(C) to acknowledge that, unless otherwise advised by the dealer or broker-dealer, the Underwriter shall assume that each order submitted by the dealer or broker-dealer is a sale to the public.

(ii) any selling group agreement relating to the initial sale of the Bonds to the public, together with the related pricing wires, contains or will contain language obligating each dealer that is a party to a third-party distribution agreement to be employed in connection with the initial sale of the Bonds to the public to require each broker-dealer that is a party to such third-party distribution agreement to (A) report the prices at which it sells to the public the unsold Bonds of each maturity allocated to it until either all Bonds of that maturity allocated to it have been sold or it is notified by the Underwriter or the dealer that the 10% test has been satisfied as to the Bonds of that maturity, and (B) comply with the hold-the-offering-price rule, if applicable, if and for so long as directed by the Underwriter or the dealer and as set forth in the related pricing wires.

The Underwriter shall promptly advise the District or the District's municipal advisor when the Underwriter has sold 10% of that maturity of the Bonds to the public at a price that is no higher than the initial offering price to the public, if that occurs prior to the close of the fifth (5th) business day after the sale date.

E. The District acknowledges that, in making the representation set forth in this section, the Underwriter will rely on (i) in the event a selling group has been created in connection with the initial sale of the Bonds to the public, the agreement of each dealer who is a member of the selling group to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in a selling group agreement and the related pricing wires, and (ii) in the event that a third-party distribution agreement was employed in connection with the initial sale of the Bonds to the public, the agreement of each broker-dealer that is a party to such agreement to comply with the requirements for establishing issue price of the Bonds, including, but not limited to, its agreement to comply with the hold-the-offering-price rule, if applicable to the Bonds, as set forth in the third-party distribution agreement and the related pricing wires.

F. The Underwriter acknowledges that sales of any Bonds to any person that is a related party to an underwriter participating in the initial sale of the Bonds to the public (each such term being used as defined below) shall not constitute sales to the public for purposes of this section. Further, for purposes of this section:

a. "public" means any person other than an underwriter or a related party;

b. "underwriter" means (A) any person that agrees pursuant to a written contract with the District (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the public and (B) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (A) to participate in the initial sale of the Bonds to the public (including a member of a selling group or a party to a third-party distribution agreement participating in the initial sale of the Bonds to the public);

c. a purchaser of any of the Bonds is a "related party" to an underwriter if the underwriter and the purchaser are subject, directly or indirectly, to (A) more than 50% common ownership of the voting power or the total value of their stock, if both entities are corporations (including direct ownership by one corporation of another), (B) more than 50% common ownership of their capital interests or profits interests, if both entities are partnerships (including direct ownership by one partnership of another), or (C) more than 50% common ownership of the value of the outstanding stock of the corporation or the capital interests or profit interests of the partnership,

as applicable, if one entity is a corporation and the other entity is a partnership (including direct ownership of the applicable stock or interests by one entity of the other); and

d. “sale date” means the date of execution of this Purchase Contract by all parties.

6. Expenses.

(a) The Underwriter shall be under no obligation to pay, and the District shall pay or cause to be paid out of the proceeds of the Bonds, all expenses incident to the performance of the District’s obligations hereunder, including but not limited to: the cost of photocopying and delivering the Bonds to the Underwriter; the cost of preparing, printing (and/or word processing and reproducing), distributing and delivering the District Documents, and the cost of printing, distributing and delivering the Preliminary Official Statement and the Official Statement; the cost of preparation of any “blue sky” or legal investment memoranda; the fees of the California Debt and Investment Advisory Commission; the fees and disbursements of Underwriter’s Counsel and the fees and disbursements of Bond Counsel, any accountants, municipal advisors or other engineers or experts or consultants the District has retained in connection with the Bonds and expenses (included in the expense component of the Underwriter’s spread) incurred on behalf of the District’s officers or employees which are incidental to implementing this Purchase Contract, including, but not limited to, meals, transportation, lodging, and entertainment of those officers or employees; provided, however, that (i) reimbursement for such expenses shall not exceed an ordinary and reasonable amount for such expenses and (ii) such expenses are not related to the entertainment of any person and not prohibited from being reimbursed from the proceeds of an offering of municipal securities under MSRB Rule G-20.

(b) Whether or not the Bonds are delivered to the Underwriter as set forth herein, the District shall be under no obligation to pay, and the District shall not pay, any expenses incurred by the Underwriter in connection with its public offering and distribution of the Bonds (except those specifically enumerated in paragraph (a) of this section) including any advertising expenses.

7. Notices.

Any notices, requests, directions, instruments or other communications required or permitted to be given hereunder shall be in writing and shall be given when delivered, against a receipt, or mailed certified or registered, postage prepaid, to the District and the Underwriter at their respective addresses below:

If to the District:	Brooktrails Township Community Services District 24860 Birch Street Willits, California 95490 Attention: General Manager
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If to the Underwriter:	Hilltop Securities Inc. 2533 S. Coast Hwy. 101, Suite 250 Cardiff by the Sea, CA 92007 Attention: Public Finance Department
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provided, however, that all such notices, requests or other communications may be made by telephone and promptly confirmed by writing. The District and the Underwriter may, by notice given as aforesaid, specify a different address for any such notices, requests or other communications.

8. Parties in Interest.

This Purchase Contract is made solely for the benefit of the District and the Underwriter (including successors of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof.

9. Survival of Representations and Warranties.

The representations and warranties of the District set forth in or made pursuant to this Purchase Contract shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Purchase Contract and regardless of any investigations made by or on behalf of the Underwriter (or statements as to the results of such investigations) concerning such representations and warranties of the District and regardless of delivery of and payment for the Bonds.

10. Effective Date.

This Purchase Contract shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the District and the Underwriter and shall be valid and enforceable as of the time of such acceptance.

11. Applicable Law; Nonassignability; Venue

This Purchase Contract shall be governed by the laws of the State of California. This Purchase Contract shall not be assigned by either party hereto without the written consent of the other party.

12. Execution of Counterparts.

This Purchase Contract may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same.

13. No Prior Agreements.

This Purchase Contract supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the sale of Bonds by the District and represents the entire agreement of the parties as to the subject matter herein.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

14. Partial Unenforceability.

Any provision of this Purchase Contract which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Purchase Contract or affecting the validity or enforceability of such provision in any other jurisdiction.

Very truly yours,

HILLTOP SECURITIES INC.

By: _____
Authorized Representative

The foregoing is hereby agreed to and
accepted as of the date first above written:

**BROOKTRAILS TOWNSHIP
COMMUNITY SERVICES DISTRICT**

By: _____
Title: General Manager

Time of Execution: _____ p.m. California time

**[EXECUTION PAGE OF PURCHASE CONTRACT – BROOKTRAILS TOWNSHIP CSD
WATER REVENUE REFUNDING BONDS, SERIES 2021]**

EXHIBIT A

\$ _____
**BROOKTRAILS TOWNSHIP COMMUNITY SERVICES DISTRICT
WATER REVENUE REFUNDING BONDS
SERIES 2021**

MATURITY SCHEDULE

<u>Maturity (June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Price</u>	<u>10% Test Satisfied*</u>	<u>10% Test Not Satisfied</u>	<u>Subject to Hold-The- Offering- Price Rule (marked if used)</u>
2021							
2022							
2023							
2024							
2025							
2026							
2027							
2028							
2029							
2030							
2031							
2032							
2033							
2034							
2035							
2036							
2037							
2038							
2039							

^(C) Priced to optional call at [par] on June 1, 20__.

* At the time of execution of this Purchase Contract and assuming orders are confirmed by the close of the business day immediately following the date of this Purchase Contract.

EXHIBIT B

FORM OPINION OF DISTRICT COUNSEL

[Place on District Counsel Letterhead]

_____, 2021

Hilltop Securities Inc.
2533 S. Coast Hwy. 101, Suite 250
Cardiff by the Sea, CA 92007

Re: \$_____ Brooktrails Township Community Services District
 Water Revenue Refunding Bonds, Series 2021

Ladies and Gentlemen:

Brooktrails Township Community Services District (the “District”) has entered into a Purchase Contract dated _____, 2021 (the “Purchase Contract”), with Hilltop Securities Inc., relating to the Brooktrails Township Community Services District Water Revenue Refunding Bonds, Series 2021 (the “Bonds”). Among other things, the Purchase Contract states that District Counsel shall provide assurances as set forth below.

The following opinion is presented to you in satisfaction of the requirements of Section 3(b)(v) of the Purchase Contract. In arriving at the opinions expressed below, I have examined and am familiar with: (i) documents relating to the existence, organization and operation of the District; (ii) the District Closing Certificate dated the date hereof, and executed by the District’s General Manager or other duly authorized officer regarding the District and the above-referenced transaction; (iii) documentation of the District relating to the authorization, execution and delivery of the above referenced transaction; (iv) the District Documents and (v) such other documents, records and instruments and made such investigations of law and fact as I have deemed necessary to render the opinions expressed herein. Capitalized terms used herein and not defined shall have the meanings given to such terms in the Purchase Contract.

1. The District is a community services district duly organized and validly existing under the Constitution and the laws of the State of California.

2. The District Documents have been duly authorized, executed and delivered by the District, and the District has full right, power and authority to carry out and consummate all transactions contemplated by the District Documents as of the date of the Official Statement and as of the date hereof.

3. The District does not have outstanding any other indebtedness which indebtedness is secured by a lien on Net Revenues superior to or on a parity with the lien of the Bonds on Net Revenues.

4. The resolution of the District approving and authorizing the execution and delivery of the District Documents, and authorizing the preparation and delivery of the Preliminary Official Statement and the Official Statement, were duly adopted at meetings of the governing body of the District, which were called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout and the resolution is in full force and effect and has not been modified, amended or rescinded.

5. To our knowledge, the execution and delivery of the District Documents and compliance with the provisions thereof, under the circumstances contemplated thereby, will not constitute, or with the giving of notice or the passage of time would not constitute, on the part of the District a breach of or default under, any material agreement or other instrument to which the District is a party or by which it is bound or any existing law, administrative rule, regulation, order, decree, judgment, license or permit to which the District is subject (excluding, however, any opinion as to compliance with any applicable federal securities laws); or by which the District or any of its property is bound.

6. The Official Statement has been prepared by, or on behalf of, the District under the supervision of the District's General Manager and executed on its behalf by an authorized officer of the District.

7. Based on the information made available to us in our role as general counsel to the District, and without having undertaken to determine independently or assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement, nothing has come to our attention which would lead us to believe that the Official Statement as of its date and as of the date hereof (excluding therefrom the financial and statistical data and forecasts and the information with respect to DTC and its book-entry system included therein, as to which no opinion is expressed) contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

8. No additional authorization, approval, consent, waiver or any other action by any person, board or body, public or private, not previously obtained is required as of the date hereof for the District to enter into the District Documents or to perform its obligations thereunder.

9. Except as set forth in the Official Statement, based on information made available to us in our role as general counsel to the District, we know of no litigation, proceeding, action, suit, or investigation (or any basis therefor) at law or in equity before or by any court, governmental agency or body, pending or, to the best of our knowledge, threatened, against the District challenging the creation, organization or existence of the District, or the validity of the District Documents or seeking to restrain or enjoin the payment of debt service on the Bonds or in any way contesting or affecting the validity of the District Documents or any of the transactions referred to therein or contemplated thereby or contesting the authority of the District to enter into or perform its obligations under any of the District Documents, or under which a determination adverse to the District would have a material adverse effect upon the financial condition or the revenues of the District, or which, in any manner, questions or affects the right or ability of the District to enter into the District Documents or affects in any manner the right or ability of the District to pay debt service on the Bonds.

This opinion is furnished by us to you solely for your benefit and we are not assuming any professional responsibility to any other person whomsoever. This opinion is not to be used, circulated, quoted or otherwise referred to for any other purpose.

Respectfully submitted,

EXHIBIT C

\$ _____
**BROOKTRAILS TOWNSHIP COMMUNITY SERVICES DISTRICT
WATER REVENUE REFUNDING BONDS
SERIES 2021**

FORM OF ISSUE PRICE CERTIFICATE

The undersigned, on behalf of Hilltop Securities Inc. (“Hilltop”) hereby certifies as set forth below with respect to the sale and issuance of the above-captioned obligations (the “Bonds”).

1. ***Sale of the General Rule Maturities.*** As of the date of this certificate, for each Maturity of the General Rule Maturities, the first price at which at least 10% of such Maturity was sold to the Public is the respective price listed in Schedule A.

2. ***Defined Terms.***

(a) ***General Rule Maturities*** means those Maturities of the Bonds listed in Schedule A hereto as the “General Rule Maturities.”

(b) ***Issuer*** means Brooktrails Township Community Services District.

(c) ***Maturity*** means Bonds with the same credit and payment terms. Bonds with different maturity dates, or Bonds with the same maturity date but different stated interest rates, are treated as separate maturities.

(d) ***Public*** means any person (including an individual, trust, estate, partnership, association, company, or corporation) other than an Underwriter or a related party to an Underwriter. The term “related party” for purposes of this certificate generally means any two or more persons who have greater than 50 percent common ownership, directly or indirectly.

(e) ***Underwriter*** means (i) any person that agrees pursuant to a written contract with the Issuer (or with the lead underwriter to form an underwriting syndicate) to participate in the initial sale of the Bonds to the Public, and (ii) any person that agrees pursuant to a written contract directly or indirectly with a person described in clause (i) of this paragraph to participate in the initial sale of the Bonds to the Public (including a member of a selling group or a party to a retail distribution agreement participating in the initial sale of the Bonds to the Public).

3. ***Yield.*** Hilltop has provided the schedule attached in Schedule B with respect to the arbitrage yield on the Bonds.

The representations set forth in this certificate are limited to factual matters only. Nothing in this certificate represents Hilltop’s interpretation of any laws, including specifically Sections 103 and 148 of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations thereunder. The undersigned understands that the foregoing information will be relied upon by the Issuer with

respect to certain of the representations set forth in the Tax Certificate and with respect to compliance with the federal income tax rules affecting the Bonds, and by Jones Hall, A Professional Law Corporation in connection with rendering its opinion that the interest on the Bonds is excluded from gross income for federal income tax purposes, the preparation of the Internal Revenue Service Form 8038-G, and other federal income tax advice that it may give to the Issuer from time to time relating to the Bonds.

HILLTOP SECURITIES INC.

By:_____

Name:_____

Dated: _____, 2021

SCHEDULE A
SALE PRICES OF THE GENERAL RULE MATURITIES
(Attached)

SCHEDULE B
ARBITRAGE YIELD PROOF
(Attached)



One California Street, 31st
Floor
San Francisco, CA
94111-5432
tel 415 371-5000
reference no.: 1641139

January 4, 2021

Brooktrails Township Community Services District
24860 Birch Street
Willits, CA 95490
Attention: Ms. Tamara Alaniz, General Manager

Re: US\$2,720,000 Brooktrails Township Community Services District, California, Refunding Certificates Of Participation, Series 2021, dated: February 25, 2021, due: April 15, 2048

Dear Ms.:

Pursuant to your request for an S&P Global Ratings rating on the above-referenced obligations, S&P Global Ratings has assigned a rating of "A". S&P Global Ratings views the outlook for this rating as stable. A copy of the rationale supporting the rating is enclosed.

This letter constitutes S&P Global Ratings' permission for you to disseminate the above-assigned ratings to interested parties in accordance with applicable laws and regulations. However, permission for such dissemination (other than to professional advisors bound by appropriate confidentiality arrangements or to allow the Issuer to comply with its regulatory obligations) will become effective only after we have released the ratings on standardandpoors.com. Any dissemination on any Website by you or your agents shall include the full analysis for the rating, including any updates, where applicable. Any such dissemination shall not be done in a manner that would serve as a substitute for any products and services containing S&P Global Ratings' intellectual property for which a fee is charged.

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Please send hard copies to:
S&P Global Ratings
Public Finance Department
55 Water Street
New York, NY 10041-0003

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cc: ***Mr. Mike Cavanaugh, Senior Vice President
Hilltop Securities Inc.***

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RatingsDirect®

Summary:

Brooktrails Township Community Services District, California; Water/Sewer

Primary Credit Analyst:

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Summary:

Brooktrails Township Community Services District, California; Water/Sewer

Credit Profile		
US\$2.72 mil rfdg certs of part ser 2021 dtd 02/25/2021 due 04/15/2048		
Long Term Rating	A/Stable	New

Rating Action

S&P Global Ratings assigned its 'A' rating to Brooktrails Township Community Services District, Calif.'s anticipated \$2.7 million series 2021 water revenue refunding bonds. The outlook is stable.

Bond proceeds will be used to refund the district's existing obligations with the United States Department of Agriculture for debt service savings. We view the bond provisions as credit neutral. The bonds are payable from a pledge of net revenues from the district's water system. We regard bond provisions as adequate and credit neutral with a rate covenant equal to 1.2x annual debt service and an additional bonds test equal to 1.2x maximum annual debt service (MADS). In addition, a bond insurance policy will be issued for the series 2021 bonds with standard debt service reserve requirements.

Credit overview

The rating reflects our view of the district water system's general creditworthiness and a combination of its strong enterprise and financial risk profiles. The district provides water, sewer, fire suppression and emergency medical services to a relatively small, yet stable, customer base in Mendocino County. We consider the district's customer base to be primarily residential and diverse, which provides a more predictable revenue stream. Credit risks center on the small size of the district's customer base, along with its below-average income levels, which could weaken future revenue-raising flexibility. We expect the projected financial performance to remain good given the lack of additional debt plans.

The enterprise risk assessment reflects our assessment of the district water system's:

- A mostly residential customer base that is stable and diverse with adequate income levels but is limited due to the lack of participation in an established metropolitan statistical area (MSA);
- Very low industry risk as a monopolistic service provider of an essential public utility;
- Standard market position, which reflects marginally affordable service rates in the context of the service area's adequate incomes, although somewhat hindered by the county elevated poverty rate; and
- Standard Operational Management Assessment (OMA), which reflects the district's adequate operational capacity to meet demand, and credit-supportive rate-setting practices.

The financial risk profile reflects our view of the following:

- Good projected all-in coverage metrics at more than 1.3x in the next five years, which we expect to stay consistent given management's lack of debt plans, and review of rate adjustments as needed;
- Good liquidity position with the district reporting \$845,225 in unrestricted operating cash and investments at the end of fiscal 2019, providing a good 280 days' cash on hand;
- Moderate debt profile, based on a 56% debt-to-capitalization ratio and lack of additional debt needs. We understand that most of the major system capital needs are being addressed on a pay-as-you-go basis; and
- Good Financial Management Assessment (FMA), which reflects ongoing budget updates to the board, and good long-term financial and capital planning.

The stable outlook reflects our view of the district's stable customer base, lack of additional debt plans, and recent rate adjustment, which we believe will likely allow the water system to maintain its good all-in coverage metrics and liquidity position.

Environmental, social, and governance factors

The district's water supply is susceptible to above average environmental risk related to climate change and natural cycles of drought. Additionally, portions of the district's service area are considered very high wildfire hazard zones, which, depending on future weather conditions, could be a significant environmental and financial stressor, although we believe the district has well-defined emergency preparedness plans. Officials plan to make a number of investments across its facilities and distribution network to reduce the system's environmental risks while enhancing its water supply reliability in the near future. The district has reported no exposure to emerging contaminants like per- and polyfluoroalkyl substances (PFAS). Although there have not been any limitations on water demand in the service area, we believe there are increased public health and safety risks due to the pandemic. We view the district's governance factors to be in line with other rated utilities.

S&P Global Ratings believes there remains a high degree of uncertainty about the evolution of the coronavirus pandemic. Reports that at least one experimental vaccine is highly effective and might gain initial approval by the end of the year are promising, but this is merely the first step toward a return to social and economic normality; equally critical is the widespread availability of effective immunization, which could come by the middle of next year. We use this assumption in assessing the economic and credit implications associated with the pandemic (see "Staying Home For The Holidays," published Dec. 2, 2020, on RatingsDirect). As the situation evolves, we will update our assumptions and estimates accordingly.

Stable Outlook

Downside scenario

Despite the resilience of the local economy, S&P Global Economics projects a possible uneven and prolonged national economic recovery, which could increase the potential for unfavorable variances to budget. Therefore, we could take a negative rating action if the system's financial position deteriorates significantly, such as from significant unanticipated decline in sales, resulting in pressured all-in coverage metrics, or a substantially weaker liquidity position.

Upside scenario

We view upward movement as limited during the two-year outlook period. In the longer term, if a significant economic expansion that is both broad and diverse, which directly improves income levels, occurs in the district's service area and if the system achieves stronger financial performance and metrics that are sustainable through this economic cycle, we could raise the rating.

Credit Opinion

The district was formed from several subdivisions in the 1960s to provide municipal services to residents and businesses within its service area. The district serves approximately 3,500 residents through 1,554 water connections and 1,436 wastewater connections, of which 99.7% are residential. Median household effective buying income (MHHEBI) within the district is adequate at about 79% of the national level. The county unemployment rate generally tracks state level, but it rose to a peak of 14.7% in April 2020 following economic effects related to COVID-19 and shelter-in-place restrictions. The unemployment rate has decreased to more moderate levels of 7% in Oct. 2020. Management reports that there has not been a material increase in delinquent accounts or any limitations on water demand. We consider the customer base primarily residential and diverse. There is no significant customer concentration risk, in our opinion, with the top 10 customers accounting for about 5.3% of water sales revenue in fiscal 2020.

We view the district's service rates as marginally affordable in the context of the service area's below average income levels with water rates accounting for 2.4% of MHHEBI, which is above average relative to peers at the current rating. The current rate structure consists of fixed water reliability assessment charged to each developed property at a rate of \$5 annually, a fixed monthly base rate of \$60, and a variable usage charge based on water consumption. In general, we believe the district's market position is moderately constrained by the county's above-average poverty rate, meaning that we believe that potentially large future rate adjustments would likely be less affordable for the district's customers that are on low or fixed incomes. Management has indicated it does not intend to raise rates in 2021 to help mitigate economic effects associated with the economic slowdown for its ratepayers.

We consider the system's operational management to be standard under our operational management assessment methodology, which indicates a favorable alignment of operations and organizational goals, although some challenges may exist. The district has sufficient capacity to meet water demand in its service area, and it is our understanding that the district is focusing on water diversification and long-term water supply reliability. The district has good operational policies including drought, conservation and contingency planning. Given challenges associated with former drought-related water restrictions, and a moratorium order on new water connections that was lifted in fall 2017, the district has been exploring alternative water supplies including groundwater exploration and a potential intertie with the neighboring City of Willits.

In our view, the district's financial position is stable, as evidenced by the maintenance of good all-in coverage metrics and liquidity position. Financial performance more recently has remained steady due in part to consistent rate adjustments in the past to meet annual operating expenses. Based on management's forecast, which we view as reasonable, we calculate all-in coverage will average about 1.3x during the five-year period through fiscal 2025 with no

additional rate increases. In addition, system liquidity has been good on a days' cash basis. Fiscal 2019 ended with unrestricted cash and investments equal to about 280 days of operating expenditures, and available cash and investments totaled a nominal \$845,225. The current five-year capital plan is modest in our view, at approximately \$1 million, with no additional debt planned in the near future. Based on the system's capital improvement plan, we understand that it plans to deploy capital reserves to supplement its capital needs. However, we anticipate relatively nominal draws on internal operating cash to fund future capital projects, and we anticipate management will continue to maintain sufficient liquidity to meet operations. It is our understanding that the district has a policy of maintaining unrestricted operating reserves equivalent to at least three months of operating expenses.

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column.

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BROOKTRAILS TOWNSHIP

COMMUNITY SERVICES DISTRICT

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Board Meeting
Agenda Item K-9

DATE: January 12, 2021
TO: Board of Directors
FROM: Tamara Alaniz
RE: Consideration of MedStar Donation to the Fire Department

BACKGROUND

On May 12, 2015, the Board adopted an administrative policy and procedures for donations to the Township. The policy states:

For monetary, equipment and in-kind contributions or sponsorships with values over \$5,000, a Report to the Board will be written outlining the purpose of each donation and the advantages and disadvantages of accepting the gift. For monetary donations, it will be stated in the Report to the Board if the gift is a one-time contribution for a specific purpose or a contribution where the principal could be invested and the interest used to support all or part of a special project or program for a number of years. Board will decide, on a per case basis, if money should be accepted or rejected.

This item is responsive to that policy by notifying the Board of a single donation received by the Fire Department for over \$5,000.

DISCUSSION

The Fire Department received a one-time, \$10,000 donation of unrestricted funds from MedStar in December. This donation is not intended to be used as an investment for a multiple-year project or program.

Staff intends to use the donation to help cover non-grant related staffing costs that are being incurred to backfill coverage while a fire department employee is on workers' compensation leave.

RECOMMENDED ACTION

Staff recommends that the donation be accepted as specified.