PRELIMINARY DRAFT – INTERNAL DISCUSSION ONLY

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[Asset Preservation Covenant]

Section __. Prohibition on Sale, Transfer, or Disposition of Assets

(a) Covenant Not to Sell or Transfer. During the Term of this Lease[1], neither the Municipality nor the Authority shall option, sell, transfer, convey, lease, encumber, pledge, assign, or otherwise dispose of any right, title, or interest in all or any material portion of the water system facilities (the "**System Assets**"), whether voluntarily, involuntarily, by operation of law, or otherwise, without the prior written Consent (as defined below) of both Parties. For the avoidance of doubt, nothing in this Section ___ or the Lease prohibits (i) the Municipality or the Authority from issuing Permitted Debt or (ii) the Authority from disposing of System Assets in the ordinary course of business, in the judgement of the Authority Board (e.g., replacing obsolete equipment or maintenance or capital replacement agreements), including the existing agreements set forth on **Schedule ___** .

(b) No Agreement to Market or Sell. Neither Party shall enter into, negotiate, solicit, or execute any agreement, letter of intent, memorandum of understanding, option, or other commitment—binding or non-binding—that contemplates or could reasonably lead to the sale, transfer, lease, loss of local control or other disposition of the System Assets during the Term.

(c) Prohibition on Third-Party Control. Neither Party shall grant any third-party any right of control, operational authority, management authority, or beneficial interest in the System Assets, except as expressly permitted under this Lease.[2]

(d) Invalidity of Unauthorized Transactions. Any attempted sale, transfer, conveyance, encumbrance, or disposition of the System Assets made in violation of this Section ___ shall be **null, void, and of no legal effect**, and may not be recognized by either Party.

(e) Injunctive Relief. The Parties acknowledge that a breach of this Section ___ would cause irreparable harm for which monetary damages would be inadequate. Each Party shall therefore be entitled to seek injunctive relief, specific performance, or other equitable remedies to prevent or remedy any violation of this Section.

(f) Survival. This Section ___ survives any termination or expiration of the Lease until all obligations relating to the System Assets have been fully resolved and no pending transaction or action exists that would violate this Section.

"**Consent**" means, with respect to each Party's governing board or council, a vote constituting a unanimous vote of all members present and constituting a quorum with respect to a proposed sell, transfer, convey, lease, encumber, pledge, assign, or otherwise dispose of any right, title, or interest in all or any material portion of the System Assets.

"**Permitted Debt**" means [to come].

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[1] Anticipated to be 50 years in line with permitted statutory lifespan of a municipal authority.

[2] Ability to raise Permitted Debt and enter ordinary course maintenance or capital replacement agreements to be preserved in Lease.