TO: BOARD OF DIRECTORS

FROM: MICHAEL S. LEBRUN MSL
GENERAL MANAGER

DATE: JUNE 7, 2013

AGENDA ITEM
E-1
JUNE 12, 2013

AUTHORIZATION OF THE NIPOMO COMMUNITY SERVICES DISTRICT REVENUE CERTIFICATES OF PARTICIPATION (SUPPLEMENTAL WATER PROJECT) SERIES 2013

ITEM

It is recommended that the Board of Directors:

1. Adopt the following resolution:

   Resolution of the Board of Directors of the District Authorizing the Sale, Execution and Delivery of Not To Exceed $10,500,000 Revenue Certificates of Participation (Supplemental Water Project) Series 2013 and Approving a Trust Agreement, an Installment Sale Agreement, an Agency Agreement, an Escrow Agreement, a Continuing Disclosure Agreement, a Bond Purchase Agreement and a Preliminary Official Statement in Connection Therewith and Authorizing the Taking of Certain Actions in Connection Therewith.

then

2. Convene to the Nipomo Community Services District Public Facilities Corporation (PFC) and have the PFC approve documents in connection with the execution and delivery of not to exceed $10,500,000 in Revenue Certificates of Participation (Supplemental Water Project) Series 2013.

BACKGROUND

Supplemental Water Project. The District has been pursuing a water source to supplement its groundwater only supply since the early 1990's. Since 2004, the District has spent considerable time, effort and resources to complete the design, permitting, and environmental review of a water pipeline to intertie the District's water system with that of the City of Santa Maria (the "City") for the purpose of delivering supplemental water to the District and community (the "Project"). A summary of District expenditures to date is included in Item F of this Agenda. The Project also responds to the groundwater lawsuit that commenced in 1997 which required the District to obtain supplemental water (the "Stipulation").

Phase 1 of the Project ("Phase 1") will interconnect the District's water distribution system with the water distribution system of the City and will be capable of initially delivering approximately 650 acre-feet per year ("AFY") on average of supplemental water to the District. Delivery of a potential of approximately 1,000 AFY of supplemental water is possible depending on flow control adjustments. Phase 1 will allow the District to reduce pumping from existing wells to slow the depletion of groundwater and reduce the potential for seawater intrusion on the Nipomo Mesa as is prudent and as is required by the Stipulation. Phase 1 will significantly increase the reliability of the District water supply by providing an additional source of water other than groundwater.

Phase 1 consists of approximately 4,800 lineal feet of 18 inch diameter ductile iron pipe (DIP) waterline, 2,600 lineal feet of 24 inch nominal inside diameter high-density polyethylene pipe drilled horizontally under the Santa Maria River, 2,700 lineal feet of 24 inch diameter DIP waterline, a flow meter and flow control station, a 400-gallon per minute (gpm) pump station with two (2) pumps, a chloramination system, and related power, back-up power, controls and instrumentation systems, a pressure reducing station, and chloramination systems at four (4) existing District production wells. The District currently intends that the future Phase 2 and Phase 3 of the Project will be funded on a pay-as-you-go basis from the supplemental water capacity fees derived from future development within the District and the District has no plans to incur any additional bonded indebtedness for these future phases.

The final Environmental Impact Report ("EIR") for the Project was certified by the District in April 2009 as the lead agency. In January 2010, the City as a responsible agency, adopted a statement of overriding considerations and made findings of consistency regarding the Final EIR. A supplemental EIR was certified by the District in April 2012.

On February 13, 2013 the Board authorized circulating bid documents for Phase 1 and approved a Financing Plan based on the Engineer's estimate for Phase 1. The District received bids for Phase 1 the week of March 24. The total estimated project cost of Phase 1 is $17,503,160.

The current financing plan for Phase 1 calls for the execution of new Revenue Certificates of Participation (the "2013 Certificates"), to finance a portion of Phase 1. Net proceeds of the 2013 Certificates in the amount of $9,000,000, along with a $2,200,000 grant from the California Department of Water Resources, $2,400,000 in existing funds from Fund #600 - Property Tax Fund, $1,403,160 in existing funds from Fund #700 - Water Capacity Fund, $1,500,000 in existing funds Fund #125 - the Water Fund, and $1,000,000 in existing funds from Fund #500 - Supplemental Water Capital Fee Fund, for a total amount of $17,503,160 will be allocated to complete Phase I.

<u>2013 Certificates</u>. It is proposed to finance a portion of Phase 1 by executing and delivering the not to exceed $10,500,000 Revenue Certificates of Participation (Supplemental Water Project) Series 2013 (the "2013 Certificates"). The 2013 Certificates will be secured on a parity basis with the recently issued $2,845,000 Water Revenue Refunding Bonds, Series 2013A (the "Refunding Bonds").

The District and Public Facilities Corporation (PFC) will enter into a new Installment Sale Agreement whereby the District will agree to purchase the portion of the Water system to be funded by the 2013 Certificates from Property Tax Revenues first and then Net Revenues of the Water Enterprise. The Installment Payments will be structured to correspond to the debt service on the 2013 Certificates. The term of the debt is proposed to be 30 years and will be structured to assure that the annual payments will be level. Total annual debt payments are expected to be approximately $575,000 per year until 2033 depending on final bond rating and market conditions at time of sale. This is in addition to the $228,800 (maximum annual debt service) for the Refunding Bonds. Total Debt Service on both issues is estimated at $803,800. The COPS will have the standard 10 years of call protection from early bond redemption and the COPS will have a special 3 year extra ordinary call if the Phase I Improvement Project is abandoned or otherwise not undertaken. In that event the COPs will be repaid from the unspent construction money, interest earnings and other District funds.

A standard bond debt service reserve fund will also be funded from Certificate proceeds or surety bond. A reserve fund serves to enhance the bond rating, cover the last debt payment

and satisfy investor concerns. The District has also created a rate stabilization fund in the amount of $400,000 from existing funds of the Water Enterprise to manage the need for future rate increases.

A Bond Rating has been applied for from Standard and Poor's Corporation. The Rating is expected to be announced on June 13, 2013. It is currently expected that the Water Enterprise system rating will be in the "A" category but there is no assurance of this. Bond insurance may also be considered, if the District is approved, and if shown to be cost effective in lowering interest cost net of the premium. Certificates are proposed to be sold on or about June 19 with a bond closing following shortly. The true interest rate on the debt is expected to be under 4.75% depending on the final bond rating and marketing conditions at time of sale. Due to the complexity of parts of the financing, it is currently proposed to sell the 2013 Certificates by negotiated sale pursuant to a Bond Purchase Agreement. Staff recommends Citigroup Global Markets Inc., as underwriter.

It is appropriate at this meeting to consider for adoption the resolutions authorizing the execution and delivery of the Certificates. Resolutions for the District and PFC are attached which would authorize the execution and delivery of not to exceed $10,500,000 of revenue Certificates by the District. The Certificates will be sold on a negotiated basis at a true interest cost of not to exceed 5.0%. The resolutions also approve the various documents in connection with the execution and delivery of the Certificates. Fulbright & Jaworski L.L.P., has acted as special counsel and disclosure counsel, C.M. de Crinis & Co., as financial advisor, and The Bank of New York Mellon Trust Company, N.A., as trustee.

General Summary of Security: Certificates are secured by revenues received by the PFC from the District, namely the Installment Payments under the Installment Sale Agreement. Each owner of the Certificates will have a proportionate share of an undivided interest in the installment payments. The installment payments have an interest and principal component and will be payable semiannually. Under the Installment Sale Agreement, the District pledges its Net Revenues, including, first, the Property Tax Revenues, to the payment of the Installment Payments, on a parity basis with the debt service for the Refunding Bonds. Net Revenues also include gross revenues of the enterprise minus operating and maintenance costs. The District covenants to maintain its rates and charges at a specified level to have sufficient Net Revenue to make Installment Payments. There is also a reserve fund securing the Certificates.

Trust Agreement: The Trust Agreement is one of the key legal documents that lays out the legal structure and terms of the financing. It specifies payment dates, maturity dates of the Certificates; revenues and accounts specifically pledged to the repayment of the Certificates; flow of funds; default and remedy provisions; defeasance provisions in the event the Certificates are prepaid; and covenants of the PFC and the District. The Trust Agreement is drafted by Special Counsel and executed by the PFC, the District and Trustee.

Installment Sale Agreement: The Installment Sale Agreement is the other key legal document that contains the pledge of Net Revenues, including Property Tax Revenues, by the District to make installment payments. The installment payments are on a parity basis with the debt service for the Refunding Bonds. It specifies payment dates; revenues and accounts specifically pledged to the repayment of the Certificates; parity obligation tests; rate covenants and further covenants of the PFC and the District. It is drafted by Special Counsel and executed by the PFC and the District.

Official Statement: The Official Statement describes the security and discloses potential risks to prospective investors. It will generally describe the sources of payment for the Certificates, the

nature of the improvement project, the financial condition of the District's water enterprise, the economic and demographic characteristics of the District, and inherent known risk factors associated with the security. It's important that this document not contain any material misstatements or omissions. The Preliminary Official Statement (often referred to as the "POS") is distributed by the underwriter to prospective investors prior to the bond sale so that they can make informed purchase decisions. The POS should be as close to final as possible with the actual terms of the pricing (interest rates and principal amounts) left necessarily blank. The Final Official Statement (FOS) will be prepared shortly after the bond sale and must be available in time for bond closing. The POS and FOS are drafted by Special Counsel, acting as disclosure counsel and is executed by the District.

Assignment Agreement. Under this agreement the PFC assigns the Installment Payments it receives from the District to the Trustee for payment as debt service to the Owners of the 2013 Certificates. This document is drafted by Special Counsel and executed by the PFC and the Trustee.

Agency Agreement: This agreement provides that the PFC appoints the District as its agent to construct the portion of Phase 1 financed by the Certificate proceeds. This document is drafted by Special Counsel and executed by the District and the PFC.

Continuing Disclosure Agreement: This agreement outlines the updated information related to the security that the District will agree to provide to the bond markets. Securities and Exchange Commission Rule 15c2-12 requires that certain disclosure be undertaken by the District. Disclosure is required annually, and on an exceptional basis for any major "material" event. This document is drafted by Special Counsel, acting as disclosure counsel, and executed by the District and the Trustee.

Bond Purchase Agreement: This agreement between the District and Citigroup Global Markets Inc., as the underwriter for the 2013 Certificates. The 2013 Certificates will be sold on a negotiated basis at a true interest rate of not to exceed 5.0% and with an underwriter's discount of not to exceed 1.25% and a principal amount of not to exceed $10,500,000. The sale of the 2013 Certificates is scheduled on or about June 19. The underwriter commits to purchase the 2013 Certificates at closing at the agreed upon prices and amounts subject to certain closing conditions. This document is drafted by Special Counsel and executed by the District and the Underwriter.

More specific details of the financing can be found in the drafts of the documents referenced above.

It is appropriate at this meeting to consider for adoption the resolutions of the District and PFC authorizing the execution and delivery of the Certificates.

FISCAL IMPACT

Total annual debt payments for the Certificates are expected to be approximately $575,000 per year through 2032 and then $803,300 for the remaining term. The total term is thirty years payable first from Property Tax Revenues and then from other net revenues of the Water Enterprise.

STRATEGIC PLAN

Strategic Plan Goal 1.2 – Secure New Water Supplies

Strategic Plan Goal 6.1 – Operate all enterprise funds to be financially sound
Strategic Plan Goal 6.3 – Ensure that decisions consider short and long term fiscal impacts

RECOMMENDATION

Staff recommends that your Honorable Board adopt Resolution 2013-XXXX approving:

- A TRUST AGREEMENT
- AN INSTALLMENT SALE AGREEMENT
- AN AGENCY AGREEMENT
- A CONTINUING DISCLOSURE AGREEMENT
- A PRELIMINARY OFFICIAL STATEMENT
- A BOND PURCHASE AGREEMENT

then

Convene to Nipomo Community Services District Public Facilities Corporation

ATTACHMENTS

A. RESOLUTION 2013-XXX COP ISSUE
B. TRUST AGREEMENT
C. INSTALLMENT AGREEMENT
D. AGENCY AGREEMENT
E. ASSIGNMENT AGREEMENT
F. CONTINUING DISCLOSURE AGREEMENT (APPENDIX E TO POS)
G. PRELIMINARY OFFICIAL STATEMENT
H. BOND PURCHASE AGREEMENT

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JUNE 12, 2013

ITEM E-1

ATTACHMENT A

NIPOMO COMMUNITY SERVICES DISTRICT
RESOLUTION NO. 2013-XXX

RESOLUTION OF THE BOARD OF DIRECTORS OF THE NIPOMO COMMUNITY SERVICES DISTRICT AUTHORIZING THE SALE, EXECUTION AND DELIVERY OF NOT TO EXCEED $10,500,000 REVENUE CERTIFICATES OF PARTICIPATION (SUPPLEMENTAL WATER AND REFUNDING PROJECT) SERIES 2013 AND APPROVING A TRUST AGREEMENT, AN INSTALLMENT SALE AGREEMENT, AN AGENCY AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT, A BOND PURCHASE AGREEMENT AND PRELIMINARY OFFICIAL STATEMENT IN CONNECTION THEREWITH AND AUTHORIZING THE TAKING OF CERTAIN ACTIONS IN CONNECTION THEREWITH

WHEREAS, the Nipomo Community Services District (the "District") owns and operates that certain Water System referred to herein as the "Enterprise"; and

WHEREAS, the District desires to undertake certain capital improvements, including the acquisition and construction of certain water improvements consisting of Phase 1 of a water pipeline project to intertie the District's water system with that of the City of Santa Maria (the "City") for the purpose of delivering supplemental water to the District and community (the "Project"); and

WHEREAS, the District has determined that in order to accomplish such financing it is necessary and desirable that the Nipomo Community Services District Public Facilities Corporation (the "Corporation") cause the Project to be constructed and the financed improvements sold to the District pursuant to the Installment Sale Agreement dated as of June 1, 2013 (the "Installment Sale Agreement"), by and between the Corporation, as seller, and the District, as purchaser; and

WHEREAS, the Corporation has agreed to assist the District; and the District proposes to cause the execution and delivery of the Revenue Certificates of Participation (Supplemental Water Project) Series 2013 (the "Certificates"); and

WHEREAS, it has been proposed that the Certificates be sold on a negotiated basis in accordance with the terms of a Bond Purchase Agreement, the proposed form of which has been presented to the Board of Directors of the District (the "Board"); and

WHEREAS, the documents specified below have been filed with the District and the members of the Board, with the aid of its staff, have reviewed said documents; and

WHEREAS, the District has duly considered the execution and delivery of the Certificates, and wishes at this time to approve the execution and delivery of the Certificates.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Nipomo Community Services District:

Section 1. The Revenue Certificates of Participation (Supplemental Water Project) Series 2013 (the "Certificates") are hereby authorized by the District to be executed and

delivered in an amount not to exceed $10,500,000 in the aggregate pursuant to and in accordance with the provisions of the Trust Agreement, as hereinafter defined.

Section 2. The below enumerated documents are hereby approved, and the President, General Manager, or Finance Director, or the written designee of any such official (a "Responsible Officer"), is hereby authorized and directed to execute said documents, with such changes, insertions and omissions as may be approved by such officials, with the advice of counsel to the District and Special Counsel, and the Secretary or Assistant Secretary is hereby authorized and directed to attest to such official's signature:

(a) an Installment Sale Agreement, by and between the District, as purchaser, and the Corporation, as seller, (the "Installment Sale Agreement"), pursuant to which the District will purchase from the Corporation the improvements of the Enterprise financed by the Certificates;

(b) an Agency Agreement, by and between the Corporation and the District (the "Agency Agreement"),

(c) a Trust Agreement, by and among the Corporation, the District and The Bank of New York Mellon Trust Company, N. A., as trustee (the "Trustee"), relating to the execution and delivery of the Certificates, evidencing the direct, undivided, fractional interests of the owners thereof in installment payments to be made by the District under the Installment Sale Agreement (the "Trust Agreement"); and

(d) a Continuing Disclosure Agreement by the District and accepted by the Trustee as dissemination agent, relating to the Certificates.

Section 3. The District hereby approves the preparation of an Official Statement describing the financing, together with any changes therein or additions thereto deemed advisable by a Responsible Officer.

Section 4. The District hereby approves the Preliminary Official Statement relating to the Certificates, substantially in the form on file with the Secretary and presented to the Board at this meeting, with such revisions, amendments and completions as shall be approved by a Responsible Officer with the advice of counsel to the District and Special Counsel, in order to make the Preliminary Official Statement final as of its date, except for the omission of certain information, as permitted by Section 240.15c2-12(b)(1) of Title 17 of the Code of Federal Regulations ("Rule 15c2-12"), and any certificate relating to the finality of the Official Statement under Rule 15c2-12. A Responsible Officer is authorized and directed to approve and execute the final Official Statement, dated as of the date of the sale of the Certificates, and a statement that the facts contained in the final Official Statement, and any supplement or amendment thereto (which shall be deemed an original part thereof for the purpose of such statement) were,

at the time of sale of the Certificates, true and correct in all material respects and that the final Official Statement did not, on the date of sale of the Certificates, and does not, as of the date of delivery of the Certificates, contain any untrue statement of a material fact with respect to the District or the Enterprise or omit to state material facts with respect to the District or the Enterprise required to be stated where necessary to make any statement made therein not misleading in the light of the circumstances under which it was made. Any and each Responsible Officer, or the written designee of any such official, shall take such further actions prior to the execution of the final Official Statement as are deemed necessary or appropriate to verify the accuracy thereof. The execution of the final Official Statement by a Responsible Officer, which shall include such changes and additions thereto deemed advisable by a Responsible Officer, shall be conclusive evidence of the approval of the final Official Statement by the District.

Section 5. The final Official Statement, when executed, is approved for distribution in connection with the offering and sale of the Certificates.

Section 6. The District hereby approves the Bond Purchase Agreement, by and between the District and Citigroup Global Markets Inc., in substantially the form presented to this Board. Any Responsible Officer is hereby authorized jointly to execute the Bond Purchase Agreement, in substantially the form presented to this Board, with such revisions, amendments and completions as shall be approved by any Responsible Officer, with the advice of Special Counsel and District Counsel, such approval to be conclusively evidenced by the execution and delivery thereof by any Responsible Officer, provided that, the Bond Purchase Agreement shall provide for a true interest cost not greater than 5.0%, and an underwriter's discount not greater than 1.25% of the principal amount of Certificates.

Section 7. The President, the General Manager, the Finance Director, the Secretary, the Assistant Secretary and all other appropriate officials of the District are hereby authorized and directed, for and in the name and on behalf of the District, to do any and all things and take any and all other actions, including the publication of any notices necessary or desirable in connection with the sale, execution and delivery of the Certificates, procurement of municipal bond insurance and reserve fund surety bond, and execution and delivery of any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they, or any of them, deem necessary or advisable in order to consummate the lawful sale, execution and delivery of the Certificates and the consummation of the transactions as described herein.

Section 8. This resolution shall take effect immediately.

Nipomo Community Services District
Resolution No. 2013-____

Resolution of the Board of Directors of the Nipomo Community Services District Authorizing the Sale, Execution and Delivery of Not To Exceed $10,500,000 Revenue Certificates of Participation (Supplemental Water and Refunding Project) Series 2013 and Approving a Trust Agreement, an Installment Sale Agreement, an Assignment Agreement, an Agency Agreement, a Continuing Disclosure Agreement, a Bond Purchase Agreement and Preliminary Official Statement in Connection Therewith and Authorizing the Taking of Certain Actions in Connection Therewith.

Upon a motion by Director _____, seconded by Director _____, on the following roll call vote, to wit:

AYES:
NOES:
ABSTAIN:
ABSENT:

the foregoing resolution is hereby passed and adopted on this ____ day of _____, 2013.

_____
JAMES HARRISON
President, Board of Directors

ATTEST:

_____
MICHAEL S. LEBRUN
Secretary to the Board

APPROVED AS TO FORM:

_____
MICHAEL W. SEITZ
District Legal Counsel

JUNE 12, 2013

ITEM E-1

ATTACHMENT B

TRUST AGREEMENT

by and among

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

and

NIPOMO COMMUNITY SERVICES DISTRICT
PUBLIC FACILITIES CORPORATION

and

NIPOMO COMMUNITY SERVICES DISTRICT,
as Purchaser

Dated as of June 1, 2013

Relating to

$[principal amount]
REVENUE CERTIFICATES OF PARTICIPATION
(SUPPLEMENTAL WATER PROJECT)
SERIES 2013

TABLE OF CONTENTS

Page

ARTICLE I
DEFINITIONS; RULES OF CONSTRUCTION; CONTENTS OF CERTIFICATES AND OPINIONS; RECITALS

Section 1.01. Definitions 1
Section 1.02. Rules of Construction 14
Section 1.03. Content of Statements and Opinions 14
Section 1.04. Recitals 15

ARTICLE II
CERTIFICATES; TERMS AND PROVISIONS

Section 2.01. Preparation of Certificates 15
Section 2.02. Denominations; Medium and Place of Payment; Dating 15
Section 2.03. Payment of Principal and Interest with Respect to Certificates 16
Section 2.04. Form of Certificates 17
Section 2.05. Execution 17
Section 2.06. Transfer of Certificates 17
Section 2.07. Exchange of Certificates 18
Section 2.08. Certificate Registration Books 18
Section 2.09. Temporary Certificates 18
Section 2.10. Certificates Mutilated, Lost, Destroyed or Stolen 19
Section 2.11. Book-Entry System; Limited Obligation 19
Section 2.12. Representation Letter 20
Section 2.13. Transfers Outside Book-Entry System 20
Section 2.14. Payments and Notices to the Nominee 21
Section 2.15. Initial Depository and Nominee 21

ARTICLE III
APPLICATION OF PROCEEDS; COST OF ISSUANCE FUND; CONSTRUCTION FUND

Section 3.01. Delivery of Certificates 21
Section 3.02. Application of Proceeds of Certificates and Other Moneys 21
Section 3.03. Validity of Certificates 21
Section 3.04. Cost of Issuance Fund 22
Section 3.05. Construction Fund 22
Section 3.06. Payment of Construction Costs 22
Section 3.07. Transfers of Unexpended Construction Fund Proceeds 23

ARTICLE IV
PREPAYMENT OF CERTIFICATES

Section 4.01. Prepayment 23
Section 4.02. Selection of Certificates for Prepayment 25
Section 4.03. Notice of Prepayment 25
Section 4.04. Partial Prepayment of Certificate 26
Section 4.05. Effect of Notice of Prepayment 26
Section 4.06. Purchase of Certificates. 27

ARTICLE V
INSTALLMENT PAYMENTS

Section 5.01. Pledge and Deposit of Installment Payments; Parity Pledge of Net Revenues 27
Section 5.02. Installment Payment Fund 28
Section 5.03. Investment of Moneys 29
Section 5.04. Reserve Fund 30
Section 5.05. Pledge of Moneys in Funds 31

ARTICLE VI
COVENANTS

Section 6.01. Corporation and the District to Comply with Installment Sale Agreement 31
Section 6.02. Tax Covenants 31
Section 6.03. Accounting Records and Reports 31
Section 6.04. Compliance with Trust Agreement 31
Section 6.05. Observance of Laws and Regulations 32
Section 6.06. Compliance with Contracts 32
Section 6.07. Prosecution and Defense of Suits 32
Section 6.08. Recordation and Filing 32
Section 6.09. Eminent Domain 33
Section 6.10. Further Assurances 33

ARTICLE VII
DEFAULT AND LIMITATION OF LIABILITY

Section 7.01. Notice of Non-Payment 33
Section 7.02. Action on Default or Termination 33
Section 7.03. Other Remedies of the Trustee 33
Section 7.04. Non-Waiver 34
Section 7.05. Remedies Not Exclusive 34
Section 7.06. No Obligation by the District to Owners 34
Section 7.07. Trustee Appointed Agent for Certificate-owners; Direction of Proceedings 34
Section 7.08. Power of Trustee to Control Proceedings 34
Section 7.09. Limitation on Certificate Owners' Right to Sue 35
Section 7.10. No Obligation with Respect to Performance by Trustee 35
Section 7.11. No Liability to Owners for Payment 35
Section 7.12. No Responsibility for Sufficiency 35
Section 7.13. Indemnification of Trustee 35

ARTICLE VIII
THE TRUSTEE

Section 8.01. Employment of Trustee 36
Section 8.02. Acceptance of Employment 36
Section 8.03. Trustee, Duties, Removal and Resignation 36
Section 8.04. Merger or Consolidation of Trustee 37
Section 8.05. Compensation of the Trustee 37
Section 8.06. Protection of the Trustee 38

ARTICLE IX
AMENDMENT OF TRUST AGREEMENT

Section 9.01. Amendments Permitted 40
Section 9.02. Endorsement or Replacement of Certificates After Amendment or Supplement 41
Section 9.03. Amendment of Particular Certificates 41
Section 9.04. Notice to Rating Agencies 41

ARTICLE X
DEFEASANCE

Section 10.01. Discharge of Trust Agreement 42
Section 10.02. Deposit of Money or Securities with Trustee 42
Section 10.03. Unclaimed Moneys 42

ARTICLE XI
MISCELLANEOUS

Section 11.01. Benefits of Trust Agreement Limited to Parties 43
Section 11.02. Successor Deemed Included in all References to Predecessor 43
Section 11.03. Execution of Documents by Owners 43
Section 11.04. Disqualified Certificates 43
Section 11.05. Waiver of Personal Liability 44
Section 11.06. Acquisition of Certificates by the District; Destruction of Certificates 44
Section 11.07. Headings 44
Section 11.08. Funds and Accounts 44
Section 11.09. Partial Invalidity 44
Section 11.10. California Law 45
Section 11.11. Notices 45
Section 11.12. Execution in Counterparts 45

EXHIBIT A – FORM OF REVENUE CERTIFICATE OF PARTICIPATION A-1
EXHIBIT B – FORM OF CONSTRUCTION FUND REQUISITION B-1

TRUST AGREEMENT

THIS TRUST AGREEMENT, made and entered into as of June 1, 2013 (the "Agreement"), by and among THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as trustee (the "Trustee"), a national banking association authorized to exercise trust powers, duly organized and existing under the laws of the United States of America, the NIPOMO COMMUNITY SERVICES DISTRICT PUBLIC FACILITIES CORPORATION, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation") and the NIPOMO COMMUNITY SERVICES DISTRICT, a special district duly organized and existing under and pursuant to the laws of the State of California (the "District"):

W I T N E S S E T H:

WHEREAS, the District has heretofore caused the issuance of its $2,845,000 Nipomo Community Services District Water Revenue Refunding Bonds, Series 2013A (the "2013 Bonds") for the purpose of refunding on a current basis its $4,000,000 Nipomo Community Services District Revenue Certificates of Participation (Pipeline and Storage Facility Project) Series 2003 (the "Series 2003 Certificates") which were executed and delivered for the purpose of financing certain improvements (the "Prior Improvements") to the District's water system (the "Enterprise"); and

WHEREAS, the District wishes to finance a portion of the costs of constructing certain additional water improvements to the Enterprise, known as Phase 1 of the Supplemental Water Project (the "Phase 1 Improvements"), to be secured by net revenues of the Enterprise on a parity with the 2013 Bonds; and

WHEREAS, the Board of Directors of the District has determined that in order to accomplish such financing of a portion of the Phase 1 Improvements (the "Project"), it is necessary and desirable that the Corporation cause the Project to be constructed and sold to the District pursuant to the Installment Sale Agreement dated as of June 1, 2013 (the "Installment Sale Agreement"), by and between the Corporation, as seller, and the District, as purchaser; and

WHEREAS, the Corporation has agreed to assist the District by financing the Project for the District on the terms and conditions set forth in the Installment Sale Agreement; and

WHEREAS, the District will agree to make installment payments pursuant to the Installment Sale Agreement in order to purchase the Project from the Corporation on a parity basis with its obligations to make debt service payments on the 2013 Bonds; and

WHEREAS, the District proposes to cause to be executed and delivered $[principal amount] aggregate principal amount of its Revenue Certificates of Participation (Supplemental Water Project) Series 2013 under this Agreement; and

WHEREAS, all the conditions to the execution and delivery of this Trust Agreement have been satisfied and the Trustee, the Corporation and the District are duly authorized to execute and deliver this Agreement;

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, the parties hereto hereby agree as follows:

ARTICLE I
DEFINITIONS; RULES OF CONSTRUCTION; CONTENTS OF CERTIFICATES AND OPINIONS; RECITALS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein. All capitalized terms used herein and not defined herein shall have the meanings ascribed thereto in the Installment Sale Agreement.

Accountant's Report. The term "Accountant's Report" means a report signed by an Independent Accountant.

Ad Valorem Tax Revenues. The term "Ad Valorem Tax Revenues" means all amounts received on the District's share of the 1% ad valorem property tax levied on property within the District pursuant to the provisions of Article XIIIA of the California Constitution.

Additional Payments. The term "Additional Payments" means the payments referenced in Section 5.4 of the Installment Sale Agreement.

Additional Revenues. The term "Additional Revenues" means, with respect to the execution of any Contract or the issuance of any Parity Debt, any or all of the following amounts:

(a) An allowance for revenues from any additions to or improvements or extensions of the Enterprise to be made with the proceeds of such additional obligations, and also for Net Revenues from any such additions, improvements or extensions which have been made from moneys from any source but which, during all or any part of such Fiscal Year, were not in service, all in an amount equal to 90% of the estimated additional average annual net revenues to be derived from such additions, improvements and extensions for the first 36-month period following closing of the proposed Parity Obligations, all as shown by the certificate or opinion of a qualified Independent Engineer or consultant employed by the District.

(b) An allowance for earnings arising from any increase in the charges made for Water Service from the Enterprise which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year, was not in effect, in an amount equal to 100% of the amount by which Net Revenues would have been increased if such increase to charges had been in effect during the whole of such Fiscal Year and any period prior to the incurring of such additional obligations, all as shown by the certificate or opinion of an Independent Accountant.

Agency Agreement. The term "Agency Agreement" means that certain Agency Agreement, dated as of June 1, 2013 by and between the Corporation and the District, as

originally executed or as it may from time to time be amended or supplemented in accordance with its terms.

Agreement. The term "Agreement" means this Trust Agreement, as originally executed or as it may from time to time be amended as provided for herein.

Assignment Agreement. The term "Assignment Agreement" means that certain Assignment Agreement, dated as of June 1, 2013 by and between the Corporation and the Trustee, as originally executed or as it may from time to time be amended or supplemented in accordance with its terms.

"Bond Insurance Policy" means the Municipal Bond Insurance Policy issued by the Bond Insurer which insures the payment when due of the principal and interest components related to the Certificates.

"Bond Insurer" means Build America Mutual Assurance Company, a New York domiciled mutual insurance company, its successors and assigns, as issuer of the Bond Insurance Policy.

Business Day. The term "Business Day" means a day other than: a Saturday or Sunday or a day on which (i) banks located in the States of California and New York, or in any state in which the principal corporate trust office of the Trustee is located are required or authorized to remain closed, and (ii) on which The New York Stock Exchange is closed.

Certificate Year. The term "Certificate Year" means the period beginning on the date of initial execution and delivery of the Certificates and ending on September 1, 2013 and each successive one-year or shorter period thereafter, beginning September 2 until there are no Outstanding Certificates.

Certificates. The term "Certificates" means the certificates of participation executed and delivered by the Trustee pursuant to this Agreement.

Code. The term "Code" means the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder.

Construction Costs. The term "Construction Costs" means the costs of the acquisition, construction, rehabilitation, equipping, improvement or financing of improvements to, or part of, the Enterprise constituting the Project.

Construction Fund. The term "Construction Fund" means the fund by that name established pursuant to Article III hereof and held by the Trustee.

Contracts. The term "Contracts" means the Installment Sale Agreement and any amendments and supplements hereto, and all contracts of the District authorized and executed by the District, the payments under which are on a parity with the Series 2013 Installment Payments and that are secured by a pledge and lien on the Gross Revenues.

Corporate Trust Office or Corporate Trust Office of the Trustee. The term "Corporate Trust Office" or "Corporate Trust Office of the Trustee" means the corporate trust office of the Trustee at Los Angeles, California, except that with respect to presentation of Certificates for

payment or the registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

Corporation. The term "Corporation" means the Nipomo Community Services District Public Facilities Corporation, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California.

Costs of Issuance. The term "Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the financing of the Project from the proceeds of the Certificates, including, but not limited to, filing and recording costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges and first year's administration fee of the Trustee, Trustee's counsel fees and expenses, financing discounts, legal fees and charges, financial and other professional consultant fees, costs of rating agencies or credit ratings, fees for execution, transportation and safekeeping of the Certificates, travel expenses and charges and fees in connection with the foregoing.

Cost of Issuance Fund. The term "Cost of Issuance Fund" means the fund by that name established in Section 3.04 hereof.

Debt Service. The term "Debt Service" means, for any period of calculation, the sum of:

(a) the interest accruing during such period on all outstanding Parity Obligations, assuming that all outstanding serial Parity Obligations are retired as scheduled and that all outstanding term Parity Obligations are prepaid or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any Parity Obligations),

(b) those portions of the principal amount of all outstanding serial Parity Obligations maturing in such period and in the next succeeding period of calculation accruing during such period, in each case computed as if such principal amounts were deemed to accrue daily during such period in equal amounts,

(c) those portions of the principal amount of all outstanding term Parity Obligations required to be prepaid or paid in such period and during the next succeeding period of calculation accruing during such period, in each case computed as if such principal amounts were deemed to accrue daily during such period in equal amounts, and

(d) those portions of the Installment Payments required to be made during such period and during the next succeeding period of calculation accruing during such period, in each case computed as if such Installment Payments were deemed to accrue daily during such period in equal amounts (except to the extent the interest evidenced and represented thereby is to be paid from the proceeds from the sale of certificates of participation in Installment Payments under any Contract):

provided that, as to any such Parity Obligations or Installment Payments bearing or comprising interest at other than a fixed rate, the rate of interest used to calculate Debt Service shall be one hundred ten per cent (110%) of the greater of (a) the daily average interest rate on such Parity Obligation during the twelve (12) calendar months next preceding the date of such calculation (or the portion thereof that such Parity Obligation has borne interest) or (b) the most

recent effective interest rate on such Parity Obligation prior to the date of such calculation; and provided further, that as to any Parity Obligation having twenty-five per cent (25%) or more of the aggregate principal amount thereof due in any one Fiscal Year, Debt Service shall be calculated for the Fiscal Year of determination as if the interest on and principal of such Parity Obligation were being paid in substantially equal annual amounts over a period of twenty (20) years from the date of the first such principal payment under such Parity Obligation; and provided further, that as to any Parity Obligation or portions thereof bearing no interest but which are sold at a discount and which discount accretes with respect to such Parity Obligation or such portions thereof, such accreted discount shall not be treated as interest in the calculation of Debt Service; and provided further, that the amount on deposit in a Reserve Fund for any Parity Obligation on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of such Parity Obligation and in each preceding year until such amount is exhausted; and provided further, that any amounts reimbursed to the District by the United States of America pursuant to Section 54AA of the Code, or any future similar program shall be deducted for purposes of calculating Debt Service.

Debt Service shall also include any amounts owed by the District to the issuer of a Reserve Fund Credit Facility as a result of a draw thereon or a claim thereunder, as appropriate, if and to the extent the District chooses to satisfy a Reserve Requirement with a Reserve Fund Credit Facility.

Defeasance Obligations. The term "Defeasance Obligations" means (a) cash, or (b) non-callable Federal Securities.

Delivery Date. The term "Delivery Date" means, with respect to the Certificates, the date on which such Certificates were executed and delivered to the original purchaser thereof.

Depository or DTC. The term "Depository" or "DTC" means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York in its capacity as securities depository for the Certificates.

District. The term "District" means the Nipomo Community Services District, a Community Services District organized and existing under the laws of the State, or any successor thereto.

District Representative. The term "District Representative" means the President or Vice-President of the District, the General Manager, District Secretary, Treasurer, or General Counsel, or any persons authorized to act on behalf of the District designated as a District Representative by a Written Certificate of the District signed by its President or General Manager and filed with the Trustee.

Enterprise. The term "Enterprise" means all facilities for obtaining, storing and delivering water and related facilities for the disposition of drainage water now owned or operated by the District, and all other properties, structures or works hereafter acquired and constructed by the District and determined to be a part of the Enterprise, whether located within or without the District, together with all improvements to such facilities, properties, structures or works or any part thereof hereafter acquired or constructed.

Event of Default. The term "Event of Default" means an event of default under this Agreement or the Installment Sale Agreement, as applicable, as defined in Section 9.01 thereof.

Fair Market Value. The term "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 the value of which is determined 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) the value of which is determined 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) the investment is the Local Agency Investment Fund of the State of California, but only if at all times during which the investment is held its yield is reasonably expected to be equal to or greater than the yield on a reasonably comparable direct obligation of the United States. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of a District Representative in any written directions of a District Representative.

Federal Securities. The term "Federal Securities" means direct general obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury) the United States of America, or obligations the timely payment of principal of and interest on which are guaranteed by, the United States of America.

Fiscal Year. The term "Fiscal Year" means the period beginning on July 1 of each year and ending on the last day of June of the next succeeding year, or any other twelve-month period selected and designated as the official Fiscal Year of the District.

Generally Accepted Accounting Principles. The term "Generally Accepted Accounting Principles" means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

Gross Revenues. The term "Gross Revenues" means all income, rents, rates, fees, charges and other moneys derived from the ownership or operation of the Enterprise, including, without limiting the generality of the foregoing,

(1) the Ad Valorem Tax Revenues,

(2) all income, rents, rates, fees, charges or other moneys derived by the District from the sale, furnishing and supplying of the water or other services, facilities, and commodities sold, furnished or supplied through the facilities of or in the conduct or operation of the business of the Enterprise, and certain administrative and maintenance costs related thereto,

(3) the proceeds of any stand-by or water availability charges, development fees and connection charges collected by the District,

(4) all moneys received by the District from other public or private entities whose inhabitants are served pursuant to contracts with the District,

(5) moneys deposited in the Installment Payment Fund, the Water Enterprise Fund or other fund to secure the Certificates or Parity Obligations or to provide for the payment of the principal of or interest with respect to the Certificates or Parity Obligations,

(6) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Enterprise as permitted in the Installment Sale Agreement, and

(7) the earnings on and income derived from the investment of amounts described in clauses (1) through (6) above and from funds held by the District or the Trustee under this Agreement, and receipts from the Rate Stabilization Fund,

but excluding

(x) customers' deposits or any other deposits or advances subject to refund until such deposits or advances have become the property of the District, and

(y) any proceeds of taxes or assessments restricted by law to be used by the District to pay bonds or other obligations theretofore or thereafter issued.

Guaranteed Investment Contract. The term "Guaranteed Investment Contracts" means investment agreements which allow for withdrawals at such times as required by this Agreement with providers whose unsecured obligations are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

Hazardous Substances. The term "Hazardous Substances" means any substance, waste pollutant or contaminant now or hereafter included in such (or any similar) term under any federal, state or local law, statutes, code or ordinance or regulation now existing or hereafter enacted or amended.

Independent Accountant. The term "Independent Accountant" means any certified public accountant or firm of certified public 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 interest, direct or indirect, in the District, and (c) is not 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.

Independent Engineer. The term "Independent Engineer" means any firm of civil engineers specializing in water systems comparable to the Enterprise duly licensed to practice and practicing as such under the laws of the State of California, appointed and paid by the District, and who, or each of whom (a) is in fact independent and not under domination of the District; (b) does not have any substantial interest, direct or indirect, in the District, and (c) is not connected with the District as an officer or employee of the District but who may be regularly retained to provide engineering services relating to the Enterprise.

Independent Financial Consultant. The term "Independent Financial Consultant" means a financial consultant or firm of such consultants appointed by the District, and who, or each of whom:

(e) is in fact independent and not under domination of the District or the Corporation;

(f) does not have any substantial interest, direct or indirect, with the District or the Corporation; and

(g) is not connected with the District or the Corporation as an officer or employee thereof, but who may be regularly retained to make reports thereto.

Information Services. The term "Information Services" means the Electronic Municipal Market Access system (referred to as "EMMA"), a facility of the Municipal Securities Rulemaking Board, at www.emma.msrb.org; provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, Information Services shall mean such other organizations providing information with respect to called bonds as the District may designate in writing to the Trustee.

Installment Payment Date; Series 2013 Installment Payment Date. The term "Installment Payment Date" means each date on which Installment Payments are scheduled to be paid by the District under and pursuant to any Contract. The term "Series 2013 Installment Payment Date" means the fifth day prior to each Interest Payment Date, or if said date is not a Business Day, then the preceding Business Day.

Installment Payment Fund. The term "Installment Payment Fund" means the fund by that name established in Section 5.02 hereof.

Installment Payments; Series 2013 Installment Payments; Interest Component of Series 2013 Installment Payments; Principal Component of Series 2013 Installment Payments. The term "Installment Payments" means the installment payments of interest and principal scheduled to be paid by the District under and pursuant to the Contracts. The term "Series 2013 Installment Payments" means the Installment Payments scheduled to be paid by the District under and pursuant to the Installment Sale Agreement. The term "Interest Component of Series 2013 Installment Payment", with respect to any Series 2013 Installment Payment, means the "Amount Attributable to Interest" in respect of such payment as reflected in Exhibit A to the Installment Sale Agreement. The term "Principal Component of Series 2013 Installment Payment", with respect to any Series 2013 Installment Payment, means the "Amount Attributable to Principal" in respect of such payment as reflected in Exhibit A to the Installment Sale Agreement.

Installment Sale Agreement. The term "Installment Sale Agreement" means the Installment Sale Agreement, dated as of June 1, 2013 by and between the District and the Corporation, as originally executed or as it may from time to time be amended in accordance with its terms.

Interest Payment Date. The term "Interest Payment Date" means March 1 and September 1 of each year, commencing September 1, 2013.

Law. The term "Law" means the Community Services District Law, being Division 3 of Title 6 of the California Government Code, commencing with Section 61000.

Letter of Representations. The term "Letter of Representations" means the letter of the District and the Trustee, if required, delivered to and accepted by the Depository on or prior to

delivery of the Certificates as book-entry certificates setting forth the basis on which the Depository serves as depository for such book-entry certificates, as originally executed or as it may be supplemented or revised or replaced by a letter from the District and the Trustee delivered to and accepted by the Depository.

Maximum Annual Debt Service. The term "Maximum Annual Debt Service" means, as of the date of any calculation and with respect to all outstanding Contracts and Parity Debt, the maximum sum obtained for the current or any future Certificate Year during the Term of Installment Sale Agreement by totaling the following amounts for such Certificate Year:

(a) the aggregate amount of the Installment Payments coming due and payable in such Certificate Year pursuant hereto;

(b) the principal amount of all outstanding Contracts and Parity Debt, if any, coming due and payable by their terms in such Certificate Year; and

(c) the amount of interest that would be due during such Certificate Year on the aggregate principal amount of all outstanding Contracts and Parity Debt, if any, that would be outstanding in such Certificate Year if such Contracts and Parity Debt were retired as scheduled; provided, however, that with respect to any Contracts and Parity Debt that bear interest at a variable rate, such interest shall be calculated at an assumed rate equal to the average rate of interest per annum for each of the five previous whole calendar years as shown by the J.J. Kinney Index (or, in the event and to the extent such index is not maintained for all or any portion of such period, any similar index of variable rate interest for tax-exempt obligations as may be selected by the District in its sole discretion).

Moody's. The term "Moody's" means Moody's Investors Service, its successors and assigns.

Net Proceeds. The term "Net Proceeds" means any insurance proceeds or condemnation award paid with respect to the Project, remaining after payment therefrom of all expenses incurred in the collection thereof.

Original Purchaser. The term "Original Purchaser" means Citigroup Global Markets, Inc., as the original purchaser of the Bonds upon their delivery by the Trustee on the Closing Date.

Net Revenues. The term "Net Revenues" means, for any Fiscal Year, the Gross Revenues during such Fiscal Year less the Maintenance and Operation Costs during such Fiscal Year.

Nominee. The term "Nominee" means the nominee of the Depository, which may be the Depository, as determined from time to time pursuant to Section 2.11 hereof.

Operation and Maintenance Costs. The term "Operation and Maintenance Costs" means all costs paid or incurred by the District for maintaining and operating the Enterprise, determined in accordance with Generally Accepted Accounting Principles, including all costs of water purchased or otherwise acquired for the Enterprise and all expenses necessary to maintain and preserve the Enterprise in good repair and working order and all administrative and management

costs of the District that are charged directly or apportioned to the operation of the Enterprise, such as salaries and wages of employees, payments to the Public Employees Retirement System, overhead, taxes (if any) and insurance premiums, together with all other necessary and reasonable costs of the District or charges (other than debt service payments) required to be paid by it to comply with the terms hereof or of the Installment Sale Agreement or any Contract or of any other Parity Obligation, such as compensation, reimbursement and indemnification of the trustee for such Parity Obligation and fees and expenses of Independent Accountants and Independent Engineers, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles.

Outstanding. The term "Outstanding," when used as of any particular time with reference to Certificates, means (subject to the provisions of Section 11.04) all Certificates theretofore or thereupon executed and delivered by the Trustee except:

(a) Certificates canceled by the Trustee or delivered to the Trustee for cancellation;

(b) Certificates paid or deemed to have been paid within the meaning of Section 10.01; and

(c) Certificates in lieu of or in substitution for which other Certificates shall have been executed and delivered by the Trustee pursuant to Section 2.10.

Owner. Unless the context clearly indicates otherwise, the term "Owner" or "Certificate Owner" or "Owner of Certificates" or any similar term, when used with respect to the Certificates, unless the context clearly indicates otherwise, means any person who shall be the registered owner of any Outstanding Certificate as shown on the registration books maintained by the Trustee pursuant to Section 2.08.

Parity Debt. The term "Parity Debt" means the 2013 Bonds and any other payments made pursuant to any other indebtedness or other obligations (including leases and installment sale agreements) hereafter issued or incurred and secured by a pledge of and lien on Gross Revenues equally and ratably with the Series 2013 Installment Payments.

Parity Obligations. The term "Parity Obligations" means any Contracts and any Parity Debt.

Participants. The term "Participants" means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds book-entry certificates as securities depository.

Permitted Encumbrances. The term "Permitted Encumbrances" means, as of any particular time: (a) liens for general ad valorem taxes and assessments, if any, not then delinquent, or which the District may, pursuant to provisions of Article VI of the Installment Sale Agreement, permit to remain unpaid; (b) the Installment Sale Agreement and the assignment of the Corporation's interests in the Installment Sale Agreement pursuant to the Assignment Agreement; (c) any right or claim of any mechanic, laborer, materialman, supplier or vendor filed or perfected in the manner prescribed by law and (d) easements, rights of way, mineral rights, drilling rights and other rights, reservations, covenants, conditions or restrictions which exist of record as of the date of the Installment Sale Agreement.

Permitted Investments. The term "Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein, provided that the same are of appropriate maturity and acquired at Fair Market Value (provided the Trustee may rely upon any investment direction from the District as a certification to it that such investment constitutes a Permitted Investment):

(a) Federal Securities;

(b) bonds, debentures or notes issued by any of the following: Banks for Cooperatives, Federal Land Banks or Federal National Mortgage Association (including participation certificates and Federal Farm Credit Banks Consolidated System Bonds);

(c) bonds or obligations of the State of California which are rated "AA" or better by S&P;

(d) interest bearing demand or time deposits (including certificates of deposit) in national banks, state banks, federal savings and loan associations or state chartered savings and loan associations, which have deposits insured by the Federal Deposit Insurance Corporation (the "FDIC"); provided, however, that the portion of such certificates of deposit in excess of the amount insured by the FDIC, if any, shall be with a provider whose short term S&P rating is "A-1+" or better;

(e) repurchase agreements with:

(1) any institution with long-term debt rated in one of the two highest Rating Categories by S&P;

(2) with any company or other entity that falls under the jurisdiction of the Federal Bankruptcy Code, provided that:

A. the term of such repurchase agreement is less than one year or due on demand;

B. a trustee has possession of the collateral;

C. the market value of the collateral is maintained as follows:

(a) if valued daily and with a remaining maturity of (a) one year or less, at 102%; (b) five years or less, at 105%; (c) ten years or less, at 106%; (d) fifteen years or less, at 108%; and (e) thirty years or less, at 114%;

(b) if valued weekly and with a remaining maturity of (a) one year or less, at 103%; (b) five years or less at 111%; (c) ten years or less, at 112%; (d) fifteen years or less, at 114%; and (e) thirty years or less, at 120%;

(c) if valued monthly and with a remaining maturity of (a) one year or less, at 106%; (b) five years or less, at 118%; (c) ten years or less, at 123%; (d) fifteen years or less, at 128%; and (e) thirty years or less, at 138%; and

(d) if valued quarterly and with a remaining maturity of (a) one year or less, at 107%; (b) five years or less, at 120%; (c) ten years or less, at 130%; (d) fifteen years or less, at 133%; and (e) thirty years or less, at 140%;

D. failure to maintain the requisite collateral levels will require the Trustee to liquidate the collateral immediately;

E. the repurchase securities must be obligations of, or fully guaranteed as to principal and interest by, the United States of America; and

F. the repurchase securities are free and clear of any third party lien or claim; or

(3) with financial institutions insured by the FDIC or any broker-dealer with "retail customers" which falls under the jurisdiction of the Securities Investors Protection Corp. ("SIPC"), provided that:

(i) the market value of the collateral is maintained as described in (2)(C) above;

(ii) a trustee has possession of the collateral;

(iii) the Trustee has a perfected first priority security interest in the collateral;

(iv) the collateral is free and clear of any third party lien or claim and, in the case of a broker-dealer with "retail customers" which falls under the jurisdiction of SIPC, the collateral was not acquired pursuant to a repurchase agreement or a reverse repurchase agreement;

(v) the repurchase securities must be obligations of, or fully guaranteed as to principal and interest by, the United States of America; and

(vi) failure to maintain the requisite collateral levels will require the Trustee to liquidate the collateral immediately; and

(f) money market funds consisting of Federal Securities, which are rated in the highest Rating Category by S&P, including such funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or

subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Trust Agreement, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Trust Agreement may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

(g) Guaranteed Investment Contracts;

(h) any other investments permitted in writing by the Bond Insurer; and

(i) the Local Agency Investment Fund of the State.

Prepayment Price. The term "Prepayment Price" means, with respect to any Certificate (or portion thereof), the principal amount with respect to such Certificate (or portion thereof) plus the applicable premium, if any, payable upon prepayment thereof pursuant to the provisions of such Certificate and this Agreement.

Principal Payment Date. The term "Principal Payment Date" mean a date on which an Installment Payment evidenced by the Certificates becomes due and payable.

Project. The term "Project" means the Phase 1 Improvements of the supplemental water project as more particularly described in Exhibit B to the Installment Sale Agreement.

Purchase Price. The term "Purchase Price" means the principal amount plus interest thereon owed by the District to the Corporation under the terms as provided in Section 4.4 of the Installment Sale Agreement.

Rate Stabilization Fund. The term "Rate Stabilization Fund" means the fund by that name referenced in Section 5.6 of the Installment Sale Agreement and established under the 2013 Bonds Indenture.

Rating Category. The term "Rating Category" means, with respect to any Permitted Investment, one or more of the generic categories of rating by S&P applicable to such Permitted Investment, without regard to any refinement or gradation of such rating category by a plus or minus sign.

Record Date. The term "Record Date" means, with respect to any Interest Payment Date for the Certificates, the fifteenth (15th) day of the calendar month preceding such Interest Payment Date, whether or not such day is a Business Day.

Reserve Fund. The term "Reserve Fund" means the fund by that name established in Section 5.04 hereof.

Reserve Fund Credit Facility. The term "Reserve Fund Credit Facility" means a letter of credit, a bond insurance policy, any other comparable credit facility or any combination thereof, which, at the time of issuance of such instrument, has been approved in writing by the Bond Insurer (with written notification to the rating agency then rating the Certificates) and, which, together with money on deposit in the Reserve Fund, provide an aggregate amount equal to the Reserve Requirement; so long as (i) the provider of any such policy of insurance, surety bond,

letter of credit or other comparable credit facility is rated in one of the two highest rating categories (at the time of issuance) by S&P, (ii) in the case of a substitution of cash for a credit facility, the Trustee has received an opinion of counsel of recognized standing in the field of law relating to municipal bonds substantially to the effect that such substitution is authorized or permitted under this Agreement and will not adversely affect the exclusion from gross income of interest relating to the Certificates for federal income tax purposes, (iii) if such credit facility is not an irrevocable surety bond in the highest rating category of S&P, the Trustee has received written confirmation from the rating agencies then rating the Certificates that such substitution will not cause a lowering or withdrawal of any ratings on the Certificates, and (iv) the Trustee has received an opinion of counsel to the effect that the credit facility to be substituted is a valid, binding and legally enforceable obligation; and provided further, that in the event that any previously funded cash portion of the Reserve Requirement is satisfied by the provision of such a policy of insurance, surety bond, letter of credit or other comparable credit facility, or a combination thereof, the amount of money then in the Reserve Fund shall be equal to the portion of the Reserve Requirement then being satisfied by such credit facility (upon receipt of a Written Request of the District) be withdrawn by the Trustee from the Reserve Fund and transferred to the District.

Reserve Policy. The term "Reserve Policy" means the Municipal Bond Debt Service Reserve Insurance Policy issued by the Bond Insurer and deposited into the Reserve Fund..

Reserve Requirement. The term "Reserve Requirement" or "Series 2013 Reserve Requirement" means, as applicable, as of any date of calculation, the least of (i) ten percent (10%) of the proceeds (within the meaning of Section 148 of the Code) of the Certificates; (ii) 125% of average Installment Payments for that and all subsequent Certificate Years; or (iii) maximum aggregate Installment Payments for that or any subsequent Certificate Year.

S&P. The term "S&P" means Standard & Poor's Financial Services, LLC, its successors and assigns.

Securities Depositories. The term "Securities Depositories" means The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041-0099, Attention: Call Notification Department, Fax (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the District may designate in a Written Request of the District delivered to the Trustee.

Special Counsel. The term "Special Counsel" means (a) Fulbright & Jaworski L.L.P. or (b) any other attorney or firm of attorneys appointed by or acceptable to the District of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on bonds issued by states and their political subdivisions duly admitted to the practice of law before the highest court of any state of the United States of America or the District of Columbia.

State. The term "State" means the State of California.

Statement of the Corporation or the District. The term "Statement of the Corporation or the District" means a statement signed by or on behalf of (a) the Corporation by its Chairperson, its Executive Director or its Treasurer or (b) the District by the President, the General Manager or Finance Director or by any person who is specifically authorized by resolution of the District

(a certified copy of which has been delivered to the Trustee) to sign or execute such a document on its behalf. If and to the extent required by the provisions of Section 1.03, each Statement of the Corporation or the District shall include the statements provided for in Section 1.03.

Subordinate Debt. The term "Subordinate Debt" means indebtedness or other obligations (including leases and installment sale agreements) hereafter issued or incurred and secured by a pledge of and lien on Gross Revenues subordinate to the Installment Payments.

Trustee. The term "Trustee" means The Bank of New York Mellon Trust Company, N.A., a national banking association, duly organized and existing under and by virtue of the laws of the United States of America having a corporate trust office in Los Angeles, California, or its successor as Trustee hereunder.

Water Enterprise Fund. The term "Water Enterprise Fund" means the existing fund by that name established and held by the Treasurer of the District with respect to Gross Revenues of the Enterprise.

Water Service. The term "Water Service" means the water distribution service made available or provided by the Enterprise.

Water System Project. The term "Water System Project" means any improvements to the Enterprise designated by the District as a Water System Project of the District, the cost of which is to be paid for by the proceeds of any Parity Obligations.

Written Consent of the Corporation or the District, Written Order of the Corporation or the District, Written Request of the Corporation or the District, Written Requisition of the Corporation or the District. The terms "Written Consent of the Corporation or the District," "Written Order of the Corporation or the District," "Written Request of the Corporation or the District," and "Written Requisition of the Corporation or the District" mean, respectively, a written consent, order, request or requisition signed by or on behalf of (a) the Corporation by its Executive Director or Treasurer or (b) the District by its President, General Manager, Finance Director or by any person who is specifically authorized by resolution of the District (a certified copy of which has been delivered to the Trustee) to sign or execute such a document on its behalf.

2013 Bonds. The term "2013 Bonds" means the District's $2,845,000 Water Revenue Refunding Bonds, Series 2013A, issued pursuant to the 2013 Indenture, and constituting Parity Debt.

2013 Bonds Indenture. The term "2013 Bonds Indenture" means the Indenture of Trust, dated as of June 1, 2013, by and between the District, and Trustee, relating to the Series 2003 Certificates

Section 1.02. Rules of Construction. Words of any gender shall be deemed and construed to include all genders, and words importing persons shall include corporations and associations, including public bodies, as well as natural persons. Unless the context otherwise indicates, words importing the singular number shall include the plural number and vice versa.

Section 1.03. Content of Statements and Opinions. Every statement or opinion with respect to compliance with a condition or covenant provided for in this Agreement, including

each Statement of the Corporation, shall include (a) a statement that the person or persons making or giving such statement or opinion 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 statement or opinion 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 statement or opinion made or given by an officer of the Corporation may be based, insofar as it relates to legal or accounting matters, upon a statement or opinion of or representations by counsel or accountants, unless such officer knows, or in the exercise of reasonable care should have known, that the statement or opinion or representations with respect to the matters upon which his statement or opinion may be based, as aforesaid, are erroneous. Any such statement or opinion made or given by counsel or accountants may be based, insofar as it relates to factual matters, upon information with respect to which is in the possession of the Corporation, or upon the statement or opinion of or representations by an officer or officers of the Corporation, unless such counsel, accountant or consultant knows, or in the exercise of reasonable care should have known, that the statement or opinion or representations with respect to the matters upon which his opinion may be based as aforesaid are erroneous.

Section 1.04. Recitals.

(a) Agency Agreement. The Corporation and the District have entered into the Agency Agreement whereby the District has agreed to construct the Project for and on behalf of the Corporation.

(b) Installment Sale Agreement. The Corporation and the District have entered into the Installment Sale Agreement whereby the Corporation has agreed to sell to the District the Project, and the District has agreed to purchase the Project from the Corporation.

(c) Installment Payments. Under the Installment Sale Agreement, the District is obligated to pay to the Corporation or its assigns Installment Payments for the purchase of the Project.

(d) Assignment Agreement. The Corporation has assigned and transferred all of its rights, title and interest in the Installment Sale Agreement (other than its rights to indemnification pursuant to Section 10.14 thereof) to the Trustee, pursuant to the Assignment Agreement; in consequence, the Trustee shall pursuant to this Trust Agreement execute and deliver the Certificates, each evidencing an undivided ownership interest in the Installment Sale Agreement, including in the Installment Payments to be made thereunder, in the aggregate face amount equal to the aggregate of Principal Components of Series 2013 Installment Payments, and to apply the proceeds of sale of such interests to the payment by the Trustee, as assignee of the Corporation, of the purchase price of the Project.

(e) Conditions Precedent Satisfied. The District and the Corporation hereby certify that all acts, conditions and things required by law to exist, happen and be performed precedent to and in connection with the execution and entering into of this Agreement have happened and

have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly empowered to execute and enter into this Agreement.

ARTICLE II
CERTIFICATES; TERMS AND PROVISIONS

Section 2.01. Preparation of Certificates. The Trustee is hereby authorized, upon Written Order of the District, to execute certificates of participation, to be designated "Revenue Certificates of Participation (Supplemental Water Project) Series 2013" in an aggregate principal amount of _____ ($[principal amount]) evidencing undivided ownership interests in the Installment Sale Agreement, including in the Series 2013 Installment Payments to be paid by the District thereunder.

Section 2.02. Denominations; Medium and Place of Payment; Dating. The Certificates shall be delivered in the form of fully registered Certificates in the denomination of $5,000 each or any integral multiple thereof; provided that no Certificate shall have principal represented thereby maturing in more than one year. The Certificates shall be payable in lawful money of the United States of America.

The payments of principal and Prepayment Price with respect to all Certificates shall be made upon presentation and surrender thereof at the Corporate Trust Office of the Trustee. Payments of interest with respect to Certificates shall be payable by check of the Trustee mailed by first class mail on the Interest Payment Date of such Certificates to the respective Certificate Owners of record thereof as of the close of business on the Record Date at the addresses shown on the books required to be kept pursuant to Section 2.08, or, upon the request of an Owner of at least $1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such Owner in writing to the Trustee prior to the Record Date, except in each case, that, if and to the extent that there shall be a default in the payment of the interest due on such Interest Payment Date, and such defaulted interest is subsequently received by the Trustee, such defaulted interest shall be paid to the Owners in whose names any such Certificates are registered at the close of business on a special record date as determined by the Trustee.

The Certificates shall be dated the Delivery Date. Interest with respect to Certificates shall be accrued from the Interest Payment Date preceding their date of execution, unless such date shall be after a Record Date and on or before the succeeding Interest Payment Date, in which case interest shall be accrued from such Interest Payment Date, or unless such date shall be on or before the first Record Date, in which case interest shall be accrued from the Delivery Date, provided, however, that if, as shown by the records of the Trustee, interest represented by the Certificates shall be in default, Certificates executed in exchange for Certificates surrendered for transfer or exchange shall represent interest from the last date to which interest has been paid in full or duly provided for with respect to the Certificates, or, if no interest has been paid or duly provided for with respect to the Certificates, from the Delivery Date.

Section 2.03. Payment of Principal and Interest with Respect to Certificates.

(a) Payments of principal and interest with respect to the Certificates shall be made on September 1 in the years and in the amounts and with an interest component as provided in

subsection (b) below at the rates (based on a 360-day year of twelve (12) thirty-day months), as follows:

Maturity Date (September 1)	Principal Amount	Interest Rate

Principal or Prepayment Price due with respect to the Certificates at maturity or prepayment thereof shall, to the extent of the aggregate principal amount stated upon the Certificates, represent the sum of those portions of the Installment Payments designated as principal coming due on the Installment Payment Dates immediately preceding September 1 in each year.

(b) Interest with respect to the Certificates shall be payable on each Interest Payment Date to and including the date of maturity or prior prepayment. Said interest shall represent the sum of those portions of the Installment Payments designated as interest coming due on the Installment Payment Dates, at the rates set forth in subsection (a) above.

Section 2.04. Form of Certificates. The Certificates and the form of assignment to appear thereon shall be in substantially the form set forth in Exhibit A hereto with necessary or appropriate variations, omissions and insertions as permitted or required by this Agreement.

Section 2.05. Execution. The Certificates shall be executed by and in the name of the Trustee, as Trustee under this Agreement, by the manual signature of an authorized officer or signatory of the Trustee.

Section 2.06. Transfer of Certificates. Any Certificate may, in accordance with its terms, be transferred, upon the books required to be kept pursuant to the provisions of Section 2.08, by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Certificate for cancellation at the Corporate Trust Office of the Trustee, accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee.

Whenever any Certificate or Certificates shall be surrendered for transfer, the Trustee shall execute and deliver a new Certificate or Certificates of the same maturity for a like aggregate principal amount and interest rate. The Trustee may require the payment by any Certificate Owner requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer. The cost of printing Certificates and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the District. Following any transfer of Certificates the Trustee shall cancel and destroy the Certificates it has received.

Section 2.07. Exchange of Certificates. Certificates may be exchanged upon surrender thereof at the Corporate Trust Office of the Trustee, for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity and interest rate. The Trustee may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. Following any exchange of Certificates the Trustee shall cancel and destroy the Certificates it has received.

The Trustee shall not be required to register the exchange or transfer pursuant to Sections 2.06 and 2.07 hereof, of any Certificate (a) within 15 days preceding selection of Certificates for prepayment or (b) selected for prepayment.

Section 2.08. Certificate Registration Books. The Trustee shall keep or cause to be kept, at its Corporate Trust Office, sufficient books for the registration and transfer of the Certificates, which shall upon reasonable prior notice and at all reasonable times be open to inspection by the Corporation or 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, Certificates as hereinbefore provided.

The person in whose name any Certificate shall be registered shall be deemed the Owner thereof for all purposes hereof, and all payments with respect to such Certificate shall be made only to or upon the order in writing of such registered Owner, which payments shall be valid and effectual to satisfy and discharge liability upon such Certificate to the extent of the sum or sums so paid.

Section 2.09. Temporary Certificates. The Certificates may be initially delivered in temporary form exchangeable for definitive Certificates when ready for delivery. The temporary Certificates may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in registered form and may contain such reference to any of the provisions of this Agreement as may be appropriate. Every temporary Certificate shall be executed by the Trustee upon the same conditions and in substantially the same manner as the definitive Certificates. If temporary Certificates are initially delivered, the District shall furnish definitive Certificates without delay, and thereupon the temporary Certificates may be surrendered, for cancellation, in exchange therefor at the Corporate Trust Office of the Trustee,

and the Trustee shall deliver in exchange for such temporary Certificates an equal aggregate principal amount of definitive Certificates of the same maturity or maturities. Until so exchanged, the temporary Certificates shall be entitled to the same benefits under this Agreement as definitive Certificates executed and delivered hereunder.

Section 2.10. Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate shall become mutilated, the Trustee shall execute and deliver a new Certificate of like tenor, maturity and principal amount in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee at its Corporate Trust Office, of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and destroyed.

If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given indemnifying the Trustee, the Corporation and the District, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like tenor, maturity and principal amount, and numbered as the Trustee shall determine, in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require reasonable payment for preparing each new Certificate executed under this Section and of the expenses that may be incurred by the Trustee under this Section. Any Certificate executed under the provisions of this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Agreement with all other Certificates secured by this Agreement. The Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates that may be executed hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of delivering a new Certificate for a Certificate that has been mutilated, lost, destroyed or stolen and that has matured or been selected for prepayment, the Trustee may make payment of such Certificate upon receipt of indemnity satisfactory to the Trustee.

Section 2.11. Book-Entry System; Limited Obligation. The Certificates shall be initially executed and delivered in the form of a separate single fully registered Certificate (which may be typewritten) for each of the maturities of the Certificates. Upon initial execution and delivery, the ownership of each such global Certificate shall be registered in the Certificate register in the name of the Nominee as nominee of the Depository. Except as provided in Section 2.13 hereof, all of the Outstanding Certificates shall be registered in the Certificate Register kept by the Trustee in the name of the Nominee and the Certificates may be transferred, in whole but not in part, only to the Depository, to a successor Depository or to another nominee of the Depository or of a successor Depository. Each global Certificate shall bear a legend substantially to the following effect: "UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE TRUST AGREEMENT) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE EXECUTED AND DELIVERED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), 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."

With respect to Certificates registered in the Certificate register in the name of the Nominee, the District and the Trustee shall have no responsibility or obligation to any Depository Participant or to any person on behalf of which such a Depository Participant holds a beneficial interest in the Certificates. Without limiting the immediately preceding sentence, the District and the Trustee shall have no responsibility or obligation with respect to (a) the accuracy of the records of the Depository, the Nominee or any Depository Participant with respect to any beneficial ownership interest in the Certificates, (b) the delivery to any Depository Participant, beneficial owner or any other person, other than the Depository, of any notice with respect to the Certificates, including any prepayment notice, (c) the selection by the Depository and the Depository Participants of the beneficial interests in the Certificates to be prepaid in part, or (d) the payment to any Depository Participant, beneficial owner or any other person, other than the Depository, of any amount with respect to the Certificates. The District and the Trustee may treat and consider the person in whose name each Certificate is registered in the Certificate register as the holder and absolute Owner of such Certificate for the purpose of payments with respect to the Certificate, for the purpose of giving prepayment notices with respect to the Certificate and other notices with respect to the Certificate, and for all other purposes whatsoever, including, without limitation, registering transfers with respect to the Certificate.

The Trustee shall make payments in respect of the Certificates only to or upon the order of the respective Certificate Owners, as shown in the Certificate register kept by the Trustee, or their respective attorneys duly authorized in writing, and all such payments shall be valid hereunder with respect to the payment of principal, premium, if any, and interest with respect to the Certificates to the extent of the sum or sums so paid. No person other than a Certificate Owner, as shown in the Certificate register, shall receive a Certificate evidencing the obligation to make payments of principal, premium, if any, and interest with respect to such Certificate pursuant to this Agreement. Upon delivery by the Depository to the Trustee and the District of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to Record Dates, the word Nominee in this Agreement shall refer to such new nominee of the Depository.

Section 2.12. Representation Letter. In order to qualify the Certificates for the Depository's book-entry system, the General Manager or Finance Director of the District and is hereby authorized to execute, countersign and deliver on behalf of the District to such Depository a letter from the District representing such matters as shall be necessary to so qualify the Certificates (the "Representation Letter"). The execution and delivery of the Representation Letter shall not in any way limit the provisions of Section 2.11 hereof or in any other way impose upon the District or the Corporation any obligation whatsoever with respect to persons having beneficial interests in the Certificates other than the Owners, as shown in the Certificate Register kept by the Trustee. In the written acceptance by the Trustee of the Representation Letter, the Trustee shall agree, and hereby agrees, to take all actions necessary for all representations of the Trustee in the Representation Letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of the Representation Letter, the District Representative and all other officers of the District, and their respective deputies and designees, each is hereby authorized to take any other actions, not inconsistent with this Agreement, to qualify the Certificates for the Depository's book-entry program.

Section 2.13. Transfers Outside Book-Entry System. If at any time the Depository notifies the District that it is unwilling or unable to continue as Depository with respect to the Certificates or if at any time the Depository shall no longer be registered or in good standing under the Securities Exchange Act of 1934 or other applicable statute or regulation and a successor Depository is not appointed by the District within 90 days after the District receives notice or becomes aware of such condition, as the case may be, Section 2.11 hereof shall no longer be applicable and the Trustee shall execute and deliver certificates representing the Certificates as provided below. In addition, the District may determine at any time that the Certificates shall no longer be represented by global certificates and that the provisions of Section 2.11 hereof shall no longer apply to the Certificates. In any such event the Trustee shall execute and deliver certificates representing the Certificates as provided below. Certificates executed and delivered in exchange for global certificates pursuant to this Section 2.13 shall be registered in such names and delivered in such Authorized Denominations as the Depository, pursuant to instructions from the Depository Participants or otherwise, shall instruct the District and the Trustee. The Trustee shall deliver such certificates representing the Certificates to the persons in whose names such Certificates are so registered.

If the District determines to replace the Depository with another qualified securities depository, the District shall prepare or cause to be prepared a new fully-registered global certificate for each of the maturities of the Certificates, registered in the name of such successor or substitute securities depository or its nominee, or make such other arrangements as are acceptable to the District, the Trustee and such securities depository and not inconsistent with the terms of this Agreement.

Section 2.14. Payments and Notices to the Nominee. Notwithstanding any other provision of this Agreement to the contrary, so long as any Certificate is registered in the name of the Nominee, all payments with respect to such Certificate and all notices with respect to such Certificate shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Depository.

Section 2.15. Initial Depository and Nominee. The initial Depository under this Agreement shall be DTC. The initial Nominee shall be Cede & Co., as nominee of DTC.

ARTICLE III
APPLICATION OF PROCEEDS; COST OF ISSUANCE FUND; CONSTRUCTION FUND

Section 3.01. Delivery of Certificates. The Trustee is hereby authorized to execute and deliver Certificates in an aggregate principal amount of $[principal amount], upon the Written Order of the Corporation.

Section 3.02. Application of Proceeds of Certificates and Other Moneys. The District hereby directs the proceeds received from the sale of the Certificates to be applied by the Trustee in the following manner:

(a) the Trustee shall set aside in the Cost of Issuance Fund the amount of $_____ to pay Costs of Issuance;

(b) the Trustee shall set aside in the Reserve Fund the amount of $_____, being the initial Reserve Requirement; and

(c) the Trustee shall set aside in the Construction Fund the remaining funds in the amoulnt of $_____ to pay the Construction Costs of the Project.

Section 3.03. Validity of Certificates. The validity of the authorization and delivery of the Certificates is not dependent on and shall not be affected in any way by any proceedings taken by the District or the Trustee with respect to or in connection with the Installment Sale Agreement. The recital contained in the Certificates that all acts, conditions and things required by the Constitution and statutes of the State of California and this Agreement to exist, to have happened and to have been performed precedent to and in the delivery thereof do exist, have happened and have been performed in due time, form and manner as required by law shall be conclusive evidence of their validity and of compliance with the provisions of law in their delivery.

Section 3.04. Cost of Issuance Fund. There is hereby established with the Trustee the Cost of Issuance Fund, which the Trustee shall establish and maintain and hold in trust separate and apart from other funds held by it. The moneys in the Cost of Issuance Fund shall be used and withdrawn by the Trustee to pay any Cost of Issuance upon submission of Written Requisitions of the District stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred, that such payment is a proper charge against said fund and that payment for such charge has not previously been made. Each such Written Requisition 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. Upon ninety days after the delivery of the Certificates, or upon the earlier Written Request of the District, all amounts remaining in the Cost of Issuance Fund shall be transferred by the Trustee to the Installment Payment Fund for application in accordance with Section 3.05. Upon such transfer, the Cost of Issuance Fund shall be closed.

Section 3.05. Construction Fund. There is hereby established with the Trustee the Construction Fund, which the Trustee shall establish and maintain and hold in trust separate and apart from other funds held by it. The moneys in the Construction Fund shall be used and withdrawn by the Trustee to pay costs of the acquisition, construction, rehabilitation, equipping, improvement or financing of improvements to, or part of, the Project.

Section 3.06. Payment of Construction Costs. Amounts in the Construction Fund shall be disbursed for Construction Costs. Disbursements from the Construction Fund shall be made by the Trustee upon receipt of a sequentially numbered requisition, a form of which is attached as Exhibit B, requesting disbursement, and executed by a District Representative. Each such requisition shall:

(a) set forth the amounts to be disbursed for payment or reimbursement of previous payments of Construction Costs and the person or persons to whom such amounts are to be disbursed;

(b) state that the amounts to be disbursed constitute Construction Costs, that the amounts are required to be disbursed pursuant to a contract entered into therefor by or

on behalf of the Corporation or the District, or were necessarily and reasonably incurred, and that the amounts are not being paid in advance of the time, if any, fixed for payment;

(c) state that no amount set forth in the requisition was included in any requisition requesting disbursement previously filed with the Trustee pursuant to this Section 3.06;

(d) state that there has been compliance with Section 6.5 of the Installment Sale Agreement relating to the private business use limitation and the private loan limitation;

(e) state that (A) insofar as such requisition relates to payment for work, materials, equipment or supplies, such work was actually performed, or such materials, equipment or supplies were actually installed in furtherance of the construction of the Project or delivered to the appropriate site for such purpose, or delivered for storage or fabrication at a place approved by the District; and

(f) if such requisition relates to payment to a contractor, state that no liens have been imposed on the Project as a result of such construction except liens that have not yet ripened or that would attach by operation of law.

The Trustee shall be responsible for the safekeeping and investment (in accordance with Article VIII hereof) of the moneys held in the Construction Fund and the payment thereof in accordance with this Section 3.06. Each such requisition 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.

Section 3.07. Transfers of Unexpended Construction Fund Proceeds. The Trustee is hereby directed that all unexpended moneys remaining in the Construction Fund and not identified in writing by a District Representative to be required for payment of Construction Costs or other capital improvements (the "Unexpended Proceeds") shall, on the date of completion of the Project or as soon thereafter as the Trustee is so notified by the District, be transferred to the Installment Payment Fund and applied to the prepayment of Certificates. Since the Project are also being financed in part by sources of revenue other than Certificate proceeds, it is not anticipated that there will be moneys remaining in the Construction Fund to be transferred pursuant to this Section.

ARTICLE IV
PREPAYMENT OF CERTIFICATES

Section 4.01. Prepayment.

(a) Generally. The Certificates shall not be subject to prepayment prior to maturity, except in the manner, at the times and in all respects in accordance with the provisions of this Article IV.

(b) Prepayment From Net Proceeds of Insurance and Condemnation and from Unexpended Proceeds. The Certificates shall be subject to prepayment prior to their respective stated maturities, as a whole on any date or in part on any Interest Payment Date, in the order of

stated maturity as directed by the District in a Written Request of the District provided to the Trustee at least 60 days prior to the prepayment date, or (in the event the District has not directed the order of stated maturity, in inverse order of stated maturity), and by lot within each stated maturity in integral multiples of $5,000, from prepaid Installment Payments made by the District from Net Proceeds and Unexpended Proceeds which are, in either case deposited in the Installment Payment Fund and credited towards prepayment made by the District, upon the terms and conditions of, and as provided for in, Sections 3.07 and 6.09 of this Agreement, and Sections 6.8 and 6.14 of the Installment Sale Agreement (provided that such prepayment shall occur on the next Interest Payment Date subsequent to such transfer with respect to which timely notice of prepayment can be provided as required hereunder) at a Prepayment Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for prepayment, without premium.

(c) Optional Prepayment. In addition, the Certificates bearing stated maturities of on or after September 1, 2023 shall be subject to prepayment at the option of the District on September 1, 2022 or any date thereafter, from any available source of funds, as a whole or in part at a Prepayment Price of par together with interest accrued thereon to the date of prepayment, without premium.

(d) Mandatory Prepayment. The Certificates bearing stated maturities of September 1, 20__, and September 1, 20__, respectively, shall be subject to mandatory prepayment, upon notice as hereinafter provided, in part (by lot) on the respective prepayment dates, in integral multiples of $5,000 at a Prepayment Price of the principal amount thereof plus accrued interest evidenced and represented thereby to the date fixed for prepayment, without premium. Such Certificates shall be prepaid in the amounts and upon the dates as follows:

Term Certificate Maturing September 1, 20__

Prepayment Dates (September 1)	Principal Amount

*Maturity

Term Certificate Maturing September 1, 20__

Prepayment Dates (September 1)	Principal Amount

*Maturity

In the event of a partial prepayment of Certificates pursuant to Section 4.01(b) or 4.01(c) above, the foregoing annual mandatory prepayments shall be reduced in equal percentages, as nearly as practicable, provided that the reductions shall be made in multiples of $5,000. The

District shall provide the Trustee with the amended mandatory prepayment schedule calculated as set forth above.

(e) Extraordinary Mandatory Prepayment From Unexpended Proceeds due to Abandonment of Project. The Certificates shall be subject to prepayment prior to their respective stated maturities, as a whole on June 1, 2016, from prepaid Installment Payments made by the District from Unexpended Proceeds and other funds of the District if prior to June 1, 2016 the District by resolution abandons the Project or otherwise fails to undertake construction of the Project due to circumstances beyond its control, provided sufficient funds are deposited in the Installment Payment Fund and credited towards prepayment made by the District, as directed by the District in a Written Request of the District provided to the Trustee at least 60 days prior to the prepayment date, at a Prepayment Price equal to the principal amount thereof plus accrued interest thereon to the date fixed for prepayment, without premium.

Section 4.02. Selection of Certificates for Prepayment. Whenever provision is made in this Trust Agreement for the prepayment of Certificates and less than all Outstanding Certificates are called for prepayment, the Trustee shall select Certificates for prepayment in any order of maturity selected by the District and by lot within a maturity. The Trustee shall promptly notify the District and the Corporation in writing of the Certificates so selected for prepayment.

Section 4.03. Notice of Prepayment. Notice of any such prepayment shall be given by the Trustee on behalf and at the expense of the District by mailing a copy of a prepayment notice by first class mail at least thirty (30) days and not more than sixty (60) days prior to the date fixed for prepayment to such Owner of the Certificate or Certificates to be prepaid at the address shown on the Certificate Register maintained by the Trustee; provided, however, that neither the failure to receive such notice nor any defect in any notice shall affect the sufficiency of the proceedings for the prepayment of the Certificates.

All notices of prepayment shall be dated and shall state: (i) the prepayment date, (ii) the prepayment price, (iii) if less than all Outstanding Certificates are to be prepaid, the identification (and, in the case of partial prepayment, the respective principal amounts) of the Certificates to be prepaid, (iv) that on the prepayment date the prepayment price will become due and payable with respect to each such Certificate or portion thereof called for prepayment, and that interest with respect thereto shall cease to accrue from and after said date, (v) the place where such Certificates are to be surrendered for payment of the prepayment price, which place of payment shall be the Principal Trust Office.

Prior to the mailing of any prepayment notice (other than a prepayment notice relating to Certificates that are the subject of an advance refunding), the District shall deposit, or cause to be deposited, with the Trustee an amount of money sufficient to pay the prepayment price of all the Certificates or portions of Certificates which are to be prepaid on the applicable prepayment date. In the case of a prepayment notice relating to Certificates that are the subject of an advance refunding, the District shall deposit, or cause to be deposited, with the Trustee on or prior to the applicable prepayment date, an amount of money sufficient to pay the prepayment price of all the Certificates or portions of Certificates which are to be prepaid on such prepayment date. If at the time of mailing of any notice of optional prepayment notice there shall not have been deposited with the Trustee monies sufficient to prepay all the Certificates to be prepaid, such notice shall state that it is subject to the deposit of the prepayment monies with the Trustee not later than the

opening of business on the prepayment date and will be of no effect unless such monies are so deposited.

Notice of prepayment having been given as aforesaid, the Certificates or portions of Certificates so to be prepaid shall, on the prepayment date, become due and payable at the prepayment price therein specified, and from and after such date (unless the District shall default in the payment of the prepayment price) interest with respect to such Certificates or portions of Certificates shall cease to be payable. Upon surrender of such Certificates for prepayment in accordance with said notice, such Certificates shall be paid by the Trustee at the prepayment price. Installments of interest due on or prior to the prepayment date shall be payable as herein provided for payment of interest. Upon surrender for any partial prepayment of any Certificate, there shall be executed and delivered for the Owner a new Certificate or Certificates of the same maturity in the amount of the unprepaid principal. All Certificates which have been prepaid shall be canceled by the Trustee, shall not be redelivered and shall be destroyed pursuant to Section 11.06.

In addition to the foregoing notice, notice shall be given by the Trustee by telecopy, registered, certified or overnight mail, to all Securities Depositories one Business Day prior to the date of mailing of notice to the Owners and to an Information Service on the date such notice is mailed to the Owners, which shall state the information set forth above, but no defect in said notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for prepayment if notice thereof is given as prescribed above.

The Trustee shall have no responsibility for a defect in the CUSIP number that appears on any Certificate or in the prepayment notice. The prepayment notice may provide that the CUSIP numbers have been assigned by an independent service and are included in the notice solely for the convenience of Certificate Owners and that the Trustee and the District shall not be liable in any way for inaccuracies in said numbers.

Section 4.04. Partial Prepayment of Certificate. Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the District, a new Certificate or Certificates of authorized denominations equal in aggregate principal amount to the unprepaid portion of the Certificate surrendered and of the same interest rate and the same maturity.

Section 4.05. Effect of Notice of Prepayment. Notice having been given as aforesaid, and the moneys for the prepayment, including interest to the applicable Interest Payment Date and premium, if any, having been set aside in the Installment Payment Fund, the Certificates to be prepaid shall become due and payable on such Interest Payment Date, and, upon presentation and surrender thereof at the office or offices specified in the notice, the Certificates shall be paid at the unpaid principal amount with respect thereto, and any unpaid and accrued interest to such Interest Payment Date.

If, on such Interest Payment Date, moneys for the prepayment of all the Certificates to be prepaid, together with interest to such Interest Payment Date, shall be held by the Trustee so as to be available therefor on such Interest Payment Date, and, if notice of prepayment thereof shall have been given as aforesaid, then, from and after such Interest Payment Date, interest with respect to the Certificates to be prepaid shall cease to accrue and become payable. If the moneys shall not be so available on such Interest Payment Date, interest with respect to such Certificates

shall continue to be payable at the same rates as it would have been payable had the Certificates not been called for prepayment. All moneys held by or on behalf of the Trustee for the prepayment of particular Certificates shall be held in trust for the account of the Owners of the Certificates so to be prepaid. The Trustee shall not be liable for any interest earned on the amounts so held.

Section 4.06. Purchase of Certificates. In lieu of prepayment of Certificates as provided in this Article IV, amounts held by the Trustee for such prepayment may also be used on any Interest Payment Date, upon receipt by the Trustee at least ninety (90) days prior to the next scheduled Interest Payment Date of the written request of a District Representative, for the purchase of Certificates at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) as the District may in its discretion direct, but not to exceed the prepayment price which would be payable if such Certificates were prepaid; provided, however, that no Certificates shall be purchased in lieu of prepayment with a trade settlement date less than seventy-five (75) days prior to the relevant prepayment date. The aggregate principal amount of Certificates of the same maturity purchased in lieu of prepayment pursuant to this Section 4.06 shall not exceed the aggregate principal amount of Certificates of such maturity which would otherwise be subject to such prepayment. Remaining moneys, if any, shall be deposited in the Installment Payment Fund.

ARTICLE V
INSTALLMENT PAYMENTS

Section 5.01. Pledge and Deposit of Installment Payments; Parity Pledge of Net Revenues. The Installment Payments are hereby irrevocably pledged to, and shall be used for, the timely payments with respect to the Certificates, and the Installment Payments shall not be used for any other purpose while any of the Certificates remains Outstanding. This pledge shall constitute a first and exclusive lien on the Installment Payments in accordance with the terms hereof.

Pursuant to the terms of the Assignment Agreement, all Installment Payments to which the Corporation may at any time have been entitled (including income or profit from investments pursuant to Section 5.03) are to be made directly to the Trustee; if any such Installment Payment is received by the Corporation at any time, it shall be deposited by the Corporation with the Trustee within one Business Day after the receipt thereof. The Trustee shall deposit all Installment Payments as and when received in the Installment Payment Fund. All moneys at any time deposited in the Installment Payment Fund shall be held by the Trustee in trust for the benefit of the Owners from time to time of the Certificates, but shall nevertheless be disbursed, allocated and applied solely for the uses and purposes herein set forth. The Assignment Agreement creates an absolute assignment and transfer of the rights of the Corporation as set forth therein and does not merely create a security interest in such rights.

Section 5.02. Installment Payment Fund. There is hereby established with the Trustee the Installment Payment Fund, which the Trustee shall establish and maintain and hold in trust separate and apart from other funds held by it. The Trustee shall pay from the Installment Payment Fund, the interest and principal payments with respect to Installments that become payable on each Interest Payment Date, and the Prepayment Price of Installments that become payable as provided in Section 4.01 hereof.

All earnings derived from the investment of funds on deposit in the Installment Payment Fund shall be retained therein. At least ten (10) days before each Interest Payment Date or, if such day is not a Business Day, on the next preceding Business Day, the Trustee shall transfer all earnings from the Reserve Fund not used to meet the Reserve Requirement to the Installment Payment Fund.

Amounts deposited into the Installment Payment Fund shall be held as a credit against the obligation of the District with respect to its payment of the immediately succeeding Installment Payment; at least ten (10) days before an Interest Payment Date or, if such day is not a Business Day, on the next preceding Business Day, the Trustee shall notify the District in writing of the amount necessary to be deposited in the Installment Payment Fund to pay the Installment Payment coming due on the next Interest Payment Date.

The Trustee shall transfer the amounts on deposit in the Installment Payment Fund, at the times and in the manner hereinafter provided, to the following respective accounts within the Installment Payment Fund, each of which the Trustee hereby agrees to establish and maintain until all required Installment Payments, and the interest thereon, are paid in full pursuant to the Installment Sale Agreement and until the first date upon which the Certificates are no longer Outstanding. The moneys in each of such accounts shall be held in trust by the Trustee for the benefit of the Owners and shall be used and disbursed only for the purposes and uses herein authorized.

Interest Account. The Trustee, on each Interest Payment Date, shall deposit in the Interest Account that amount of moneys representing the interest on the Installment Payments coming due on such Interest Payment Date. Moneys in the Interest Account shall be used by the Trustee for the purpose of paying the interest evidenced by the Certificates when due and payable.

Principal Account. The Trustee, on each Principal Payment Date, shall deposit in the Principal Account that amount of moneys representing the Installment Payments coming due on such Principal Payment Date. Moneys in the Principal Account shall be used by the Trustee for the purpose of paying the principal evidenced by the Certificates when due and payable.

Prepayment Account. The Trustee, on the prepayment date specified in the Written Request of the District filed with the Trustee at the time that any prepaid Installment Payment is paid to the Trustee pursuant to the Installment Sale Agreement, shall deposit in the Prepayment Account the Prepayment Price related thereto. The Trustee shall deposit in the Prepayment Account any other amounts made available by the District that the District, pursuant to a Written Request of the District, instructs the Trustee to apply to the prepayment of Certificates pursuant to Section 4.01 hereof. Moneys in the Prepayment Account shall be used by the Trustee for the purpose of paying the Prepayment Price evidenced by the Certificates to be prepaid pursuant to Section 4.01 hereof.

Section 5.03. Investment of Moneys. Any moneys in the Installment Payment Fund, the Cost of Issuance Fund and the Reserve Fund shall be invested by the Trustee, upon the Written Request of the District at least two (2) Business Days before the investment date, in Permitted Investments that will mature on or before the dates when such moneys are scheduled to be needed for payment from such fund; provided, however, that any Permitted Investments purchased with moneys in the Reserve Fund will, subject to the fourth paragraph of this Section

5.03, mature in five years or less from the date of purchase. Securities acquired as an investment of moneys in a fund shall be credited to such fund.

In the absence of written investment direction from the District, the Trustee shall invest moneys held by it solely in Permitted Investments specified in clause (f) of the definition thereof; provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a Written Request of the District specifying a specific money market fund and, if no such Written Request of the District is so received, the Trustee shall hold such moneys uninvested.

Subject to the further provisions of Section 6.02 hereof, the Trustee may sell or present for prepayment any obligations so purchased at the written direction of the District whenever it shall be necessary in order to provide moneys to meet any payments and the Trustee shall not be liable or responsible for any loss resulting from such investment. The Trustee or any of its affiliates may act as principal or agent in the acquisition or disposition of any investment. The Trustee may commingle moneys held in any of the funds or accounts established pursuant to this Agreement into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trustee hereunder shall be accounted for separately notwithstanding such commingling. Permitted Investments that are registrable securities shall be registered in the name of the Trustee.

Any investment of moneys held in the Reserve Fund shall be valued at fair market value and marked to market at least once per calendar year. No investment of moneys in the Reserve Fund shall have a maturity greater than five years.

The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the District the right to receive brokerage confirmations of security transactions as they occur, 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 or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. The Trustee is hereby authorized, in making or disposing of any investment permitted by this Section, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Trustee or for any third person or dealing as principal for its own account.

Such investments (except investment agreements) shall be valued by the Trustee at least semi-annually at the Fair Market Value thereof, exclusive of accrued interest. Deficiencies in the amount on deposit in the Reserve Fund resulting from a decline in market value shall be restored no later than the succeeding valuation date.

In making any valuations of securities hereunder, the Trustee may utilize and rely upon computerized securities pricing services that may be available to it, including those available through its regular accounting system.

Section 5.04. Reserve Fund. There is hereby established with the Trustee the Reserve Fund, which the Trustee shall establish and maintain and hold in trust separate and apart from other funds held by it. The Trustee shall deposit in the Reserve Fund, the amounts required to be

deposited therein pursuant to the Installment Sale Agreement and this Agreement and shall apply moneys in the Reserve Fund in accordance with this Section 5.04.

If one day prior to any Interest Payment Date, or if such date is not a Business Day, then the preceding Business Day, the money in the Installment Payment Fund is insufficient to make the payments required by this Trust Agreement with respect to Certificates on such Interest Payment Date, the Trustee shall give the District notice of such shortfall and shall transfer from the Reserve Fund to the Installment Payment Fund the amount of such insufficiency.

In the event that the Trustee has transferred money from the Reserve Fund to the Installment Payment Fund in accordance with this Section 5.04, upon receipt of the moneys from the District to increase the balance in the Reserve Fund to the Reserve Fund Requirement, the Trustee shall deposit such money in the Reserve Fund. Any deficiency in the Reserve Fund due to a draw thereon shall be replenished by the District within one year of such deficiency in twelve equal monthly installments.

All moneys in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying principal and interest with respect to the Certificates or, to the extent that the value of the Reserve Fund exceeds the Reserve Fund Requirement, monies in an amount equal to such excess shall be transferred from the Reserve Fund to the Installment Payment Fund. All amounts on deposit in the Reserve Fund on the date no Certificates remain outstanding shall be transferred to the District.

The District may fund all or a portion of the Reserve Requirement with one or more Reserve Fund Credit Facilities. Upon deposit of any Reserve Fund Credit Facility with the Trustee, the Trustee, upon the Written Order of the District, shall pay to the District from amounts in the Reserve Fund an amount equal to the principal of the Reserve Fund Credit Facility. The District undertakes to apply all such amounts to capital expenditures and, pending such application, to hold such amounts in a segregated account and if invested into Investment Property (within the meaning of section 148(a) of the Code) then invested to produce a yield not in excess of the yield on the Installment Sale Agreement.

In any case where the Reserve Fund is funded with a combination of cash and a Reserve Fund Credit Facility, the Trustee shall deplete all cash balances before drawing on the Qualified Surety Bond. With regard to replenishment, any available moneys provided by the District shall be used first to reinstate the Reserve Fund Credit Facility and second, to replenish the cash in the Reserve Fund. In the event the Reserve Fund Credit Facility is drawn upon, the District shall make payment of interest on amounts advanced under the Reserve Fund Credit Facility after making any Installment Payments to the Installment Sale Agreement.

In the event the Reserve Fund Credit Facility will lapse or expire, the Trustee shall draw upon such Reserve Fund Credit Facility prior to its lapsing or expiring, make deposits from available moneys provided by the District to the Reserve Fund to increase the amount on deposit therein to the Reserve Requirement or substitute such Reserve Fund Credit Facility with a Reserve Fund Credit Facility furnished to it by the District that satisfies the requirements of this section.

Section 5.05. Pledge of Moneys in Funds. All amounts on deposit in the Installment Payment Fund and the Reserve Fund are hereby irrevocably pledged by the District to the Owners of the Certificates as provided herein.

ARTICLE VI
COVENANTS

Section 6.01. Corporation and the District to Comply with Installment Sale Agreement. Each of the Corporation and the District covenants and agrees with the Owners of the Certificates to perform all obligations and duties imposed on it under the Installment Sale Agreement and, together with any assignee thereof, to enforce such Installment Sale Agreement against the other party thereto in accordance with its terms.

The Corporation and the District each will in all respects promptly and faithfully keep, perform and comply with all the terms, provisions, covenants, conditions and agreements of the Installment Sale Agreement to be kept, performed and complied with by it.

The Corporation and the District each agrees not to do or permit anything to be done, or omit or refrain from doing anything, in any case where any such act done or permitted to be done, or any such omission of or refraining from action, would or might be a ground for cancellation or termination of the Installment Sale Agreement.

Section 6.02. Tax Covenants. Under Section 6.5 of the Installment Sale Agreement, the Corporation has undertaken certain covenants with respect to the exclusion of the Interest Component of Series 2013 Installment Payments from the gross income of the owner thereof for federal income tax purposes. Said provision also restricts assignment of the Installment Sale Agreement by the Corporation unless the assignee, other than the Trustee, shall have assumed and undertaken the obligations of the Corporation under said Section 6.5.

Section 6.03. Accounting Records and Reports. The Trustee shall keep or cause to be kept proper books of record and account in which complete and correct entries shall be made of all transactions made by it relating to the receipts, disbursements, allocation and application of the Installment Payments, and such books shall be available for inspection by the District and by any Owner of Certificates, or his agent or representative, at reasonable hours and under reasonable conditions with reasonable notice. Each month, so long as the Certificates are Outstanding, the Trustee shall furnish to the District a statement covering receipts, disbursements, allocation and application of amounts on deposit in the funds and accounts created hereunder held by it.

Section 6.04. Compliance with Trust Agreement. The Trustee will execute the Certificates upon Written Order of the Corporation as provided in Section 3.01 hereof. The District will not suffer or permit any default by it to occur under this Agreement, but will faithfully observe and perform all the covenants, conditions and requirements hereof.

Section 6.05. Observance of Laws and Regulations. To the extent necessary to assure its performance hereunder, the Corporation and the District will each well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued

enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the Corporation or the District respectively, including its right to exist and carry on its business, to the end that such contracts, rights and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 6.06. Compliance with Contracts. The District shall comply with the terms, covenants and provisions, express or implied, of all contracts for the use of the Project by the District, and all other contracts and agreements affecting or involving the Project to the extent that the District is a party thereto.

Section 6.07. Prosecution and Defense of Suits. The District shall promptly, upon request of the Trustee or any Certificate Owner, from time to time take such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Enterprise or any part thereof, whether now existing or hereafter developing, shall prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and, to the extent permitted by law, shall indemnify and save the Trustee, the Corporation and every Certificate Owner harmless from all loss, cost, damage and expense, including attorneys fees, that they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

The District shall defend against every suit, action or proceeding at any time brought against the Trustee, the Corporation or any Certificate Owner upon any claim arising out of the receipt, application or disbursement of any of the Installment Payments or involving the rights of the Trustee, the Corporation or any Certificate Owner under this Agreement; provided that the Trustee, the Corporation or any Certificate Owner at such party's election may appear in and defend any such suit, action or proceeding. To the extent permitted by law, the District shall indemnify and hold harmless the Trustee, the Corporation and the Certificate Owners against any and all liability claimed or asserted by any person, arising out of such receipt, application or disbursement, and shall indemnify and hold harmless the Certificate Owners against any attorneys fees or other expenses that any of them may incur in connection with any litigation to which any of them may become a party by reason of ownership of Certificates. The District shall promptly reimburse the Corporation or any Certificate Owner in the full amount of any attorneys fees or other expenses that it or such Owner may incur in litigation or otherwise in order to enforce such party's rights under this Agreement or the Certificates, provided that such litigation shall be concluded favorably to such party's contentions therein.

Section 6.08. Recordation and Filing. The District shall record, register, file, renew, refile and re-record all such documents, including financing statements, as may be required by law in order to maintain a security interest in this Agreement and the Assignment Agreement, all in such manner, at such times and in such places as may be required by, and to the extent permitted by, law in order fully to preserve, protect and perfect the security of the Certificate Owners and the rights and security interests of the Trustee. The Trustee shall file any continuation statements. The District shall do whatever else may be necessary or be reasonably required in order to perfect and continue the lien of this Agreement and the Assignment Agreement.

Section 6.09. Eminent Domain. If all or any part of the Project shall be taken by eminent domain proceedings (or sold to a government threatening to exercise the power of eminent domain), the proceeds therefrom shall be applied in the manner specified in Section 6.14 of the Installment Sale Agreement.

Section 6.10. Further Assurances. Whenever and so often as may be necessary, the Corporation and the District will promptly execute and deliver or cause to be executed and delivered all such other and further instruments, documents or assurances, and promptly do or cause to be done all such other and further things, as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Certificate Owners all rights, interest, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by this Agreement.

ARTICLE VII
DEFAULT AND LIMITATION OF LIABILITY

Section 7.01. Notice of Non-Payment. In the event of delinquency in the payment of any Installment Payments due by the District pursuant to the Installment Sale Agreement, the Trustee shall give written notice, to the District and the Corporation, of the delinquency and the amount of the delinquency no later than one (1) Business Day following the date upon which such delinquent Installment Payment was due.

Section 7.02. Action on Default or Termination. Upon the occurrence of an Event of Default (as that term is defined in the Installment Sale Agreement), which event shall constitute a default hereunder, and in each and every such case during the continuance of such Event of Default, the Trustee, at the written direction of the Owners of not less than a majority in aggregate principal amount of Certificates at the time Outstanding shall be entitled, upon notice in writing to the District, to accelerate the unpaid Installment Payments under the Installment Sale Agreement and to exercise the remedies provided to the Corporation in the Installment Sale Agreement.

Upon declaration of the entire principal amount of the unpaid Installment Payments and the accrued interest thereon to be due and payable immediately and provided such declaration is not rescinded or annulled, all in accordance with Section 8.1 of the Installment Sale Agreement, the Trustee may apply all moneys received as Installment Payments and all moneys held in any fund or account hereunder to the payment of the entire principal amount of the Certificates and the accrued interest with respect thereto, with interest on the overdue Certificates at the rate or rates of interest applicable to the Certificates if paid in accordance with their terms.

Section 7.03. Other Remedies of the Trustee. The Trustee shall have the right --

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

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

(c) by suit in equity upon the happening of any default hereunder to require the District and its directors, officers and employees to account as the trustee of an express trust.

Section 7.04. Non-Waiver. A waiver of any default or breach of duty or contract by the Trustee shall not affect any subsequent default or breach of duty or contract or impair any duty or contract. No delay or omission by the Trustee to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee by law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

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

Section 7.05. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or the Certificate Owners is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law.

Section 7.06. No Obligation by the District to Owners. Except for the payment of Installment Payments when due in accordance with the Installment Sale Agreement and the performance of the other covenants and agreements of the District contained in said Installment Sale Agreement and herein, the District shall have no obligation or liability to the Owners of the Certificates with respect to this Agreement or the execution, delivery or transfer of the Certificates, or the disbursement of Installment Payments to the Owners by the Trustee; provided however that nothing contained in this Section shall affect the rights, duties or obligations of the Trustee expressly set forth herein.

Section 7.07. Trustee Appointed Agent for Certificate-owners; Direction of Proceedings. The Trustee is hereby appointed the agent and attorney of the Owners of all Certificates outstanding hereunder for the purpose of filing any claims relating to the Certificates. The Owners of a majority in aggregate principal amount of the Certificates Outstanding hereunder shall, upon tender to the Trustee of reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such direction, have the right to direct the method and place of conducting all remedial proceedings by the Trustee, provided such direction shall be in accordance with law and the provisions of this Trust Agreement and that the Trustee shall have the right to decline to follow any such direction that in the opinion of the Trustee would be unjustly prejudicial to Certificate owners not parties to such a direction.

Section 7.08. 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 aggregate principal amount of the Certificates then outstanding pursuant to Section 7.07 hereof, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Certificates, 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 hereunder, 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 at least a majority in principal amount of the Certificates Outstanding hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation.

Section 7.09. Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate executed and delivered hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (b) the Owners of at least a majority in aggregate principal amount of all the Certificates 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 reasonable indemnity 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.

Section 7.10. No Obligation with Respect to Performance by Trustee. Neither the District nor the Corporation shall have any obligation or liability to any of the other parties hereto or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under this Agreement.

Section 7.11. No Liability to Owners for Payment. The Corporation shall not have any obligation or liability to the Owners of the Certificates with respect to the payment of the Installment Payments by the District when due, or with respect to the performance by the District of any other covenant made by it in the Installment Sale Agreement or herein. Except as provided in this Agreement, the Trustee shall not have any obligation or liability to the Owners of the Certificates with respect to the payment of the Installment Payments by the District when due, or with respect to the performance by the District of any other covenant made by it in the Installment Sale Agreement or herein.

Section 7.12. No Responsibility for Sufficiency. The Trustee shall not be responsible for the sufficiency of this Trust Agreement, the Installment Sale Agreement, or of the assignment made to it by the Assignment Agreement of rights to receive Installment Payments pursuant to the Installment Sale Agreement, or the value of or title to the Project. The Trustee shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it under the terms of and in accordance with this Agreement.

Section 7.13. Indemnification of Trustee. To the extent permitted by law, the District shall indemnify the Trustee and hold it harmless against any loss, liability, expenses or advances, including but not limited to fees and expenses of counsel and other experts, incurred or made without negligence or willful misconduct on the part of the Trustee, (i) arising out of or in connection with the acceptance or administration of this trust or in the exercise and performance of any of the powers and duties hereunder or under the Installment Sale Agreement by the Trustee, (ii) relating to or arising out of the Project, or the conditions, occupancy, use, possession, conduct or management of, or work done in or about, the Project or any part thereof, (iii) arising out of or relating to any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements

made, in light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of the Certificates, or (iv) the use, presence, storage, disposal or release of any Hazardous Substances on or about the Project, including the costs and expenses of defending itself against any claim of liability arising under this Agreement. Such indemnity shall survive payment of the Certificates or resignation or removal of the Trustee.

ARTICLE VIII
THE TRUSTEE

Section 8.01. Employment of Trustee. In consideration of the recitals hereinabove set forth and for other valuable consideration, the District hereby agrees to employ the Trustee to receive, hold, invest and disburse the moneys received pursuant to the Installment Sale Agreement for credit to the various funds and accounts established by this Agreement; to execute, deliver and transfer the Certificates; and to apply and disburse the Installment Payments received from the District to the Owners of Certificates; and to perform certain other functions; all as herein provided and subject to the terms and conditions of this Agreement.

Section 8.02. Acceptance of Employment. In consideration of the compensation herein provided for, the Trustee accepts the employment above referred to subject to the terms and conditions of this Agreement.

Section 8.03. Trustee, Duties, Removal and Resignation. By executing and delivering this Agreement, the Trustee accepts the duties and obligations of the Trustee provided in this Agreement, but only upon the terms and conditions set forth in this Agreement.

(a) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Agreement, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee shall not be liable for any error of judgment made in good faith by a responsible officer of the Trustee, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of a majority in principal amount of the Certificates relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Agreement.

(d) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Agreement at the request or direction of any of the Owners pursuant to this Agreement, unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that might be incurred by it in compliance with such request or direction.

The District, or, if the District is in default under the Installment Sale Agreement, the Owners of a majority in aggregate principal amount of all Certificates Outstanding, may by

written request to the Trustee, remove the Trustee and any successor thereto, and may appoint a successor Trustee, but any such successor shall be a bank, national banking association or trust company doing business and having a corporate trust office in California, that has (or the parent holding company of which has) a combined capital (exclusive of borrowed capital) and surplus of at least seventy-five million dollars ($75,000,000) and subject to supervision or examination by federal or state authorities. If such bank, 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 purposes of this Section the combined capital and surplus of such bank, 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 may at any time resign by giving written notice to the District and by giving to the Certificate Owners notice of such resignation by mail at the addresses shown on the registration books maintained by the Trustee. Upon receiving such notice of resignation, the District shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event that the District does not appoint a successor Trustee within thirty (30) days following receipt of such notice of resignation, the resigning Trustee may at the expense of the District petition the appropriate court having jurisdiction to 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.

Section 8.04. Merger or Consolidation of Trustee. Any company into which the Trustee may be merged or with which it may be consolidated, or any company resulting from any merger or consolidation to which the Trustee shall be a party, or any company succeeding to all or substantially all of the corporate trust business of the Trustee or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided that such successor trustee shall be eligible under the provisions of Section 8.03.

Section 8.05. Compensation of the Trustee. The District shall from time to time, subject to any agreement in effect with the Trustee, pay to the Trustee reasonable compensation for its services and shall reimburse the Trustee for all its advances and expenditures, including but not limited to, advances to and fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties hereunder. Such compensation and reimbursement shall be paid by the District; provided, however, that the Trustee shall not otherwise have any claims, except in accordance with Section 7.13 hereof and Section 8.2 of the Installment Sale Agreement or lien for payment of compensation for its services against any other moneys held by it in the funds or accounts established hereunder but may take whatever legal actions are lawfully available to it directly against the District. The agreement contained in this Section shall survive the payment of the Certificates, the discharge of this Agreement and the appointment of a successor trustee.

Section 8.06. Protection of the Trustee. The Trustee shall be protected and shall incur no liability in acting, refraining from acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificate, statement, affidavit, voucher, bond, requisition or other paper or document that it shall in good faith believe to be genuine and to

have been adopted, executed or delivered by the proper party or pursuant to any of the provisions of this Agreement, and the Trustee shall be under no duty to make any investigation or inquiry as to any statements contained or matters referred to in any such instrument, but may accept and rely upon the same as conclusive evidence of the truth and accuracy of such statements. The Trustee may consult with counsel, who may be counsel to the Corporation or 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, suffered or omitted by it hereunder in good faith in accordance therewith.

Whenever in the administration of this Agreement, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking, omitting or suffering any action hereunder, the Trustee may (unless other evidence in respect thereof be herein specifically prescribed) rely on a certificate of the Corporation or the District and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of this Agreement upon the faith thereof, but in its discretion the Trustee may (but shall have no duty), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may seem reasonable.

The Trustee may buy, sell, own, hold and deal in any of the Certificates provided pursuant to this Agreement, and may join in any action that any Owner may be entitled to take with like effect as if the Trustee were not a party to this Agreement. The Trustee, either as principal or agent, may also engage in or be interested in any financial or other transaction with the District or the Corporation, and may act as depositary, trustee, or agent for any committee or body of Owners of Certificates or of obligations of the Corporation or the District as freely as if it were not Trustee hereunder.

The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder either directly or by or through attorneys, agents, or receivers, and the Trustee shall not be responsible for the negligence or misconduct of any such attorney, agent or receiver selected by it with reasonable care. The Trustee shall not be answerable for the exercise of any discretion or power under this Agreement or for anything whatever in connection with the funds and accounts established hereunder, except only for its own willful misconduct or negligence.

The recitals, statements and representations by the District or the Corporation contained in this Agreement or in the Certificates shall be taken and construed as made by and on the part of the District or Corporation and not by the Trustee and the Trustee does not assume, and shall not have, any responsibility or obligations for the correctness of any thereof.

Except during the continuance of an Event of Default the Trustee undertakes to perform such duties, and only such duties as are specifically set forth in this Agreement and no implied duties or obligations shall be read into this Agreement against the Trustee.

No provision in this Agreement shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights or powers.

In accepting the trust hereby created, the Trustee acts solely as Trustee for the Owners and not in its individual capacity and all persons, including without limitation the Owners and

the District or the Corporation having any claim against the Trustee arising from this Agreement shall look only to the funds and accounts held by the Trustee hereunder for payment except as otherwise provided herein. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Certificates.

The Trustee makes no representation or warranty express or implied as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District or the Corporation of the Project. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Installment Sale Agreement or this Agreement for the existence, furnishing or use of the Project.

The Trustee shall not be deemed to have knowledge of any Event of Default hereunder or under the Installment Sale Agreement unless and until it shall have actual knowledge thereof or have received notice thereof at its corporate trust office at the address set forth in Section 11.11 hereof.

The Trustee shall not be accountable for the use or application by the District, or the Corporation or any other party of any funds that the Trustee has released in accordance with the terms of this Agreement.

The Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Certificates.

The Trustee is authorized and directed to execute in its capacity as Trustee the Assignment Agreement.

The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

The Trustee shall not be required to review or inspect, and shall not be deemed to have notice of, the contents of any financial statement or insurance policy delivered to the Trustee under Section 6.9 of the Installment Sale Agreement, it being expressly understood that the Trustee shall only receive and hold such documents as a repository for examination and copying.

The Trustee shall not be liable for any action taken or not taken by it in accordance with the direction of the Owners of a majority (or other percentage provided for herein) in aggregate principal amount of Certificates outstanding relating to the exercise of any right, power or remedy available to the Trustee.

The Trustee agrees to accept and act upon instructions or directions pursuant to this Trust Agreement sent by unsecured email with an imaged or scanned attachment (such as a .pdf), fax machine or other similar electronic transmission, with confirmation of receipt of such transmission; provided, however, that the Trustee shall have received an incumbency certificate

listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the District elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. 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 instructions conflict or are inconsistent with a subsequent written instruction. The District agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions 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.

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 enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Act of God or of the public enemy or terrorists, acts o a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources or 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 Project, malicious mischief, condemnation, and usually 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.

ARTICLE IX
AMENDMENT OF TRUST AGREEMENT

Section 9.01. Amendments Permitted. (a) This Agreement and the rights and obligations of the Corporation, the District, the Owners of the Certificates and of the Trustee may be modified or amended at any time by an amendment hereto, which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 11.04 hereof, shall have been filed with the Trustee, provided, however, that no such modification or amendment shall (1) extend the stated maturities of the Certificates, or reduce the rate of interest represented thereby, or extend the time of payment of interest, or reduce the amount of principal represented thereby, or reduce any premium payable on the prepayment thereof, without the consent of the Owner of each Certificate so affected, or (2) reduce the aforesaid percentage of Owners of Certificates whose consent is required for the execution of any amendment or modification of this Agreement, or (3) modify any of the rights or obligations of the Trustee or the Corporation without its respective written consent thereto.

(b) This Agreement and the rights and obligations of the Corporation, the District and of the Owners of the Certificates may also be modified or amended at any time by an amendment hereto, which shall become binding upon adoption, without the consent of the Owners of any Certificates, but only to the extent permitted by law and only for any one or more of the following purposes:

(1) to add to the covenants and agreements of the Corporation or the District contained in this Agreement other covenants and agreements thereafter to be observed or to surrender any right or power herein reserved to or conferred upon the Corporation or the District, but only if such addition or surrender does not adversely affect the interests of the Owners of the Certificates;

(2) to cure, correct or supplement any ambiguous or defective provision contained in this Agreement or in regard to questions arising under this Agreement, as the Corporation or the District may deem necessary or desirable, but only if such cure, correction or supplementation does not adversely affect the interests of the Owners of the Certificates; and

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

No amendment without consent of the Owners may modify any of the rights or obligations of the Trustee without its written consent thereto.

Section 9.02. Endorsement or Replacement of Certificates After Amendment or Supplement. After the effective date of any action taken as hereinabove provided, the Trustee may determine that the Certificates may bear a notation by endorsement in form approved by the Trustee as to such action, and in that case upon demand of the Trustee to the Owner of any Outstanding Certificate and presentation of such Owner's Certificate for such purpose at the principal corporate trust office of the Trustee a suitable notation as to such action shall be made on such Certificate. If the Trustee shall so determine, new Certificates so modified as in the opinion of the Trustee shall be necessary to conform to such action shall be prepared, and in that case upon demand of the Trustee to the Owner of any Outstanding Certificates such new Certificates shall be exchanged at the principal corporate trust office of the Trustee without cost to each Owner for Certificates then Outstanding upon surrender of such Outstanding Certificates.

Section 9.03. Amendment of Particular Certificates. The provisions of this article shall not prevent any Owner from accepting any amendments to the particular Certificates held by him, provided that due notation thereof is made on such Certificates.

In connection with any amendment of this Agreement, the Trustee may conclusively rely on an opinion of counsel that the requirements of this Article IX have been met.

Section 9.04. Notice to Rating Agencies. Any rating agency rating the Certificates shall receive notice of each amendment to this Trust Agreement and a copy thereof at least 15 days in advance of its execution.

ARTICLE X
DEFEASANCE

Section 10.01. Discharge of Trust Agreement. When the obligations of the District under the Installment Sale Agreement shall cease pursuant to Article IX of the Installment Sale Agreement (except for the right of the Trustee and the obligation of the District to have the money and Permitted Investments mentioned therein applied to the payment of Installment Payments as therein set forth), then and in that case the obligations created by this Agreement

shall thereupon cease, terminate and become void, and after provision for payment of amounts due the Trustee hereunder, the Trustee shall turn over to the District, as an overpayment of Installment Payments, any surplus in the Installment Payment Fund and all balances remaining in any other funds or accounts (other than moneys and Permitted Investments held for the payment of the Certificates at maturity or on prepayment, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the benefit of the Owners and shall be applied by the Trustee to the payment, when due, of the principal and interest and premium, if any, represented by the Certificates), and (unless otherwise provided herein) after such payment this Agreement shall become void.

If Defeasance Obligations are deposited with and held by the Trustee as hereinabove provided, the Trustee shall within thirty (30) days after such Defeasance Obligations shall have been deposited with it, mail a notice, first class postage prepaid, to the Owners at the addresses listed on the registration books kept by the Trustee pursuant to Section 2.08, setting forth (a) the date fixed for prepayment of the Certificates, (b) a description of the Defeasance Obligations, and (c) that this Agreement has been released in accordance with the provisions of this Section.

Section 10.02. Deposit of Money or Securities with Trustee. Whenever in this Agreement or the Installment Sale Agreement it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or prepay any Certificates, the money or securities to be so deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Agreement and shall be only Defeasance Obligations. In the event of a deposit of securities or an advance refunding, the District shall cause to be delivered a verification report or a report of an independent nationally recognized certified public accountant.

Section 10.03. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of the interest or principal or Prepayment Price represented by any of the Certificates that remain unclaimed for two (2) years after the later of (a) the date when such interest or principal or Prepayment Price shall have become payable, or (b) the date of deposit of such moneys if deposited with the Trustee after the date when the interest or principal or Prepayment Price represented by such Certificates shall have become payable, shall be repaid by the Trustee to the District as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of the interest and principal or Prepayment Price represented by such Certificates; provided, however, that before being required to make any such payment to the District, the Trustee shall, at the expense of the District, first mail a notice to the Owners of the Certificates so payable that such moneys remain unclaimed and that after a date named in such notice, which date shall not be less than thirty (30) days after the date of the mailing of such notice, the balance of such moneys then unclaimed will be returned to the District.

ARTICLE XI
MISCELLANEOUS

Section 11.01. Benefits of Trust Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the District, the Trustee, the Corporation, and the Owners any claim, remedy or right under or pursuant hereto, and any agreement, condition, covenant or term required herein to be observed or performed by

or on behalf of the District shall be for the sole and exclusive benefit of the Trustee, the Corporation, and the Owners.

Section 11.02. Successor Deemed Included in all References to Predecessor. Whenever the District, the Corporation or the Trustee or any officer thereof is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the District, the Corporation or the Trustee or such officer, and all agreements, conditions, covenants and terms required hereby to be observed or performed by or on behalf of the District, the Corporation or the Trustee or any officer thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 11.03. Execution of Documents by Owners. Any declaration, request or other instrument that is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or such person's attorney of any declaration, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee may accept that it deems sufficient.

The ownership of any Certificates and the amount, payment date, number and date of owning the same may be proved by the books required to be kept by the Trustee pursuant to the provisions of Section 2.08.

Any declaration, request or other instrument in writing of the Owner of any Certificate shall bind all future Owners of such Certificate with respect to anything done or suffered to be done by the District or the Trustee in good faith and in accordance therewith.

Section 11.04. Disqualified Certificates. Unless all Certificates are then so owned or held, Certificates known to the Trustee to be owned or held by or for the account of the Corporation or the District shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Certificates provided for in this Agreement, and shall not be entitled to consent to or take any other action provided for in this Agreement. For the purpose hereof no bank organized under the laws of the State and no national banking association doing business in said State, or elsewhere, shall be deemed to be an agency of the Corporation or of the District.

The Trustee may adopt appropriate regulations to require each Owner of Certificates, before his consent provided for in this Agreement shall be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in this Section. Upon request of the Trustee, the Corporation and the District shall specify in a certificate to the Trustee those Certificates disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

Section 11.05. Waiver of Personal Liability. No director, officer or employee of the District or the Corporation shall be individually or personally liable for the payment of the

interest or principal or the prepayment premiums, if any, represented by the Certificates, but nothing contained herein shall relieve any director, officer or employee of the District or Corporation from the performance of any official duty provided by any applicable provisions of law or by the Installment Sale Agreement or hereby.

Section 11.06. Acquisition of Certificates by the District; Destruction of Certificates. All Certificates acquired by the District, whether by purchase or gift or otherwise shall be surrendered to the Trustee for cancellation. Whenever in this Agreement provision is made for the cancellation by the Trustee of any Certificates, the Trustee shall destroy such Certificates and deliver a certificate of such destruction to the District.

Section 11.07. Headings. Headings preceding the text of the several Articles and Sections hereof, and the table of contents, are solely for convenience of reference and shall not constitute a part of this Agreement or affect its meaning, construction or effect.

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

Section 11.08. Funds and Accounts. Any fund required by this Agreement to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds shall at all times be maintained in accordance with sound corporate trust industry practices and with due regard for the protection of the security of the Certificates and the rights of every Owner thereof.

Section 11.09. Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms required herein to be observed or performed by or on the part of the District, the Corporation or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants and terms hereof and shall in no way affect the validity hereof or of the Certificates, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law. The District, the Corporation and the Trustee hereby declare that they would have executed this Trust Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the execution and delivery of the Certificates pursuant hereto irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstances may be held to be unconstitutional, unenforceable or invalid.

Section 11.10. California Law. THIS AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE.

Section 11.11. Notices. All written notices to be given under this Agreement shall be given by mail, unsecured email with an imaged or scanned attachment (such as a .pdf), or fax machine or other similar electronic transmission, with confirmation of receipt of such

transmission, to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other parties in writing from time to time.

If to the District:	Nipomo Community Services District P.O. Box 326 Nipomo, CA 93444-0326 Attention: General Manager Fax No.: (805) 929-1932
If to the Corporation:	Nipomo Community Services District Public Facilities Corporation P.O. Box 326 Nipomo, CA 93444-0326 Attention: Executive Director Fax No.: (805) 929-1932
If to the Trustee:	The Bank of New York Mellon Trust Company, N.A. 400 South Hope Street, Suite 400 Los Angeles, CA 90071 Attention: Corporate Trust Fax No.: (213) 630-6215

Section 11.12. Execution in Counterparts. This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

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

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

By:_____
Authorized Signatory

NIPOMO COMMUNITY SERVICES DISTRICT PUBLIC FACILITIES CORPORATION, as Corporation

By:_____
Executive Director

NIPOMO COMMUNITY SERVICES DISTRICT, as District

By:_____
President

Exhibit A

[FORM OF REVENUE CERTIFICATE OF PARTICIPATION]

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AS DEFINED IN THE TRUST AGREEMENT) TO THE TRUSTEE FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY CERTIFICATE EXECUTED AND DELIVERED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY), 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.

R-___ **$_____**

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SAN LUIS OBISPO

REVENUE CERTIFICATE OF PARTICIPATION
(Supplemental Water Project)
Series 2013

Evidencing the Direct, Undivided Fractional
Interest of the Owner Hereof in
Installment Payments to be Made by the

NIPOMO COMMUNITY SERVICES DISTRICT

As the Purchase Price for Certain Property
Pursuant to an Installment Sale Agreement With the
NIPOMO COMMUNITY SERVICES DISTRICT PUBLIC FACILITIES CORPORATION

INTEREST RATE	CERTIFICATE PAYMENT DATE	DATED DATE	CUSIP
	September 1, ____	September __, 2012	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ DOLLARS

THIS IS TO CERTIFY that the Registered Owner (specified above) of this Revenue Certificate of Participation (herein called the "Certificate") is the owner of an undivided interest

in the right to receive certain Installment Payments (as that term is defined in the Trust Agreement hereinafter mentioned) (the "Installment Payments") under that certain Installment Sale Agreement dated as of June 1, 2013 (the "Installment Sale Agreement") by and between Nipomo Community Services District Public Facilities Corporation (the "Corporation") and the Nipomo Community Services District (the "District"), the Installment Payments to be made thereunder having been assigned to The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), having a corporate trust office in Los Angeles, California. The Trustee has executed and delivered $[principal amount] aggregate principal amount of Certificates.

The Registered Owner of this Certificate is entitled to receive, subject to the terms of the Installment Sale Agreement and the Trust Agreement, on the Certificate Payment Date (specified above) the Principal Amount (specified above) representing a portion of the Installment Payments designated as principal coming due on the Certificate Payment Date, and to receive an interest component on such principal component at the interest rate per annum specified above, from the Interest Payment Date (as hereinafter defined) preceding the date of execution hereof by the Trustee, unless such date of execution is after a Record Date (as hereinafter defined) and on or before the succeeding Interest Payment Date, in which case interest shall be payable from such Interest Payment Date, or unless such date of execution is on or before the first Record Date, in which case interest shall be payable from the Delivery Date, provided, however, that if, as shown by the records of the Trustee, interest represented by this Certificate shall be in default, Certificates executed in exchange for this Certificate surrendered for transfer or exchange shall represent interest from the last date to which interest has been paid in full or duly provided for with respect to this Certificate, or, if no interest has been paid or duly provided for with respect to this Certificate, from the Delivery Date. Interest with respect to this Certificate shall be paid on March 1 and September 1 of each year, commencing September 1, 2013 (each, an "Interest Payment Date"), to and including the Certificate Payment Date set forth above or the date of prior prepayment hereof. The principal and prepayment price with respect hereto are payable in lawful money of the United States of America upon presentation and surrender at the Corporate Trust Office (as defined in the Trust Agreement) of the Trustee. Interest with respect hereto is payable by check of the Trustee mailed by first class mail on each Interest Payment Date to the Registered Owner hereof as of the close of business on the fifteenth day of the calendar month preceding such Interest Payment Date, whether or not such day is a business day (the "Record Date") at the address shown on the registration books maintained by the Trustee or, upon the request of an owner of at least $1,000,000 in aggregate principal amount of Certificates, by wire transfer in immediately available funds to an account in the United States designated by such owner in writing to the Trustee prior to the Record Date except in each case, that, if and to the extent that there shall be a default in the payment of the interest due on such Interest Payment Date, such defaulted interest shall be paid to the owner in whose name this Certificate is registered at the close of business on a special record date as determined by the Trustee.

The District has certified that all acts, conditions and things required by the statutes of the State of California and the Trust Agreement to exist, to have happened and to have been performed precedent to and in the delivery of this Certificate, do exist, have happened and have been performed in due time, form and manner as required by law.

This Certificate has been executed by the Trustee pursuant to the terms of a Trust Agreement, dated as of June 1, 2013, by and among the Trustee, the Corporation and the District (the "Trust Agreement"). Copies of the Trust Agreement and the Installment Sale Agreement

are on file at the Corporate Trust Office of the Trustee, and reference is made to the Trust Agreement and the Installment Sale Agreement and any and all amendments thereto for a description of the pledges and covenants securing the Certificates, the nature, extent and manner of enforcement of such pledges, the rights and remedies of the registered owners of the Certificates with respect thereto and the other terms and conditions upon which the Certificates are delivered thereunder.

The Certificates are payable from Installment Payments and other moneys on deposit in the funds and accounts created under the Trust Agreement. All Net Revenues, including Ad Valorem Tax Revenues, and all amounts on deposit in the Water Enterprise Fund (as such terms are defined in the Trust Agreement) are irrevocably pledged to the payment of the Installment Payments and the Net Revenues shall not be used for any other purpose while any of the Installment Payments remain unpaid; provided that out of Gross Revenues there may be apportioned such sums for such purposes as are expressly permitted in the Installment Sale Agreement. Such pledge constitutes a lien on Net Revenues and, subject to application of Gross Revenues and all amounts on deposit in the Water Enterprise Fund as permitted in the Installment Sale Agreement, the Water Enterprise Fund and other funds and amounts created under the Installment Sale Agreement for the payment of the Installment Payment and all Parity Obligations (as such term is defined in the Trust Agreement) in accordance with the terms of the Installment Sale Agreement and the Trust Agreement. The obligation of the District to make Installment Payments is a special obligation of the District payable solely from such Net Revenues, including Ad Valorem Tax Revenues (as such terms are defined in the Trust Agreement), the Water Enterprise Fund and other funds described in the Installment Sale Agreement and in the Trust Agreement and does not constitute a debt of the District or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction.

The District has covenanted not to issue evidences of indebtedness or incur other obligations that are payable from and secured by a pledge of and lien on Net Revenues senior to the pledge of and lien on Net Revenues of the Installment Payments. The District may at any time execute or issue any Parity Obligations, the payments of which, as the case may be, are on a parity with the Installment Payments and which are secured by a pledge of or lien on the Net Revenues in accordance with the Installment Sale Agreement.

The Certificates are authorized to be executed and delivered in the form of fully registered Certificates in the denomination of $5,000 each or any integral multiple thereof; provided that no Certificate shall have principal represented thereby becoming payable in more than one year. Subject to the limitations and conditions and upon payment of the taxes or charges, if any, as provided in the Trust Agreement, Certificates may be exchanged for a like aggregate principal amount of Certificates of the same Certificate Payment Date and interest rate of other authorized denominations at the Corporate Trust Office of the Trustee.

This Certificate is transferable by the Registered Owner hereof, in person or by such person's duly authorized attorney, at said office of the Trustee, but only in the manner, subject to the limitations and upon payment of the taxes or charges provided in the Trust Agreement, and upon surrender of this Certificate for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. Upon such transfer a new Certificate or Certificates, of the same Certificate Payment Date, and of authorized denomination

or denominations, for a like aggregate principal amount and interest rate will be delivered to the transferee in exchange therefor. The Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Trustee shall not be affected by any notice to the contrary.

The Trustee shall not be required to register the transfer or exchange of any Certificate (i) within 15 days preceding selection of Certificates for prepayment or (ii) selected for prepayment.

The Certificates shall be subject to prepayment prior to their respective stated maturities, as a whole on any date or in part on any Interest Payment Date, in the order of maturity as directed by the District in a written request provided to the Trustee at least 60 days prior to the prepayment date, or in the event the District has not directed the order of maturity, in inverse order of maturity, and by lot within each maturity in integral multiples of $5,000, from prepaid Installment Payments made by the District from net proceeds of insurance or condemnation awards upon the terms and conditions of, and as provided for, in the Trust Agreement and the Installment Sale Agreement (provided that such prepayment shall occur on the next Interest Payment Date subsequent to such transfer with respect to which timely notice of prepayment can be provided) at a prepayment price equal to the principal amount thereof plus accrued interest thereon to the date fixed for prepayment, without premium.

In addition, the Certificates bearing stated maturities of on or after September 1, 2023 shall be subject to prepayment at the option of the District on September 1, 2022 or any date thereafter, from any available source of funds, as a whole or in part at a Prepayment Price of par together with interest accrued thereon to the date of prepayment, without premium.

The Certificates maturing on September 1, 20__, and September 1, 20__, respectively, are to be called for mandatory sinking fund prepayment prior to such maturity dates in part, by lot, at 100% of the principal amount thereof plus accrued interest to the prepayment date, as set forth in the Trust Agreement.

As provided in the Trust Agreement, notice of prepayment hereof shall be mailed, first class postage prepaid, at least thirty days but not more than sixty days prior to the prepayment date, to the Registered Owner of this Certificate. If this Certificate is called for prepayment and payment is duly provided therefor as specified in the Trust Agreement, interest represented hereby shall cease to accrue from and after the date fixed for prepayment. Any failure to receive such notice or defect in the notice or the mailing will not affect the validity of the prepayment of this Certificate.

The Trustee has no obligation or liability to the Certificate owners for the payment of interest, principal or prepayment premium, if any, with respect to the Certificates out of the Trustee's own funds; the Trustee's sole obligations are those described in the Trust Agreement. The recitals of facts in the Trust Agreement shall be taken as statements of the District and the Corporation and the Trustee does not have any responsibility for the accuracy thereof.

The Trustee has executed this Certificate solely in its capacity as Trustee under the Trust Agreement.

IN WITNESS WHEREOF, this Certificate has been executed by the manual signature of an authorized officer of the Trustee, all as of the date set forth below.

Execution date: June __, 2013

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

By_____
Authorized Officer

[FORM OF ASSIGNMENT]

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within-mentioned Certificate and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the Certificate register of the Trustee with full power of substitution in the premises.

Dated: _____

_____

Note: The signature(s) to 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

Signature Guaranteed:

_____

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

EXHIBIT B

FORM OF CONSTRUCTION FUND REQUISITION

REQUISITION NO. __ (to be numbered sequentially)

with reference to

$[principal amount]
Nipomo Community Services District
Revenue Certificates of Participation
(Supplemental Water Project)
Series 2013

I. The Nipomo Community Services District (the "District") hereby requests The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), pursuant to that certain Trust Agreement, dated as of June 1, 2013 (the "Trust Agreement"), by and between the District and the Trustee, under the terms of which the District has executed and delivered has its Revenue Certificates of Participation (Supplemental Water Project) Series 2013, to pay from the moneys in the Construction Fund established pursuant to the Trust Agreement, the amounts shown on Schedule I attached hereto to the parties indicated in Schedule I.

II. The payees, the purposes for which the costs have been incurred, and the amount of the disbursements requested are itemized on Schedule I hereto.

III. Each obligation mentioned in Schedule I hereto has been properly incurred and is a proper charge against the Construction Fund. None of the items for which payment is requested has been reimbursed previously from the Construction Fund.

IV. There has not been filed with or served upon the District or the Nipomo Community Services Public Facilities Corporation a stop notice or any other notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable to the person[s] named on Schedule I hereto which has not been released or will not be released simultaneously with the payment of such obligation, other than liens accruing by mere operation of law.

DATED: _____

NIPOMO COMMUNITY SERVICES DISTRICT

By_____
Title:_____