

TO: BOARD OF DIRECTORS  
FROM: MICHAEL S. LEBRUN *MSL*  
GENERAL MANAGER  
DATE: MAY 3, 2013

**AGENDA ITEM**  
**E-1**  
**MAY 8, 2013**

**AUTHORIZATION OF THE NIPOMO COMMUNITY SERVICES DISTRICT  
REVENUE CERTIFICATES OF PARTICIPATION (SUPPLEMENTAL  
WATER AND REFUNDING 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 \$9,500,000 Revenue Certificates of Participation (Supplemental Water and Refunding Project) Series 2013 and Approving a Trust Agreement, an Installment Sale Agreement, an Agency Agreement, 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 \$9,500,000 in Revenue Certificates of Participation (Supplemental Water and Refunding 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"). 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 required by the Stipulation. The added source of water provided by Phase 1 will significantly increase the reliability of the District water supply.

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

under the Santa Maria River, 2,726 lineal feet of 24 inch diameter DIP waterline, a flow meter and flow control station, a 400-gallon per minute 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. The District has no plans to incur additional bonded indebtedness for these future phases.

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

The District received bids on the three Phase 1 construction bid packages during the week of March 25. Based on the apparent lowest responsible bidder for each bid package, the total estimated project cost of Phase 1 is \$17,503,160. On April 24, 2013 the Board approved a financing plan for Phase 1.

The approved financing plan for Phase 1 calls for the execution of new Revenue Certificates of Participation (the "2013 Certificates"), a portion of the proceeds to finance a portion of Phase 1. Net proceeds of the 2013 Certificates in the amount of \$5,000,000, 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, \$1,000,000 in existing funds from Fund #500 - Supplemental Water Capital Fee Fund and \$4,000,000 in existing funds from Fund #805 - Water Funded Replacement Fund (or, alternatively, in light of a potential challenge to use of Water Funded Replacement Funds, \$4,000,000 from existing funds redesignated or on loan from the Water Funded Replacement Fund or from an interfund loan of existing funds in the Sewer Replacement Fund) for a total amount of \$17,503,160 from funds of the Water Enterprise, will be allocated to complete Phase I.

Refunding. In 2003, the District executed and delivered its \$4,000,000 Revenue Certificates of Participation (Pipeline and Storage Facility Project) Series 2003 (the "2003 Certificates"), of which \$3,235,000 is currently outstanding at an average interest cost of 4.74%. The 2003 Certificates were sold with MBIA bond insurance (then rated "Aaa" and "AAA," now "Baa" and "BBB"), with current underlying ratings of "A" by Standard & Poor's. Based on current bond market conditions, a refunding could reduce true interest cost to 3.37% inclusive of all refunding costs. This would produce a savings in present value dollars of \$330,439 and \$411,697 in Total Dollars. Average annual savings would be \$20,584 over the remaining 20 years life of the Certificates.

The refunding savings are attractive with present value (PV) savings at over 10% of the 2003 Certificates outstanding. A 3% PV savings rate is considered by many issuers and financial policies as a net PV savings benchmark. Actual savings will not be determined until time of sale and could be higher or lower depending on bond market conditions in May.

2013 Certificates. It is now proposed to refinance the 2003 Certificates and finance a portion of Phase 1 by executing and delivering the not to exceed \$9,500,000 Revenue Certificates of Participation (Supplemental Water and Refunding Project) Series 2013 (the "2013 Certificates"). 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 funded by the 2003 Certificates and 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 \$503,000 per year depending on final bond rating and market conditions at time of sale.

A standard bond debt service reserve fund will also be funded from Certificate proceeds. 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 May 7, 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 in late May with a bond closing in early June. The true interest rate on the debt is expected to be under 4% 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 after an RFP selection process conducted by staff and financial advisor. Underwriting proposals were solicited from four firms, Citigroup, who won the bid for the Sewer Bonds in 2012, Stiffel (Stone & Youngberg) the firm retained for the assessment district program, Southwest Securities and DeLaRosa. 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 \$9,500,000 of revenue Certificates by the District. The Certificates will be sold on a negotiated basis at a true interest cost of not to exceed 4.65%. 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. 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. 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.

*Escrow Deposit and Trust Agreement:* This agreement provides that the proceeds from the 2013 Certificates will be deposited with the 2003 Certificate trustee and used to prepay and defease the 2003 Certificates. This document is drafted by Special Counsel and executed by the District, the PFC and the Trustee, as escrow agent.

*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 4.65% and with an underwriter's discount of not to exceed 1% and a principal amount of not to exceed \$9,500,000. The sale of the 2013 Certificates is scheduled for May. 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 \$503,000 per year for a term of 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
- AN ESCROW DEPOSIT AND TRUST AGREEMENT
- A CONTINUING DISCLOSURE AGREEMENT
- A PRELIMINARY OFFICIAL STATEMENT
- A BOND PURCHASE AGREEMENT

Upon adoption of Resolution 2013-XXXX COP APPROVAL, convene to Nipomo Community Services District Public Facilities Corporation

### **ATTACHMENTS**

- A. RESOLUTION 2013-XXXX COP APPROVAL
- B. TRUST AGREEMENT
- C. INSTALLMENT AGREEMENT
- D. AGENCY AGREEMENT
- E. ASSIGNMENT AGREEMENT
- F. ESCROW DEPOSIT AND TRUST AGREEMENT
- G. PRELIMINARY OFFICIAL STATEMENT (INCLUDES CONTINUING DISCLOSURE AGREEMENT, AS APPENDIX E)
- H. BOND PURCHASE AGREEMENT

MAY 8, 2013

ITEM E-1

ATTACHMENT A

**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 \$9,500,000  
REVENUE CERTIFICATES OF PARTICIPATION (SUPPLEMENTAL  
WATER AND REFUNDING PROJECT) SERIES 2013 AND APPROVING  
A TRUST AGREEMENT, AN INSTALLMENT SALE AGREEMENT, AN  
AGENCY AGREEMENT, AN ESCROW 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 has heretofore caused the execution and delivery of its \$4,000,000 Nipomo Community Services District Revenue Certificates of Participation (Pipeline and Storage Facility Project) Series 2003 (the "Series 2003 Certificates") for the purpose of financing certain improvements to the Enterprise; and

**WHEREAS**, the District has determined that it is in the best interests of the District to refund and prepay the Series 2003 Certificates at this time to achieve an interest rate savings; and

**WHEREAS**, the District also 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 refinancing and 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 and refinanced 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 and Refunding 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

**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 \$9,500,000 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, an Escrow 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 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 refunding and prepayment of the Series 2003 Certificates are hereby authorized and approved by the District.

**Section 2.** The Revenue Certificates of Participation (Supplemental Water and Refunding Project) Series 2013 (the "Certificates") are hereby authorized by the District to be executed and delivered in an amount not to exceed \$9,500,000 in the aggregate pursuant to and in accordance with the provisions of the Trust Agreement, as hereinafter defined.

**Section 3.** 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 and refinanced 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

**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 \$9,500,000 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, an Escrow 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.**

- (d) an Escrow Deposit and Trust Agreement, by and among the Corporation, the District and The Bank of New York Mellon Trust Company, N. A., as escrow bank, relating to the prepayment and defeasance of the Series 2003 Certificates (the "Escrow Agreement"); and
- (e) a Continuing Disclosure Agreement by the District and accepted by the Trustee as dissemination agent, relating to the Certificates.

**Section 4.** 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 5.** 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 6.** The final Official Statement, when executed, is approved for distribution in connection with the offering and sale of the Certificates.

**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 \$9,500,000 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, an Escrow 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.**

**Section 7.** 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 4.65%, and an underwriter's discount not greater than 1% of the principal amount of Certificates.

**Section 8.** The District hereby designates the Certificates as qualified tax-exempt obligations within the meaning of section 265(b)(3) of the Code. The District reasonably anticipates that the amount of tax-exempt obligations (other than those described in section 265(b)(3)(C)(ii) of the Code) that will be issued in calendar year 2013 by the District, and by any entities related or subordinate to the District for the purpose of aggregation of issuers as provided in section 265(b)(3)(E) of the Code, will not exceed \$10,000,000.

**Section 9.** 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 10.** 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 \$9,500,000 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, an Escrow 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 of the Board

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
MICHAEL S. LEBRUN  
Secretary to the Board

\_\_\_\_\_  
MICHAEL SEITZ  
District Legal Counsel



MAY 8, 2013

ITEM E-1

ATTACHMENT B

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**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 April 1, 2013**

**Relating to**

**\$(principal amount)  
REVENUE CERTIFICATES OF PARTICIPATION  
(SUPPLEMENTAL WATER AND REFUNDING PROJECT)  
SERIES 2013**

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## TRUST AGREEMENT

THIS TRUST AGREEMENT, made and entered into as of April 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"):

### WITNESSETH:

**WHEREAS**, the District has heretofore caused the execution and delivery of its \$4,000,000 Nipomo Community Services District Revenue Certificates of Participation (Pipeline and Storage Facility Project) Series 2003 (the "Series 2003 Certificates") 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 supplemental water improvements (the "Additional Improvements") to the Enterprise the balance of such costs to be paid from other monies of the District; and

**WHEREAS**, the District has determined that it is in the best interests of the District to also refund and defease the 2003 Certificates at this time; and

**WHEREAS**, the District wishes to prepay the unpaid installment payments due by the District for the purchase of the Prior Improvements acquired under that certain 2003 Installment Purchase Agreement, dated as of May 1, 2003 (the "Series 2003 Installment Purchase Agreement"), by and between the District and the Corporation, and the District wishes to finance a portion of the costs of the Additional Improvements (collectively, the "Project"); and

**WHEREAS**, the Board of Directors of the District has determined that in order to accomplish such refinancing and financing it is necessary and desirable that the Corporation cause the Additional Improvements to be constructed and the Project sold to the District pursuant to the Installment Sale Agreement dated as of April 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 this Installment Sale Agreement in order to purchase the Project from the Corporation; 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 and Refunding Project) Series 2013 under this Trust 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 Trust 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 Certified Public 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 XIII A of the California Constitution.

Additional Improvements. The term "Additional Improvements" means the supplemental water improvements as more particularly described in Exhibit B to the Installment Sale Agreement.

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 Certified Public Accountant.

Agency Agreement. The term "Agency Agreement" means that certain Agency Agreement, dated as of April 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 April 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.

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 Additional Improvements.

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 assumed to be the highest of: (i) the actual rate on the date of calculation, or if the Parity Obligations or Installment Payments are not yet outstanding, the initial rate (if established and binding), (ii) if the Parity Obligations or Installment Payments have been outstanding for at least twelve months, the average rate over the twelve months immediately preceding the date of

calculation, and (iii)(1) if interest on the Parity Obligations or Installment Payments is excludable from gross income under the applicable provisions of the Internal Revenue Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus fifty (50) basis points, or (2) if interest is not so excludable, the interest rate on direct United States Treasury obligations with comparable maturities plus fifty (50) basis points;

provided further that if any series or issue of such Parity Obligations or Installment Payments have twenty-five percent (25%) or more of the aggregate principal amount of such series or issue due in any one year, Debt Service shall be determined for the period of determination as if the principal of and interest on such series or issue of such Parity Obligations or Installment Payments were being paid from the date of incurrence thereof in substantially equal annual amounts over a period of twenty-five (25) years from the date of calculation; and

provided further that, as to any such Parity Obligations or Installment Payments or portions thereof bearing no interest but that are sold at a discount that accretes with respect to such Parity Obligations or Installment Payments or portions thereof, such accreted discount shall be treated as interest in the calculation of Debt Service; and

provided further that the amount on deposit in a debt service reserve fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Parity Debt and Contracts for which such debt service reserve fund was established and to the extent the amount in such debt service reserve fund is in excess of such amount of principal, such excess shall be applied to the full amount of principal due, in each preceding year, in descending order, until such amount is exhausted; and

provided further that if interest on any Parity Obligations or Installment Payments is reasonably anticipated to be reimbursed to the District by the United States of America pursuant to a future program similar to previously enacted Section 54AA of the Code, then interest payments with respect to such Parity Obligations or Installment Payments shall be reduced by the amount of such interest reasonably anticipated to be paid or reimbursed by the United States of America.

Debt Service shall also include any amounts owed by the District to the issuer of a Reserve Fund credit instrument 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 Qualified Reserve Fund Credit Instrument.

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 under or with respect to this Trust Agreement, the Installment Sale Agreement and/or the Assignment Agreement and identified as such to the Trustee in writing.

Enterprise. The term “Enterprise” means any and all facilities, properties and improvements at any time owned, controlled or operated by the District for the treatment of water, and any necessary lands, rights or way and other real or personal property useful in connection therewith.

Escrow Agent. The term “Escrow Agent” means The Bank of New York Mellon Trust Company, N. A., as escrow agent under the Escrow Agreement.

Escrow Agreement. The term “Escrow Agreement” means the Water Escrow Deposit and Trust Agreement, dated as of April 1, 2013, by and among the District, the Corporation and the Escrow Agent, relating to the prepayment of the Series 2003 Installment Payments and the defeasance of the Series 2003 Certificates.

Escrow Fund. The term “Escrow Fund” means the fund by that name established pursuant to the Escrow Agreement and held by the Escrow Agent.

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.

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.

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 Certified Public Accountant. The term “Independent Certified Public Accountant” means any firm of certified public accountants appointed by the District, each of whom is independent of the District and the Corporation pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

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:

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

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

(c) 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 a “EMMA”), a facility of the Municipal Securities Rulemaking Board, at [www.emma.msrb.org](http://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 April 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).

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.

Net Revenues. The term “Net Revenues” means Gross Revenues less Operation and Maintenance Costs.

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 the reasonable and necessary costs of maintaining and operating the Enterprise, calculated on sound accounting principles, including (among other things) the reasonable expenses of management, personnel, services, equipment, repair and other expenses necessary to maintain and preserve the Enterprise in good repair and working order, and reasonable amounts for administration, including but not limited to salaries and wages of employees, payments to the Public Employees Retirement System, overhead, insurance, taxes (if any), fees of auditors, accountants, attorneys, consultants or engineers and insurance premiums and other similar costs,



and all other reasonable and necessary costs of the District or charges (other than debt service payments) required to be paid by it to comply with the terms of the Certificates or of the Installment Sale Agreement or any Contract or of any resolution or indenture authorizing the issuance of any Parity Debt or of such Parity Obligations, but excluding in all cases, depreciation and obsolescence charges or reserves therefor and amortization of intangibles or other bookkeeping entries of a similar nature and all capital charges.

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 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; and

(g) 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.

Prior Improvements. The term “Prior Improvements” means the supplemental water improvements financed by the Series 2003 Certificates as more particularly described in Exhibit B to the Installment Sale Agreement.

Project. The term “Project” means the Prior Improvements and the Additional Improvements to the Enterprise 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 established in Section 5.6 of the Installment Sale Agreement.

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 rating agency then rating the Certificates, and which in the aggregate making funds available in the Reserve Fund in an amount equal to the Reserve Requirement.

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, a division of McGraw-Hill, Inc., a corporation organized and existing under the laws of the State of New York, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the District.

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.

Series 2003 Certificates. The term “Series 2003 Certificates” means the certificates of participation executed and delivered by the Series 2003 Trustee pursuant to the Series 2003 Trust Agreement.

Series 2003 Installment Purchase Agreement. The term “Series 2003 Installment Purchase Agreement” means the Installment Purchase Agreement, dated as of May 1, 2003, by and between the District and the Corporation, relating to the Series 2003 Certificates.

Series 2003 Installment Payments. The term “Series 2003 Installment Payments” means the Series 2003 Installment Purchase Agreement, dated as of May 1, 2003, by and between the District and the Corporation, relating to the Series 2003 Certificates.

Series 2003 Trust Agreement. The term "Series 2003 Trust Agreement" means the Trust Agreement, dated as of May 1, 2003, by and among the District, the Corporation and the Series 2003 Trustee, relating to the Series 2003 Certificates.

Series 2003 Trustee. The term "Series 2003 Trustee" means the Bank of New York Mellon Trust Company, N.A., as successor to BNY Western Trust Company, as trustee under the Series 2003 Trust Agreement.

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.

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.

**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 and Refunding Project) Series 2013" in an aggregate principal amount of Nine Million Seven Hundred Ninety-Five Thousand Dollars (\$[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 transfer to the Escrow Agent for deposit into the escrow fund established under the Escrow Agreement the amount of \$\_\_\_\_\_ to prepay the Series 2003 Installment Payments and defease the Series 2003 Certificates;

(b) the Trustee shall set aside in the Cost of Issuance Fund the amount of \$\_\_\_\_\_ to pay Costs of Issuance;

(c) the Trustee shall set aside in the Reserve Fund the amount of \$\_\_\_\_\_, being the initial Reserve Requirement; and

(d) the Trustee shall set aside in the Construction Fund the remaining funds in the amount of \$ \_\_\_\_\_ to pay the Construction Costs of the Additional Improvements.

**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 Additional Improvements.

**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 Additional Improvements 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 Additional Improvements 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 Additional Improvements 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 Additional Improvements 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)	<u>Principal Amount</u>

\*Maturity

Term Certificate Maturing September 1, 20\_\_

Prepayment Dates	
(September 1)	<u>Principal Amount</u>

\*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.

**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.

**Section 6.11. Bank Qualification of Certificates.** The District hereby designates the Certificates as qualified tax-exempt obligations within the meaning of section 265(b)(3) of the Code. The District reasonably anticipates that the amount of tax-exempt obligations (other than those described in section 265(b)(3)(C)(ii) of the Code) that will be issued in calendar year 2013

by the District, and by any entities related or subordinate to the District for the purpose of aggregation of issuers as provided in section 265(b)(3)(E) of the Code, will not exceed \$10,000,000. The District (including any related or subordinate entity) agrees not to designate more than \$10,000,000 qualified tax-exempt obligations within the meaning of section 265(b)(3) of the Code in the calendar year 2013.

## **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 of 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-\_\_\_\_\_

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

**REVENUE CERTIFICATE OF PARTICIPATION**  
**(Supplemental Water and Refunding 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 <u>RATE</u>	CERTIFICATE PAYMENT <u>DATE</u>	DATED <u>DATE</u>	<u>CUSIP</u>
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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 April 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 April 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: April \_\_, 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 and Refunding 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 April 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 and Refunding 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: \_\_\_\_\_

MAY 8, 2013

ITEM E-1

ATTACHMENT C

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INSTALLMENT SALE AGREEMENT

by and between

NIPOMO COMMUNITY SERVICES DISTRICT,  
as Purchaser

and

NIPOMO COMMUNITY SERVICES DISTRICT  
PUBLIC FACILITIES CORPORATION,  
as Seller

Dated as of June 1, 2013

Relating to

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

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## INSTALLMENT SALE AGREEMENT

This INSTALLMENT SALE AGREEMENT ("Agreement"), made and entered into as of June 1, 2013, by and between the NIPOMO COMMUNITY SERVICES DISTRICT, a community services district duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "District"), as seller, and the NIPOMO COMMUNITY SERVICES DISTRICT PUBLIC FACILITIES CORPORATION, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"), as purchaser:

### WITNESSETH:

WHEREAS, the District has heretofore caused the execution and delivery of its \$4,000,000 Nipomo Community Services District Revenue Certificates of Participation (Pipeline and Storage Facility Project) Series 2003 (the "Series 2003 Certificates") 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, known as Phase 1 of the Supplemental Water Project (the "Phase 1 Improvements") to the Enterprise, the balance of such costs to be paid from other monies of the District; and

WHEREAS, the District has determined that it is in the best interests of the District to also refund and defease the Series 2003 Certificates at this time; and

WHEREAS, the District wishes to prepay the unpaid installment payments due by the District for the purchase of the Prior Improvements acquired under that certain 2003 Installment Purchase Agreement, dated as of May 1, 2003 (the "Series 2003 Installment Purchase Agreement"), by and between the District and the Corporation, and the District wishes to finance a portion of the costs of the Phase 1 Improvements (collectively, the "Project"); and

WHEREAS, the Board of Directors of the District has determined that in order to accomplish such refinancing and financing it is necessary and desirable that the Corporation cause the Phase 1 Improvements to be constructed and the Project 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 this Agreement; and

WHEREAS, the District will agree to make installment payments pursuant to this Installment Sale Agreement in order to purchase the Project from the Corporation; 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 and Refunding Project) Series 2013 under the Trust Agreement dated as of June 1, 2013

(the "Trust Agreement"), by and among the Corporation, the District and The Bank of New York Mellon Trust Company, N.A., as trustee; and

WHEREAS, the District and the Corporation have duly authorized the execution of this Agreement; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Agreement do exist, 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 authorized to execute and enter into this Agreement;

NOW, THEREFORE, IN CONSIDERATION OF THESE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

## **ARTICLE I DEFINITIONS AND EXHIBITS**

**Section 1.1. Definitions.** Unless the context otherwise requires, the capitalized terms used herein 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 and if not defined herein, shall have the meanings ascribed thereto in the Trust Agreement.

### **Section 1.2. Content of Written Certificates.**

Every certificate provided for in this Agreement with respect to compliance with any provision hereof shall include (a) a statement that the person making or giving such certificate or opinion has read such provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the certificate is based; (c) a statement that, in the opinion of such person, he or she has made or caused to be made such examination or investigation as is necessary to enable him or her to express an informed opinion with respect to the subject matter referred to in the instrument to which his or her signature is affixed; (d) a statement of the assumptions upon which such certificate is based, and that such assumptions are reasonable; and (e) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such certificate made or given by a District Representative may be based, insofar as it relates to legal or accounting matters, upon a certificate or opinion of or representation by counsel or an accountant, unless such District Representative knows, or in the exercise of reasonable care should have known, that the certificate, opinion or representation with respect to the matters upon which such certificate or statement may be based, as aforesaid, is erroneous. Any such certificate or opinion made or given by counsel or an accountant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the District, as the case may be) upon a certificate or opinion of or representation by a District Representative, unless such counsel or accountant knows, or in the exercise of reasonable care should have known, that the certificate or opinion or representation with respect to the matters

upon which such person's certificate or opinion or representation may be based, as aforesaid, is erroneous. The same District Representative, or the same counsel or accountant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Agreement, but different officers, counsel or accountants may certify to different matters, respectively.

### **Section 1.3. Exhibits.**

The following Exhibits are attached to, and by this reference are made a part of, this Agreement:

Exhibit A: Purchase Price and Schedule of Series 2013 Installment Payments

Exhibit B: Description of Project

## **ARTICLE II REPRESENTATIONS AND WARRANTIES; OPINIONS OF COUNSEL**

**Section 2.1. Representations by the District.** The District makes the following representations:

(a) The District is a community services district duly organized and existing under and pursuant to the laws of the State of California.

(b) The District has full legal right, power and authority to enter into this Agreement and carry out its obligations hereunder, to carry out and consummate all other transactions contemplated by this Agreement, and the District has complied with the provisions of the Law in all matters relating to such transactions.

(c) By proper action, the District has duly authorized the execution, delivery and due performance of this Agreement.

(d) The District will not take or, to the extent within its power, permit any action to be taken as a consequence of which any Interest Component of Series 2013 Installment Payments would fail to be excluded pursuant to section 103(a) of the Code from the gross income of the Corporation or its assigns for purposes of federal income taxation, or to fail to be exempt from the California personal income tax.

(e) The District has determined that it is necessary and proper for District uses and purposes within the terms of the Law that the District finance the Project in the manner provided for in this Agreement.

**Section 2.2. Representations and Warranties by the Corporation.** The Corporation makes the following representations and warranties:

(a) The Corporation is a nonprofit public benefit corporation authority duly organized and in good standing under the laws of the State of California, has full legal right, power and

authority to enter into this Agreement and to carry out and consummate all transactions contemplated by this Agreement and by proper action has duly authorized the execution and delivery and due performance of this Agreement.

(b) The execution and delivery of this Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the Corporation is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default (with due notice or the passage of time or both) under any such indenture, agreement or other instrument, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of the Corporation.

(c) The Corporation will not take or permit any action to be taken as a consequence of which any Interest Component of Series 2013 Installment Payments would fail to be excluded pursuant to section 103(a) of the Code from the gross income of the Corporation or its assigns for purposes of federal income taxation, or to fail to be exempt from the California personal income tax.

### **ARTICLE III**

#### **DEPOSIT OF MONEYS; CONSTRUCTION OF PHASE 1 IMPROVEMENTS**

**Section 3.1. Deposit of Moneys.** On the Closing Date, the Corporation shall cause to be deposited with the Trustee the amount derived from Certificate proceeds.

**Section 3.2. Construction of Phase 1 Improvements.** The Corporation hereby agrees to construct the Phase 1 Improvements under the terms and conditions set forth herein. The Corporation has appointed the District as its agent to construct the Phase 1 Improvements pursuant to the Agency Agreement.

**Section 3.3. Payment of Series 2003 Installment Payments, Construction Costs and Delivery Costs.** Prepayment of the Series 2003 Installment Payments shall be made from the moneys irrevocably deposited with the Trustee in the Escrow Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with the Escrow Agreement. Payment of the Construction Costs shall be made from the moneys deposited with the Trustee in the Construction Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with Section 3.06 of the Trust Agreement. Payment of Issuance Costs shall be made from the moneys deposited with the Trustee in the Costs of Issuance Fund, which moneys shall be disbursed for such purpose in accordance and upon compliance with Section 3.04 of the Trust Agreement. The District hereby covenants to pay necessary Construction Costs and Issuance Costs in excess of amounts available from Certificate proceeds from any legally available source of funds.

**Section 3.4. Unexpended Proceeds.** In accordance with Section 3.07 of the Trust Agreement, all excess moneys remaining in the Construction Fund and not required for payment of Construction Costs shall be transferred to the Installment Payment Fund and applied to the prepayment of Certificates.

**ARTICLE IV**  
**SALE OF PROJECT; TITLE TO THE PROJECT; TERM OF THE**  
**INSTALLMENT SALE AGREEMENT; INSTALLMENT PAYMENTS**

**Section 4.1. Sale.** The Corporation hereby sells, bargains and conveys the Project to the District, and the District hereby purchases the Project from the Corporation, for a purchase price not to exceed \$[principal amount], upon the terms and conditions set forth in this Agreement.

**Section 4.2. Title.** The District and the Corporation agree that title to the Project shall be deemed conveyed to and vested in the District on the Closing Date, subject only to Permitted Encumbrances. The Corporation and its officers shall take all actions necessary to vest in the District all of the Corporation's rights in and title to the Project.

**Section 4.3. Term of the Installment Sale Agreement.** The Term of this Agreement shall become effective upon its execution and delivery and shall end on September 1, 2053, unless such term is sooner terminated when all Installment Payments shall have been paid in full or payment thereof shall have been provided for in accordance with the provisions hereof.

**Section 4.4. Purchase Price.**

(a) The Purchase Price to be paid by the District hereunder to the Corporation is the sum of the principal amount of the District's obligations hereunder, plus the interest to accrue on the unpaid balance of such principal amount from the effective date hereof over the term hereof, subject to prepayment as provided in Article VII.

(b) The principal amount of the payments to be made by the District hereunder (\$[principal amount] or the "principal component") on each Series 2013 Installment Payment Date is set forth in Exhibit A hereto; provided however, the amount payable by the District to the Corporation on each Series 2013 Installment Payment Date shall be reduced by the amount, if any, on deposit in the Installment Payment Fund and available or to be available for the payment of principal of and interest with respect to the Certificates on such Interest Payment Date as a result of prepayment in accordance with Article VII.

(c) The interest to accrue on the unpaid balance of such principal amount is as specified in Section 2.03 of the Trust Agreement and Exhibit A hereto, and all amounts attributable to interest (the "interest component") will be calculated and determined in accordance with the provisions set forth in the Trust Agreement and shall be paid by the District as and constitute interest paid on the principal amount of the District's obligations hereunder.

**Section 4.5. Series 2013 Installment Payments.** The District shall, subject to any rights of prepayment provided in Article VII, pay the Corporation the Purchase Price in installment payments consisting of components of interest and principal in the amounts relating to each Series 2013 Installment Payment Date as set forth in Exhibit A hereto.

Each Series 2013 Installment Payment shall be paid to the Corporation in lawful money of the United States of America. In the event the District fails to make any of the payments required to be made by it under this section, such payment shall continue as an obligation of the



District until such amount shall have been fully paid; and the District agrees to pay the same with interest accruing thereon at the rate or rates of interest then applicable to the remaining unpaid principal balance of the Series 2013 Installment Payments if paid in accordance with their terms.

The obligation of the District to make the Series 2013 Installment Payments is absolute and unconditional, and until such time as the Purchase Price shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article IX), the District will not discontinue or suspend any Series 2013 Installment Payments required to be made by it under this section when due, whether or not the Enterprise or any part thereof is operating or operable or the Project has been completed, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part and such payments shall not be subject to reduction whether by offset, abatement or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

## **ARTICLE V SECURITY**

**Section 5.1. Pledge of Revenues.** The Ad Valorem Tax Revenues are irrevocably pledged as the first source of repayment of the Series 2003 Installment Payments and shall not be used for any other purposes while any of the Series 2013 Installment Payments remain unpaid. In the event that the Ad Valorem Tax Revenues are not sufficient in amount to pay the Series 2013 Installment Payments when due, any unpaid portion of the Installment Payments shall be paid from other Net Revenues. In furtherance of the foregoing, all Net Revenues and all amounts on deposit in the Revenue Fund are hereby irrevocably pledged to the payment of the Series 2013 Installment Payments as provided in the Installment Sale Agreement and, except for the payment of the Operation and Maintenance Costs, the Net Revenues shall not be used for any other purpose while any of the Series 2013 Installment Payments remain unpaid; provided that out of the Net Revenues there may be apportioned such sums for such purposes as are expressly permitted herein. This pledge shall constitute a first and exclusive lien on the Ad Valorem Revenues and other Net Revenues, the Revenue Fund and the other funds and accounts created hereunder for the payment of the Series 2013 Installment Payments and all other Parity Obligations in accordance with the terms hereof and of the Trust Agreement. Moneys in the Reserve Fund are pledged to the Series 2013 Installment Payments as provided herein.

**Section 5.2. Allocation of Gross Revenues and Ad Valorem Tax Revenues.** In order to carry out and effectuate the pledge and lien contained herein, the District agrees and covenants that (i) all Gross Revenues (other than Ad Valorem Tax Revenues) shall be received by the District in trust hereunder and shall be deposited when and as received in a special fund designated as the "Water Enterprise Fund", and (ii) all Ad Valorem Tax Revenues shall be received by the District in trust hereunder and shall be deposited when and as received in the "Ad Valorem Tax Account of the Water Enterprise Fund," which fund and account is hereby created and established and which fund and account the District agrees and covenants to maintain and to hold in trust separate and apart from other funds so long as any Installment Payments or Parity Obligations remain unpaid. The District shall, from the moneys in the Water Enterprise Fund other than the Ad Valorem Tax Account, pay all Operation and Maintenance Costs (including amounts reasonably required to be set aside in contingency reserves for Operation and Maintenance Costs, the payment of which is not then immediately required) as they become due and payable. Thereafter, all moneys in the Ad Valorem Tax Account and all

remaining moneys in the Water Enterprise Fund shall be set aside by the District at the following times for the transfer to the following respective special funds in the following order of priority; and all moneys in each of such funds shall be held in trust and shall be applied, used and withdrawn only for the purposes set forth in this Section.

(a) Installment Payment Fund. On or before each Series 2013 Installment Payment Date, until the Certificates have been paid or provision for their payment has been made as provided in Section 10.01 of the Trust Agreement, the District shall, first from moneys in the Ad Valorem Tax Account and second from other remaining moneys in the Water Enterprise Fund, transfer to the Trustee for deposit in the Installment Payment Fund the Series 2013 Installment Payment due and payable on that Series 2013 Installment Payment Date. The District shall also, from the moneys in the Water Enterprise Fund, transfer to the applicable trustee for deposit in the applicable payment fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, any other Debt Service in accordance with the provisions of any Parity Obligation.

Such deposit to the Installment Payment Fund shall be reduced to the extent amounts on deposit therein are available for application to the Series 2013 Installment Payment due and payable on said Series 2013 Installment Payment Date.

All money in the Installment Payment Fund shall be used and withdrawn by the Trustee in accordance with the Trust Agreement.

(b) Reserve Fund. On or before each Series 2013 Installment Payment Date until the Certificates have been paid or provision for their payment has been made as provided in Section 10.01 of the Trust Agreement, the District shall, first from moneys in the Ad Valorem Tax Account and second from other remaining moneys in the remaining moneys in the Water Enterprise Fund, without preference or priority, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, transfer to the Trustee as provided in Section 5.04 of the Trust Agreement for deposit in the Reserve Fund and such other reserve funds and/or accounts, if any, as may have been established in connection with Parity Debt or Contracts other than this Agreement, that sum, if any, necessary to (i) reimburse amounts advanced under any Reserve Fund Credit Facility; (ii) restore the Reserve Fund to an amount equal to the Series 2013 Reserve Fund Requirement and/or such other reserve funds or accounts to an amount equal to the amount required to be maintained therein, provided, however, that the District may provide for the Reserve Fund by means other than cash and Permitted Investments pursuant to Section 5.04 of the Trust Agreement; and (iii) pay the provider thereof interest on amounts advanced under any Reserve Fund Credit Facility.

No transfer of moneys for deposit to the Reserve Fund in connection with the Series 2013 Installment Payments need be made if the amount contained therein is at least equal to the Series 2013 Reserve Requirement.

(c) Surplus. The District shall manage, conserve and apply the Net Revenues on deposit in the funds of the District in such a manner that all deposits required to be made pursuant to the preceding subsection (a) shall be made at the times and in the amounts so required. Subject to the foregoing sentence, so long as no Event of Default shall have occurred and be continuing hereunder, the District may each Certificate Year following the payment in

full of the principal of and interest on the Certificates due and payable during such Certificate Year and the payment in full of any principal of and interest on any Contract or Parity Debt during said period of time, use and apply Net Revenues on deposit in the funds of the District for (i) deposits to the Rate Stabilization Fund; (ii) the payment of Additional Payments; (iii) the payment of any subordinate obligations or any unsecured obligations of the District; (iv) the acquisition or construction of extensions or betterments to the Enterprise; (v) the prepayment of any other obligations of the District relating to the Enterprise; or (vi) any other lawful purpose of the District.

Investment earnings received by the Trustee from the investment of moneys on deposit in the Installment Payment Fund and the Reserve Fund are to be retained by the Trustee and applied by it as provided for in the Trust Agreement.

**Section 5.3. Issuance of Parity Obligations.** The District may at any time incur Parity Obligations, including execute any Contract or issue any Parity Debt, as the case may be, in accordance herewith; provided:

(a) No Event of Default shall have occurred and be continuing, and the District shall deliver a certificate to that effect to the Trustee;

(b) The Net Revenues calculated in accordance with accounting principles consistently applied, as shown by the books of the District for the latest Fiscal Year or as shown by the books of the District for any more recent twelve (12) month period selected by the District, plus (at the option of the District) the Additional Revenues, shall be at least equal to one hundred twenty-five percent (125%) of the amount of Maximum Annual Debt Service;

(c) The Net Revenues derived from subsections (1) through (4) of the definition of Gross Revenues excluding development fees and connection fees), calculated in accordance with accounting principles consistently applied, as shown by the books of the District for the latest Fiscal Year or as shown by the books of the District for any more recent twelve (12) month period selected by the District, plus (at the option of the District) the Additional Revenues, shall be at least equal to one hundred ten percent (110%) of the amount of Maximum Annual Debt Service;

(d) There shall be established upon the execution of such Contract or the issuance of such Parity Debt a reserve fund for such Parity Obligation in an amount equal to the lesser of (i) the maximum amount of debt service required to be paid by the District with respect to such Parity Obligation during any Fiscal Year, or (ii) the maximum amount then permitted under the Code; and

(e) The trustee or fiscal agent for such Parity Obligation shall be the same entity performing the functions of Trustee under the Trust Agreement.

The provisions of subsections (b) and (c) of this Section shall not apply to any Parity Obligation if all of the proceeds of such Parity Obligation (other than proceeds applied to pay costs of executing such Contracts or issuing such Parity Debt and to make a reserve fund deposit required pursuant to subsection (d) of this Section) shall be deposited in an irrevocable escrow

for the purpose of paying the principal of and interest and premium (if any) on any Installment Payments or on any outstanding Parity Obligation.

For purposes of this section, Net Revenues shall include investment earnings on the Reserve Fund transferred to the Trustee for deposit in the Installment Payment Fund.

**Section 5.4. Additional Payments.** In addition to the Installment Payments, the District shall pay when due all costs and expenses incurred by the Corporation to comply with the provisions of the Trust Agreement, including without limitation all Costs of Issuance (to the extent not paid from amounts on deposit in the Costs of Issuance Fund), and shall pay to the Trustee upon request therefor all compensation for fees due to the Trustee and all of its costs and expenses payable as a result of the performance of and compliance with its duties hereunder or under the Trust Agreement or any related documents, together with all amounts required to indemnify the Trustee pursuant to the Trust Agreement, and all costs and expenses of auditors, engineers and accountants. The Additional Payments shall be payable from, but shall not be secured by a pledge or lien upon, the Net Revenues. The rights of the Trustee and the obligations of the District under this Section 5.4 shall survive the termination of this Agreement and the resignation or removal of the Trustee.

**Section 5.5. Investments.** All moneys held by the District in the Water Enterprise Fund shall be invested in Permitted Investments and the investment earnings thereon shall remain on deposit in such fund, except as otherwise provided herein.

**Section 5.6. Rate Stabilization Fund.** The District shall maintain and hold a separate fund to be known as the "Rate Stabilization Fund". From time to time the District may deposit in the Rate Stabilization Fund from Net Revenues remaining, after making the allocation provided in Section 5.2(b) hereof, such amounts as the District shall determine, provided that deposits with respect to any Fiscal Year may be made at any time during such Fiscal Year and until (but not after) the day which is sixty (60) days following the end of such Fiscal Year. The District may withdraw amounts from the Rate Stabilization Fund for inclusion in Gross Revenues for any Fiscal Year, or for any other lawful purpose of the Enterprise, such withdrawals to be made at any time during such Fiscal Year and until (but not after) the day which is sixty (60) days after the end of such Fiscal Year. All interest or other earnings upon deposits in the Rate Stabilization Fund may be withdrawn therefrom and accounted for as Gross Revenues. Notwithstanding the foregoing, no deposit of Gross Revenues to the Rate Stabilization Fund may be made to the extent such Gross Revenues were included in an independent consultant's report submitted in accordance with the Installment Sale Agreement or an instrument relating to Parity Obligations and withdrawal of the Gross Revenues to be deposited in the Rate Stabilization Fund from the Gross Revenues employed in rendering said independent consultant's report would cause noncompliance with provisions of this Agreement.

## **ARTICLE VI COVENANTS OF THE PURCHASER**

**Section 6.1. Compliance with Installment Sale Agreement and Ancillary Agreements.** The District will punctually pay the Series 2013 Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it,

and will not terminate this Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Corporation to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Corporation or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The District will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Trust Agreement required to be observed and performed by it; and it is expressly understood and agreed by and between the parties to this Agreement that, subject to Section 10.6 hereof, each of the agreements, conditions, covenants and terms contained in each of this Agreement and the Trust Agreement is an essential and material term of the purchase of and payment for the Project by the District pursuant to and in accordance with the Law.

The District will faithfully observe and perform all the agreements, conditions, covenants and terms required to be observed and performed by it pursuant to all outstanding Contracts and Parity Debt as such may from time to time be executed or issued, as the case may be.

**Section 6.2. Against Encumbrances.** The District will not make any pledge of or place any lien on Net Revenues or the moneys in the Water Enterprise Fund except as provided herein. The District may at any time, or from time to time, issue evidences of indebtedness or incur other obligations for any lawful purpose that are payable from and secured by a pledge of and lien on Net Revenues or any moneys in the Water Enterprise Fund as may from time to time be deposited therein (as provided in Section 5.2), provided that such pledge and lien shall be subordinate in all respects to the pledge of and lien thereon provided herein. The District will not issue any 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 Series 2013 Installment Payments.

**Section 6.3. Against Sale or Other Disposition of Property.** The District will not enter into any agreement or lease that impairs the operation of the Enterprise or any part thereof necessary to secure adequate Net Revenues for the payment of the Series 2013 Installment Payments, or that would otherwise impair the rights of the Corporation hereunder or the operation of the Enterprise. Any real or personal property that has become nonoperative or that is not needed for the efficient and proper operation of the Enterprise, or any material or equipment that has become worn out, may be sold if such sale will not impair the ability of the District to pay the Series 2013 Installment Payments and if the proceeds of such sale are deposited in the Water Enterprise Fund.

Nothing herein shall restrict the ability of the District to sell or lease any portion of the Enterprise if such portion is immediately repurchased or relet by the District or an entity related to the District and if such arrangement cannot by its terms result in the purchaser of such portion

of the Enterprise exercising any remedy that would deprive the District or a related entity of or otherwise interfere with its right to own and operate such portion of the Enterprise.

**Section 6.4. Against Competitive Facilities.** To the extent that it can so legally obligate itself, the District covenants that it will not acquire, construct, maintain or operate and will not, to the extent permitted by law and within the scope of its powers, permit any other public or private agency, corporation, district or political subdivision or any person whomsoever to acquire, construct, maintain or operate within the territory of the District any wastewater system competitive with the Enterprise.

**Section 6.5. Tax Covenants.** The District and the Corporation covenant as follows:

(a) Definitions. When used in this Section, the following terms have the following meanings:

*“Computation Date”* has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

*“Gross Proceeds”* means any proceeds as defined in section 1.148-1(b) of the Tax Regulations, and any replacement proceeds as defined in section 1.148-1(c) of the Tax Regulations, of this Agreement. The District and the Corporation acknowledge that this Agreement is intended to be treated for federal income tax purposes as an obligation the debt service on which comprises the mandatory rental or installment payments, respectively, that undivided interests in the form of certificates of participation were or are to be sold in respect of that obligation, and that the “Gross Proceeds” of that obligation include the proceeds of sale of such certificates of participation and any other amounts that, had such certificates of participation comprised an issue of governmental obligations, would be “proceeds” or “replacements proceeds” of such issue.

*“Investment”* has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

*“Nonpurpose Investment,”* with respect to any issue of governmental obligations (including this Agreement), means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of such obligations are invested and that is not acquired to carry out the governmental purposes of such obligations.

*“Rebatable Amount”* has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

*“Yield” of*

(1) any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations; and

(2) this Agreement has the meaning set forth in section 1.148-4 of the Tax Regulations.

(b) Not to Cause Interest Component to Fail to be Excluded. The District and Corporation shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts in respect of this Agreement (including any amounts derived from the sale or offering of the Certificates), or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with such Gross Proceeds, in a manner that if made or omitted, respectively, would cause any Interest Component of Series 2013 Installment Payments to fail to be excluded pursuant to section 103(a) of the Code from the gross income of the Corporation or its assigns for purposes of federal income taxation, or to fail to be exempt from the California Personal Income Tax. Without limiting the generality of the foregoing, unless and until the District receives a written opinion of Special Counsel to the effect that failure to comply with such covenant will not adversely affect the exclusion from gross income for federal income tax purposes of any Interest Component of Series 2013 Installment Payment, the District and Corporation shall comply with each of the specific covenants in this Section. The Corporation shall not assign this Agreement, or any interest therein, unless the assignee, other than the Trustee, shall have assumed and undertaken the obligations of the Corporation under this Section 6.5; provided further, however, that no such assignment permitted unless the Corporation shall have undertaken to cooperate with the assignee in its satisfaction of such obligations. Any assignment described in the previous sentence having been completed, each reference to “Corporation” in this Section 6.5 then after shall be treated as a reference also to the assignee.

(c) No Private Use or Private Payments. Except as would not cause this Agreement to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the District shall at all times prior to the making of the final Series 2013 Installment Payment and termination of this Agreement:

(1) require that one or more state or local governmental agencies exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the this Agreement, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(2) not permit the direct or indirect imposition of any charge or other payment on or by any person or entity that is treated as using Gross Proceeds of this Agreement or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the District.

For purposes of the foregoing, any “use” of the Gross Proceeds of this Agreement, or of any portion of the Enterprise, by any person as a member of (*i.e.*, on the same basis as) the general public will be disregarded; provided, however, that (i) use pursuant to an output contract (such as a take, or a take or pay, contract) will not be treated as use by the nongovernmental person as a member of the general public unless that use is pursuant to generally applicable tariffs and is pursuant to a contract having a term of not in excess of ninety days, or is pursuant to a retail requirements contract, is pursuant to an arm’s-length arrangement having a term not in excess of thirty days, or commences only after consultation by the District with Special Counsel or with other counsel that is nationally recognized as expert in the area of taxation of municipal obligations on the basis of which consultation the District concludes such arrangement will not result in a violation of the covenants of this Section, and (ii) use pursuant to an arrangement under which a nongovernmental person provides services to the District with respect to any portion of the Enterprise will not be disregarded unless such arrangement satisfies the administrative criteria established by the Internal Revenue Service for management contracts that do not establish private business use relationships or commences only after consultation by the District with Special Counsel or with other counsel that is nationally recognized as expert in the area of taxation of municipal obligations on the basis of which consultation the District concludes such arrangement will not result in a violation of the covenants of this Section.

(d) No Private Loan. Except as would not cause this Agreement to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, neither the District nor the Corporation has used or permitted the use of, or shall use or permit the use of Gross Proceeds of this Agreement to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, Gross Proceeds are considered to be “loaned” to a person or entity if: (1) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction that creates a debt for federal income tax purposes; (2) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (3) indirect benefits, or burdens and benefits of ownership, of such Gross Proceeds or any property acquired, constructed or improved with such Gross Proceeds are otherwise transferred in a transaction that is the economic equivalent of a loan.

(e) Not to Invest at Higher Yield. Except as would not cause this Agreement to become an “arbitrage bond” within the meaning of section 148 of the Code and the Tax Regulations and rulings thereunder, neither the District nor Corporation shall directly or indirectly invest or permit the investment of Gross Proceeds of this Agreement at any time prior to the final payment of the Series 2013 Installment Payments and the termination of this Agreement in any Investment, if as a result of such investment the Yield on Investments acquired with Gross Proceeds, whether then held or previously disposed of, materially exceeds the Yield of this Agreement within the meaning of said section 148. For purposes of this paragraph, Yield on Investments shall be determined in accordance with the provisions of section 1.148-5 of the Tax Regulations (which, under certain circumstances, requires Yield to be determined separately for each Investment or class of Investments).

(f) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Tax Regulations and rulings thereunder, neither the District nor the Corporation shall take or omit to take, or permit, any action that would cause this Agreement to be treated as



“federally guaranteed” within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.

(g) Information Report. The District shall timely file or cause to be filed any information required by section 149(e) of the Code with respect to this Agreement with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(h) Rebate. Except to the extent otherwise provided in section 148(f) of the Code and the Tax Regulations and rulings thereunder:

(1) The District shall account for all Gross Proceeds of this Agreement (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day of final payment of the Series 2013 Installment Payments and termination of this Agreement. However, to the extent permitted by law, the District may commingle Gross Proceeds of this Agreement with other money of the District, provided that the District separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the District shall calculate the Rebatable Amount in accordance with rules set forth in section 148(f) of the Code and the Tax Regulations and rulings thereunder, which the District shall maintain with its official transcript of proceedings relating to the execution and delivery of this Agreement until six years after the final Computation Date, and to provide promptly to the Corporation a copy of each said calculation.

(3) In order to assure the excludability of the Interest Component of Series 2013 Installment Payments from the gross income of the owners thereof for federal income tax purposes, the District shall make or cause to be made rebate payments at the times and in the amounts as are or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder, which payments shall be accompanied by Form 8038-T prepared by the Districts or such other forms and information as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder.

(4) The District shall cause the exercise of reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3) hereof, that if nevertheless an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after the error has been or with the exercise of reasonable diligence would have been discovered), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under section 1.148-3(h) of the Tax Regulations.

(i) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Tax Regulations and rulings thereunder, neither the District nor the Corporation shall enter into any transaction that reduces the amount required to be paid to the United States

pursuant to section 148(f) of the Code because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and the Yield of this Agreement had been irrelevant to each party.

(j) Agreement Not Hedge Bond. The District represents that (i) on the date of execution and delivery of this Agreement, it reasonably expects that no less than 85 percent of the spendable proceeds of this Agreement would be expended for the governmental purposes of that obligation within the three-year period commencing on such date, and (ii) no more than 50% of the proceeds of this Agreement will be invested in "nonpurpose investments" having a substantially guaranteed yield for 4 years or more.

**Section 6.6. Maintenance and Operation of the Enterprise.** The District will maintain and preserve the Enterprise in good repair and working order at all times and will operate the Enterprise in an efficient and economical manner and will pay all Operation and Maintenance Costs as they become due and payable.

**Section 6.7. Payment of Claims.** The District will pay and discharge any and all lawful claims for labor, materials or supplies that, if unpaid, might become a lien on the Revenues or the funds or accounts created hereunder or under the Trust Agreement or on any funds in the hands of the District pledged to pay the Installment Payments or to the Owners prior or superior to the lien of the Installment Payments or that might impair the security of the Installment Payments, except that if the District desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the District will forthwith pay or cause to be paid and discharged such judgment.

**Section 6.8. Insurance.**

(a) The District will procure and maintain or cause to be procured and maintained insurance relating to the Enterprise with responsible insurers in such amounts and against such risks (including damage to or destruction of the Enterprise) as are usually covered in connection with facilities similar to the Enterprise, so long as such insurance is available from reputable insurance companies at reasonable costs.

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

If such Net Proceeds exceed the costs of such reconstruction, repair or replacement portion of the Enterprise, and/or the cost of the construction of additions, betterments, extensions or improvements to the Enterprise, then the excess Net Proceeds shall be applied in part to prepayment of Series 2013 Installment Payments as provided in Article VII and in part to such other fund or account as may be appropriate and used for the retirement of Parity Obligations in

the same proportion that the aggregate unpaid principal balance of the Series 2013 Installment Payments then bears to the aggregate unpaid principal amount of such Parity Obligations. If such Net Proceeds are sufficient to enable the District to retire the entire obligation evidenced hereby prior to the final due date of the Series 2013 Installment Payments as well as the entire obligations evidenced by Parity Obligations then remaining unpaid prior to their final respective due dates, the District may elect not to reconstruct, repair or replace the damaged or destroyed portion of the Enterprise, and/or not to construct other additions, betterments, extensions or improvements to the Enterprise; and thereupon such Net Proceeds shall be applied to the prepayment of the Series 2013 Installment Payments as provided in Article VII and to the retirement of such Parity Obligations.

(b) The District will procure and maintain such other insurance as it shall deem advisable or necessary to protect its interests and the interests of the Corporation, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal wastewater systems similar to the Enterprise.

(c) Any insurance required to be maintained by paragraph (a) above and, if the District determines to procure and maintain insurance pursuant to paragraph (b) above, such insurance, may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with wastewater systems similar to the Enterprise and is, in the opinion of an accredited actuary, actuarially sound.

All policies of insurance required to be maintained herein shall provide that the Corporation and the Trustee shall be given thirty (30) days written notice of any intended cancellation thereof or reduction of coverage provided thereby.

The Trustee shall not be responsible for the sufficiency or adequacy of the insurance maintained by the District.

#### **Section 6.9. Accounting Records; Financial Statements and Other Records.**

(a) The District will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Enterprise, which records shall be available for inspection by the Corporation and the Trustee at reasonable hours and under reasonable conditions.

(b) The District will prepare and file with the Corporation and the Trustee annually within two hundred forty (240) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2013);

(1) financial statements of the District for the preceding Fiscal Year prepared in accordance with generally accepted accounting principles, together with an Accountant's Report thereon; and

(2) a detailed report as to all insurance policies maintained and self-insurance programs maintained by the District with respect to the Enterprise, as of the close of such

Fiscal Year, including the names of the insurers that have issued the policies and the amounts thereof and the property or risks covered thereby.

(c) The District will prepare annually not more than two hundred forty (240) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2013) a summary report showing in reasonable detail the Gross Revenues and the Operation and Maintenance Costs for such Fiscal Year and containing a general statement of the physical condition of the Enterprise. The District will furnish a copy of such summary report to the Corporation and upon request to any investment bankers, security dealers and others interested in the Series 2013 Installment Payments.

**Section 6.10. Protection of Security and Rights of the Corporation.** The District will preserve and protect the security hereof and the rights of the Corporation to the Series 2013 Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

**Section 6.11. Payment of Taxes and Compliance with Governmental Regulations.** The District will pay and discharge all taxes, assessments and other governmental charges that may hereafter be lawfully imposed upon the Enterprise, or any part thereof or upon the Net Revenues when the same shall become due. The District will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Enterprise, or any part thereof, but the District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

**Section 6.12. Amount of Rates, Fees and Charges.** The District shall fix, prescribe and collect rates, fees and charges for the Water Services furnished by the Enterprise during each Fiscal Year, which are at least sufficient, along with other Gross Revenues, after making allowances for contingencies and error in the estimates, to yield during each Fiscal Year Gross Revenues (excluding amounts in the Reserve Fund for purposes of this Section 6.12) sufficient to pay the following amounts in the following order of priority:

(a) All Operation and Maintenance Costs estimated by the District to become due and payable in such Fiscal Year;

(b) All Installment Payments and payments of principal of and interest on any Parity Obligations as they become due and payable during such Fiscal Year, without preference or priority, except to the extent Installment Payments or interest on any Contract or Parity Debt are payable from proceeds of the Certificates, Contracts or Parity Debt deposited for such purpose;

(c) All amounts, if any, required to restore the balance in the Reserve Fund to the full amount of the Reserve Requirement; and

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

In addition, the District shall fix, prescribe, revise and collect rates, fees and charges for the Water Services furnished by the Enterprise during each Fiscal Year, that are sufficient, along with other Net Revenues, to yield during each Fiscal Year Net Revenues that are at least equal to one hundred twenty-five percent (125%) of the amount described in the preceding clause (b) for such Fiscal Year. The District may make adjustments from time to time in such rates, fees and charges and make such classification thereof as deemed necessary, but shall not reduce the rates, fees and charges then in effect unless the resulting Net Revenues shall at all times be sufficient to meet the requirement of this rate covenant.

**Section 6.13. Collection of Rates and Charges.** The District will have in effect at all times by-laws, rules and regulations requiring each customer to pay the rates, fees and charges applicable to the wastewater services and providing for the billing thereof and for a due date and a delinquency date for each bill.

**Section 6.14. Eminent Domain Proceeds.** If all or any part of the Enterprise shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied as follows:

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

(b) If the foregoing conditions are not met, then such Net Proceeds shall be applied by the District in part to the prepayment of Series 2013 Installment Payments as provided in Article VII, and in part to such other fund or account as may be appropriate and used for the retirement of Parity Obligations in the same proportion that the aggregate unpaid principal balance of Series 2013 Installment Payments then bears to the aggregate unpaid principal amount of such Parity Obligations.

**Section 6.15. District Budget.** On or prior to the fifteenth (15<sup>th</sup>) day of each Fiscal Year, the District shall certify to the Trustee that the amounts budgeted for payment of the Installment Payments due under this Agreement are dully adequate for the payment of all Installment Payments due under this Agreement for such Fiscal Year. If the amounts so budgeted are not adequate for the payment of the Installment Payments due under this Agreement, the District shall take such action as may be necessary to cause such annual budget to be amended, corrected or augmented so as to include the amounts required to be raised by the District in the then ensuing Fiscal Year for the payment of Installment Payment due under this

Agreement and shall notify the Trustee of the proceedings then taken or proposed to be taken by the District.

**Section 6.16. Further Assurances.** The District will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Corporation of the rights and benefits provided to it herein.

**Section 6.17. Continuing Disclosure.** The District will comply with the continuing disclosure requirements promulgated under Securities and Exchange Commission Rule 15c2-12(b)(5) and will also comply with the terms of the Continuing Disclosure Agreement.

**Section 6.18. Access to the Enterprise.** The District agrees that the Corporation, the Trustee, and any duly authorized representative thereof, shall have the right at all reasonable times to enter upon and to examine and inspect the Enterprise. The District further agrees that the Corporation and the Trustee, and any duly authorized representative thereof, shall have such rights of access to the Enterprise as may be reasonably necessary to cause the proper maintenance of the Enterprise in the event of failure by the District to perform its obligations hereunder.

## **ARTICLE VII PREPAYMENT OF SERIES 2013 INSTALLMENT PAYMENTS**

**Section 7.1. Prepayment.** (a) Prepayment from Net Proceeds The District may or shall, as the case may be, prepay from the Net Proceeds as provided in Sections 6.8 and 6.14 herein and from unexpended proceeds the Series 2013 Installment Payments as a whole or in part in the order of payment date as directed by the District (or in the event the District has not directed the order of payment date, in inverse order of maturity) at a Prepayment Price equal to the sum of the principal amount prepaid plus accrued interest thereon to the date of prepayment as provided in Section 4.01(b) of the Trust Agreement.

(b) Optional Prepayment. The 2012 Installment Payments are subject to optional prepayment in accordance with the provisions of Section 4.01(c) of the Trust Agreement relating to optional prepayment of the Certificates.

(c) Other Obligations. Notwithstanding any such prepayment, the District shall not be relieved of its obligations hereunder, including its obligations under Article IV, until the Purchase Price shall have been fully paid (or provision for payment thereof shall have been provided to the written satisfaction of the Corporation).

**Section 7.2. Method of Prepayment.** Before making any prepayment pursuant to Section 7.1, the District shall, within five (5) days following the event permitting the exercise of such right to prepay or creating such obligation to prepay, give written notice to the Corporation and the Trustee describing such event and specifying the date on which the prepayment will be paid, which date shall be not less than sixty (60) days from the date such notice is given, unless such prepayment must occur on an Interest Payment Date, in which case such date shall be the next Interest Payment Date with respect to which notice of prepayment may be timely given pursuant to the Trust Agreement.

**ARTICLE VIII**  
**EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY**

**Section 8.1. Events of Default and Acceleration of Maturities.** If one or more of the following Events of Default shall happen, that is to say --

(1) if default shall be made in the due and punctual payment of any Series 2013 Installment Payment or any Parity Obligation when and as the same shall become due and payable;

(2) if default shall be made by the District in the performance of any of the agreements or covenants required herein to be performed by it, and such default shall have continued for a period of thirty (30) days after the District shall have been given notice in writing of such default by the Corporation; provided, however, if in the reasonable opinion of the District the failure stated in the notice can be corrected, but not within such thirty (30) day period, such failure shall not constitute an Event of Default if corrective action is instituted by the District within such thirty (30) day period and the District shall thereafter diligently and in good faith cure such failure in a reasonable period of time; or

(3) if the District shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the District or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such Event of Default specified in clause (3) above, the Corporation shall, and for any other such Event of Default the Corporation may, by notice in writing to the District, declare the entire principal amount of the unpaid Series 2013 Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding. This subsection however, is subject to the condition that if at any time after the entire principal amount of the unpaid Series 2013 Installment Payments referred to in clause (1) above that have come due and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the moneys due shall have been obtained or entered the District shall deposit with the Corporation a sum sufficient to pay the unpaid principal amount of the Series 2013 Installment Payments or any Parity Obligations referred to in clause (1) above due prior to such declaration and the accrued interest thereon, with interest on such overdue installments, at the rate or rates applicable to the remaining unpaid principal balance of the Series 2013 Installment Payments or such Parity Obligations if paid in accordance with their terms, and the reasonable expenses of the Corporation, and any and all other defaults known to the Corporation (other than in the payment of the entire principal amount of the unpaid Series 2013 Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Corporation or provision deemed by the

Corporation to be adequate shall have been made therefor, then and in every such case the Corporation, by written notice to the District, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

**Section 8.2. Application of Funds Upon Acceleration.** Upon the date of the declaration of acceleration as provided in Section 8.1, all Gross Revenues thereafter received shall be applied in the following order -

First, to the payment of the fees, costs and expenses of the Trustee, if any, incurred in and about the performance of its powers and duties under this Agreement and then to the payment of the Corporation of the fees, costs and expenses, if any, in carrying out the provisions of this article, including reasonable compensation to its accountants, advisors and legal counsel;

Second, to the payment of the Operation and Maintenance Costs; and

Third, to the payment of the entire principal amount of the unpaid Series 2013 Installment Payments and Parity Obligations and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable to the Series 2013 Installment Payments and Parity Obligations if paid in accordance with their respective terms.

**Section 8.3. Other Remedies of the Corporation.** The Corporation shall have the right -

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the District or any director, officer or employee thereof, and to compel the District or any such director, officer or employee to perform and carry out its or his duties under the 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 Corporation or the Trustee; or

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

Notwithstanding anything contained herein, the Corporation shall have no security interest in or mortgage on the Project or the Enterprise or any other real property of the District and no default hereunder shall result in the loss of the Project or the Enterprise or any other real property of the District

**Section 8.4. Non-Waiver.** Nothing in this article or in any other provision hereof shall affect or impair the obligation of the District, which is absolute and unconditional, to pay the Series 2013 Installment Payments to the Corporation at the respective due dates or upon prepayment from the Net Revenues, the Water Enterprise Fund and the other funds herein pledged for such payment, or shall affect or impair the right of the Corporation, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.



A waiver of any default or breach of duty or contract by the Corporation shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Corporation 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 Corporation by the Law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Corporation.

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

**Section 8.5. Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Corporation or the Certificate Owners, or as provided in the Trust Agreement, 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 under the Trust Agreement 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 the Law or any other law.

## **ARTICLE IX DISCHARGE OF OBLIGATIONS**

### **Section 9.1. Discharge of Obligations. When:**

(a) all or any portion of the Series 2013 Installment Payments shall have become due and payable in accordance herewith or a written notice of the District to prepay all or any portion of the Series 2013 Installment Payments shall have been filed with the Trustee; and

(b) there shall have been deposited with the Trustee at or prior to the Series 2013 Installment Payment Dates or date (or dates) specified for prepayment, in trust for the benefit of the Corporation or its assigns and irrevocably appropriated and set aside to the payment of all or any portion of the Series 2013 Installment Payments, Defeasance Securities in a sufficient amount to pay all principal, prepayment premium, if any, and interest of such Series 2013 Installment Payments to their respective Series 2013 Installment Payment Dates or prepayment date or dates as the case may be; and

(c) provision shall have been made for paying all fees and expenses of the Trustee, then and in that event, if an opinion of Special Counsel is filed with the Trustee to the effect that the actions authorized by and taken pursuant to this Article IX shall not adversely affect the tax exempt status of the interest portion of the Series 2013 Installment Payments, the right, title and interest of the Corporation herein and the obligations of the District hereunder shall, with respect to all or such portion of the Series 2013 Installment Payments as have been so provided for, thereupon cease, terminate, become void and be completely discharged and satisfied (except for the right of the Trustee and the obligation of the District to have such moneys and such Permitted Investments applied to the payment of such Series 2013 Installment Payments).

In such event, upon request of the District the Trustee shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary or desirable to evidence such total or partial discharge and satisfaction, as the case may be, and, in the event of a total discharge and satisfaction, the Trustee shall pay over to the District, after payment of all amounts due the Trustee pursuant to the Trust Agreement, as an overpayment of Series 2013 Installment Payments, all such moneys or such Permitted Investments held by it pursuant hereto other than such moneys and such Permitted Investments as are required for the payment or prepayment of the Series 2013 Installment Payments, which moneys and Permitted Investments shall continue to be held by the Trustee in trust for the payment of the Series 2013 Installment Payments and shall be applied by the Trustee to the payment of the Series 2013 Installment Payments of the District.

## **ARTICLE X MISCELLANEOUS**

**Section 10.1. Liability of District Limited to Net Revenues.** Notwithstanding anything contained herein, the District shall not be required to advance any moneys derived from any source of income other than the Net Revenues, the Water Enterprise Fund and the other funds provided herein and in the Trust Agreement for the payment of the Series 2013 Installment Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The District may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the District for such purpose.

The obligation of the District to make the Series 2013 Installment Payments is a special obligation of the District payable solely from Net Revenues, the Water Enterprise Fund and other funds described in this 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.

**Section 10.2. Benefits of Installment Sale Agreement Limited to Parties.** Except as provided in Section 10.3 hereto, nothing contained herein, expressed or implied, is intended to give to any person other than the District, the Corporation any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the District, the Corporation shall be for the sole and exclusive benefit of the other party.

**Section 10.3. Successor Is Deemed Included in All References to Predecessor.** Whenever either the District or the Corporation 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 or the Corporation, and all agreements and covenants required hereby to be performed by or on behalf of the District or the Corporation shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

**Section 10.4. Waiver of Personal Liability.** No director, officer or employee of the District shall be individually or personally liable for the payment of the Series 2013 Installment Payments, but nothing contained herein shall relieve any director, officer or employee of the

District from the performance of any official duty provided by any applicable provisions of law or hereby.

**Section 10.5. Third Party Beneficiary.** The Trustee shall be and is hereby made a third party beneficiary hereunder with all rights of a third party beneficiary.

**Section 10.6. Article and Section Headings; Gender and References.** The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby", "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

**Section 10.7. Partial Invalidity.** If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the District or the Corporation shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The District and the Corporation hereby declare that they would have executed this Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

**Section 10.8. Assignment.** This Agreement and any rights hereunder may be assigned by the Corporation to the Trustee, as a whole or in part, without the necessity of obtaining the prior consent of the District.

**Section 10.9. Net Contract.** This Agreement shall be deemed and construed to be a net contract, and the District shall pay absolutely net during the term hereof the Series 2013 Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

**Section 10.10. California Law.** THE INSTALLMENT SALE AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

**Section 10.11. Notices.** All written notices to be given hereunder 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 other address as such party may provide to the other party in writing from time to time, namely:

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

**Section 10.12. Effective Date.** This Agreement shall become effective upon its execution and delivery, and shall terminate when the Purchase Price shall have been fully paid (or provision for the payment thereof shall have been made to the written satisfaction of the Corporation).

**Section 10.13. 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.

**Section 10.14. Indemnification of Corporation.** The District hereby agrees to indemnify and hold harmless the Corporation if and to the extent permitted by law, from and against all claims, advances, damages and losses, including legal fees and expenses, arising out of or in connection with the acceptance or the performance of its duties hereunder, under the Trust Agreement, and the Assignment Agreement; provided that no indemnification will be made for willful misconduct, negligence or breach of an obligation hereunder, under the Trust Agreement or the Assignment Agreement by the Corporation.

**Section 10.15. 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 that 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 12.04 of the Trust Agreement, shall have been filed with the Trustee. 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 that 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, and that shall 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 and that shall 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.

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

**Section 10.16. Notice to Rating Agencies.** Any rating agency rating the Certificates shall receive notice of each amendment to the Installment Sale Agreement and a copy thereof at least 15 days in advance of its execution.

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

NIPOMO COMMUNITY SERVICES DISTRICT,  
as Purchaser

By: \_\_\_\_\_  
President

NIPOMO COMMUNITY SERVICES DISTRICT  
PUBLIC FACILITIES CORPORATION,  
as Seller

By: \_\_\_\_\_  
Executive Director

## EXHIBIT A

### PURCHASE PRICE AND SCHEDULE OF SERIES 2013 INSTALLMENT PAYMENTS

1. The principal amount of payments to be made by the District hereunder is \$[principal amount].

2. The installment payments of principal and interest are payable in the amounts and on the Installment Payment Dates as follows:

Series 2013 Installment Payment Date (5 days prior to below date)	Amount Attributable to Principal	Amount Attributable to Interest	Total
09/01/2013			
03/01/2014			
09/01/2014			
03/01/2015			
09/01/2015			
03/01/2016			
09/01/2016			
03/01/2017			
09/01/2017			
03/01/2018			
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03/01/2038  
09/01/2038  
03/01/2039  
09/01/2039  
03/01/2040  
09/01/2040  
03/01/2041  
09/01/2041  
03/01/2042  
09/01/2042  
03/01/2043  
09/01/2043

TOTAL

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\$[principal  
amount].00

\$

\$



**EXHIBIT B**  
**DESCRIPTION OF PROJECT**

MAY 8, 2013

ITEM E-1

ATTACHMENT D

**AGENCY AGREEMENT**

by and between

**NIPOMO COMMUNITY SERVICES DISTRICT  
PUBLIC FACILITIES CORPORATION,**

as Seller

and

**NIPOMO COMMUNITY SERVICES DISTRICT,**

as Purchaser

Dated as of June 1, 2013

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

## AGENCY AGREEMENT

This AGENCY AGREEMENT, dated as of June 1, 2013, by and between NIPOMO COMMUNITY SERVICES DISTRICT PUBLIC FACILITIES CORPORATION, a nonprofit public benefit corporation duly organized and existing under and by virtue of the laws of the State of California (the "Corporation"), and NIPOMO COMMUNITY SERVICES DISTRICT, a community services district duly organized and existing under the laws of the State of California (the "District");

### W I T N E S S E T H:

WHEREAS, the Corporation and the District have executed and entered into an Installment Sale Agreement (the "Agreement"), dated as of the date hereof, whereby the Corporation has agreed to construct certain improvements to the District's water enterprise, as described in Exhibit A thereto (the "Phase 1 Improvements"); and

WHEREAS, under and pursuant to the Agreement, the District is obligated to make Series 2013 Installment Payments, as defined therein, to the Corporation for the purchase of the Prior Improvements and the Phase 1 Improvements (collectively, the "Project"); and

WHEREAS, the Corporation, under and pursuant to an Assignment Agreement (the "Assignment Agreement") to be executed and entered into as of the date hereof by and between the Corporation and 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, as trustee (the "Trustee"), has assigned without recourse all its rights to receive the Series 2013 Installment Payments scheduled to be paid by the District under and pursuant to the Agreement to the Trustee for the benefit of the owners of certain certificates of participation (the "Certificates") to be executed and delivered under a Trust Agreement (the "Trust Agreement") to be executed and entered into as of the date hereof by and among the Trustee, the Corporation and the District; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Agency Agreement do exist, 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 authorized to execute and enter into this Agency Agreement;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

Section 1. Definitions. Unless the context otherwise requires, all capitalized terms used in this Agency Agreement and not defined herein shall for all purpose of this Agency Agreement have the meaning specified therefor in the Trust Agreement.

Section 2. District to Act as Agent for the Corporation. The Corporation hereby irrevocably appoints the District as its agent in connection with the acquisition, construction, delivery and/or installation of the Phase 1 Improvements in accordance with such other agreements as shall be approved and entered into by the District. The District, as the agent of the Corporation for the foregoing purpose, shall cause the acquisition, delivery and installation of the Additional Improvements to be completed in accordance with the Agreement and any applicable requirements of governmental authorities and law.

Section 3. Acceptance. The District, for One Dollar (\$1.00) and other good and valuable consideration in hand received, does hereby accept the foregoing appointment as agent of the Corporation for the purposes set forth in Section 2.

Section 4. Disclaimers of the Corporation. The District acknowledges and agrees that the design of the Project has not been made by the Corporation, and the Corporation has not supplied any plans or specifications with respect thereto and that the Corporation (a) is not a manufacturer of, or a dealer in, any component of the Project, (b) has not made any recommendation, given any advice nor taken any other action with respect to (1) the choice of any supplier, vendor or designer of, or any other contractor with respect to, the Project or any component of the Project or any property or rights relating thereto or (2) any action taken or to be taken with respect to the Project or any component of the Project or any property or rights relating thereto at any stage of the acquisition, delivery or installation thereof, (c) has not at any time had physical possession of the Project or any component of the Project or made any inspection thereof or any property or rights relating thereto and (d) has not made any warranty or other representation, express or implied, that the Project or any component of the Project or any property or rights relating thereto (1) will not result in or cause injury or damage to persons or property, (2) has been or will be properly designed or constructed or will accomplish the results which the District intends therefor or (3) is safe in any manner or respect.

The Corporation makes no express or implied warranty or representation of any kind whatsoever with respect to the Project or any component of the Project to the District or any other circumstance whatsoever with respect thereto, including but not limited to any warranty or representation with respect to: the merchantability or the fitness or suitability thereof for any purpose; the design or condition thereof; the safety, workmanship, quality or capacity thereof; compliance thereof with the requirements of any law, rule, specification or contract pertaining thereto; any latent defect; the title to or interest of the Corporation thereof beyond that title or interest which the District obtains for the Corporation pursuant hereto; the ability thereof to perform any function; that the proceeds derived from the sale of the Certificates will be sufficient (together with other available funds of the District) to pay the cost of acquiring, delivering,

installing and/or constructing the Project; or any other characteristic of the Project; it being agreed that all risks relating to the Project or the transactions contemplated hereby or by the Agreement, the Assignment Agreement or the Trust Agreement are to be borne by the District, and the benefits of any and all implied warranties and representations of the Corporation are hereby waived by the District.

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

NIPOMO COMMUNITY SERVICES  
DISTRICT PUBLIC FACILITIES  
CORPORATION,  
as Seller

By \_\_\_\_\_  
Executive Director

NIPOMO COMMUNITY SERVICES  
DISTRICT, as Purchaser

By \_\_\_\_\_  
President

MAY 8, 2013

ITEM E-1

ATTACHMENT E



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ASSIGNMENT AGREEMENT

by and between

NIPOMO COMMUNITY SERVICES DISTRICT PUBLIC FACILITIES CORPORATION,  
as Corporation

and

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

Dated as of June 1, 2013

Relating to

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

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## ASSIGNMENT AGREEMENT

This Assignment Agreement is dated as of June 1, 2013 by and between 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 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, as trustee (the "Trustee");

NOW, THEREFORE, IN CONSIDERATION OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

### SECTION 1. Assignment.

The Corporation, for good and valuable consideration in hand received, does hereby unconditionally sell, assign and transfer to the Trustee without recourse, for the benefit of the owners of the Revenue Certificates of Participation (Supplemental Water and Refunding Project) Series 2013 (the "Certificates") to be executed and delivered by the Trustee pursuant to the Trust Agreement dated as of June 1, 2013 by and among the Nipomo Community Services District (the "District"), the Corporation and the Trustee (the "Trust Agreement"), all of its rights, title, and interest in the Installment Sale Agreement relating to the construction and sale of certain water system facilities by the District from the Corporation, dated as of June 1, 2013, by and between the District and the Corporation (the "Installment Sale Agreement") including the Corporation's right to receive all Series 2013 Installment Payments (as defined in the Installment Sale Agreement) from the District under the Installment Sale Agreement (but not including the right to be indemnified pursuant to the Installment Sale Agreement and the right of the Corporation to receive notices thereunder). This assignment is absolute and is presently effective, and all Installment Payments shall be applied and the rights so assigned shall be exercised by the Trustee provided in the Trust Agreement.

### SECTION 2. Acceptance.

The Trustee hereby accepts the foregoing assignment for the benefit of the owners of the Certificates, subject to the terms and provisions of the Trust Agreement, and all Series 2013 Installment Payments shall be applied and the rights so assigned shall be exercised by the Trustee as provided in the Trust Agreement.

### SECTION 3. Conditions.

This Assignment Agreement shall confer no rights and shall impose no obligations upon the Trustee beyond those expressly provided in the Trust Agreement.

### SECTION 4. Partial Invalidity.

If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Trustee or the Corporation shall be contrary to law, then

such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The Trustee and the Corporation hereby declare that they would have executed this Assignment Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 5. California Law.

THE ASSIGNMENT AGREEMENT SHALL BE CONSTRUED AND GOVERNED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA.

SECTION 6. Execution in Counterparts.

This Assignment 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 Assignment Agreement by their officers thereunto duly authorized as of the day and year first written above.

NIPOMO COMMUNITY SERVICES  
DISTRICT PUBLIC FACILITIES  
CORPORATION

By: \_\_\_\_\_  
Chairperson

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

By: \_\_\_\_\_  
Authorized Officer

MAY 8, 2013

ITEM E-1

ATTACHMENT F

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ESCROW DEPOSIT AND TRUST AGREEMENT

Dated as of June 1, 2013

by and among

NIPOMO COMMUNITY SERVICES DISTRICT  
PUBLIC FACILITIES CORPORATION

and

NIPOMO COMMUNITY SERVICES DISTRICT,

and

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

Relating to the Refunding of:

\$4,000,000

NIPOMO COMMUNITY SERVICE DISTRICT  
REVENUE CERTIFICATES OF PARTICIPATION  
(PIPELINE AND WATER STORAGE PROJECT)  
SERIES 2003

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## ESCROW DEPOSIT AND TRUST AGREEMENT

This ESCROW DEPOSIT AND TRUST AGREEMENT (this "Agreement"), made, entered into and dated as of June 1, 2013, by and among NIPOMO COMMUNITY SERVICES DISTRICT, a special district duly organized and existing under and pursuant to the laws of the State of California (the "District"), 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 BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Escrow Agent and as Paying Agent, Registrar and Transfer Agent (the "Escrow Agent");

### WITNESSETH:

**WHEREAS**, the District has heretofore caused the execution and delivery of its Nipomo Community Services District Revenue Certificates of Participation (Pipeline and Storage Facility Project) Series 2003 (the "Series 2003 Certificates") in the total aggregate principal amount of \$4,000,000 of which \$\_\_\_\_\_ remains outstanding; and

**WHEREAS**, the Board of Directors of the District has determined that it is in the best interests of the District that the Series 2003 Certificates be defeased and refunded by prepaying the unpaid installment payments due under that certain 2003 Installment Purchase Agreement, dated as of May 1, 2003 (the "Series 2003 Installment Purchase Agreement"), by and between the District and the Corporation; and

**WHEREAS**, in order to accomplish such refinancing and finance additional improvements to the District's water system, the Corporation has agreed to assist the District and the District has authorized the execution and delivery of \$[principal amount] aggregate principal amount of its Revenue Certificates of Participation (Supplemental Water and Refunding Project) Series 2013 (the "Series 2013 Certificates"), pursuant to a Trust Agreement, dated as of June 1, 2013 (the "Trust Agreement"), by and among the District, the Corporation and the Escrow Agent, as trustee; and

**WHEREAS**, the Trust Agreement, dated as of May 1, 2003 (the "Series 2003 Trust Agreement"), by and among the District, the Corporation and BNY Western Trust Company, predecessor to the Escrow Agent, pursuant to which the Series 2003 Certificates were executed and delivered, provides that the Series 2003 Certificates are subject to prepayment on any date on or after September 1, 2006; and,

**NOW, THEREFORE**, in consideration of the mutual premises contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**SECTION 1.** As used herein, the following terms shall have the following meanings:

"Closing Date" means June \_\_\_, 2013.

"Code" means the Internal Revenue Code of 1986.

"Escrow Agent" means The Bank of New York Mellon Trust Company, N.A., and its successors and assigns, and any other corporation or institution that may at any time be substituted in its place as provided in Section 15 hereof.

"Escrow Fund" means the Escrow Fund established and held by the Escrow Agent pursuant to Section 3 hereof.

"Escrow Requirements" means an amount sufficient to prepay the \$\_\_\_\_\_ principal amount of Series 2003 Installment Payments which will remain outstanding and be prepaid on the Prepayment Date, as set forth in Exhibit A attached hereto.

"Prepayment Date" means \_\_\_\_\_, 2013.

"Series 2003 Trustee" means the Escrow Agent as trustee under the Series 2003 Trust Agreement.

"Series 2003 Trust Agreement" means the Trust Agreement, dated as of May 1, 2003, by and among the District, the Corporation and the Escrow Agent, as trustee for the Series 2003 Certificates.

**SECTION 2.** The District and Corporation hereby appoints The Bank of New York Mellon Trust Company, N.A., as the Escrow Agent under this Agreement for the benefit of the holders of the Series 2003 Certificates. The Escrow Agent hereby accepts the duties and obligations of Escrow Agent under this Agreement and agrees that the irrevocable instructions to the Escrow Agent herein provided are in a form satisfactory to it. The applicable and necessary provisions of the Series 2003 Installment Agreement and the Series 2003 Trust Agreement, including particularly the prepayment provisions thereof, are incorporated herein by reference. Reference herein to, or citation herein of, any provisions of the Series 2003 Installment Agreement or Series 2003 Trust Agreement shall be deemed to incorporate the same as a part hereof in the same manner and with the same effect as if the same were fully set forth herein.

**SECTION 3.** Pursuant to this Agreement, there is hereby created a special and irrevocable trust fund designated the "Escrow Fund," to be held by the Escrow Agent separate and apart from all other funds and accounts, and used only for the purposes and in the manner provided in this Agreement.

**SECTION 4.** The District herewith deposits, or causes to be deposited, with the Escrow Agent into the Escrow Fund, to be held in irrevocable trust by the Escrow Agent and to be applied solely as provided in this Agreement, the sum of \$\_\_\_\_\_, as follows:

(i) from the proceeds of the Series 2003 Certificates, the sum of \$\_\_\_\_\_; and,



(ii) from the Series 2003 Certificate Payment Fund, the sum of \$ \_\_\_\_\_; and,

(iii) from the Series 2003 Reserve Fund, the sum of \$ \_\_\_\_\_.

**SECTION 5.** The District and Corporation represent that any moneys or investments remaining in the funds and accounts of the Series 2003 Certificates under the Series 2003 Trust Agreement which are not required to make the foregoing deposits are to be transferred on the Closing Date, or as soon as practicable thereafter, to the 2003 Trustee for deposit into the Prepayment Fund under the Series 2003 Trust Agreement.

**SECTION 6.** The Escrow Agent acknowledges receipt of the moneys described in Section 4. The Escrow Agent agrees to retain the amount of \$ \_\_\_\_\_ in cash in the Escrow Fund. Such amounts shall be applied by the Escrow Agent to the payment of the Escrow Requirements for the equal and ratable benefit of the holders of the Series 2003 Certificates.

**SECTION 7.** The District has caused schedules to be prepared relating to the sufficiency of the cash on deposit to pay the Escrow Requirements.

**SECTION 8.** The District hereby irrevocably instructs the Escrow Agent, as Series 2003 Trustee to mail, at least thirty (30) days prior to the Prepayment Date, a notice of prepayment of the Series 2003 Installment Payments in substantially the form set forth in Exhibit B hereto, as required under the Series 2003 Trust Agreement.

**SECTION 9.** The District irrevocably instructs the Escrow Agent to pay to the Series 2003 Trustee, on the Prepayment Date, from amounts held in the Escrow Fund, the amount of \$ \_\_\_\_\_, being the prepayment price of the outstanding \$ \_\_\_\_\_ aggregate principal amount of the Series 2003 Installment Payments called for prepayment on the Prepayment Date, including prepayment premium, if any, plus interest accrued thereon to the Prepayment Date.

**SECTION 10.** The District hereby directs and the Escrow Agent hereby agrees that the Escrow Agent will take all the actions required to be taken by it hereunder, in order to effectuate this Agreement. The liability of the Escrow Agent for the payment of the Escrow Requirements shall be limited to the application, in accordance with this Agreement, of the amounts on deposit available for such purposes in the Escrow Fund.

**SECTION 11.** The District represents that, concurrently with the initial deposit of the uninvested funds set forth in Section 4 hereof, the Series 2003 Trust Agreement shall be deemed defeased and the Owners of the Series 2003 Certificates shall have no further claim on the Net Revenues, other than the amounts in Escrow Fund.

**SECTION 12.** The trust hereby created shall be irrevocable and the holders of the Series 2003 Certificates shall have an express lien limited to all moneys in the Escrow Fund, including the interest earnings thereon, until paid out, used and applied in accordance with this Agreement.

**SECTION 13.** This Agreement is made pursuant to and in furtherance of the Series 2003 Trust Agreement and for the benefit of the District and the holders from time to time of the Series 2003 Certificates and it shall not be repealed, revoked, altered, amended or supplemented without the written consent of all such holders and the written consent of the Escrow Agent, the District and the Corporation; provided, however, that the District, the Corporation and the Escrow Agent may, without the consent of, or notice to, such holders enter into such amendments or supplements as shall not be inconsistent with the terms and provisions of this Agreement, for any one or more of the following purposes:

(a) to cure an ambiguity or formal defect or omission in this Agreement;

(b) to grant to, or confer upon, the Escrow Agent for the benefit of the holders of the Series 2003 Certificates, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such holders or the Escrow Agent; and,

(c) to transfer to the Escrow Agent and make subject to this Agreement additional funds, securities or properties.

The Escrow Agent and Series 2003 Trustee shall be entitled to conclusively rely upon an unqualified opinion of nationally recognized bond counsel with respect to compliance with this Section, including the extent, if any, to which any change, modification or addition affects the rights of the holders of the Series 2003 Certificates, or that any instrument executed hereunder complies with the conditions and provisions of this Section.

**SECTION 14.** In consideration of the services rendered by the Escrow Agent under this Agreement, the District agrees to and shall pay to the Escrow Agent its fees, plus expenses, including all reasonable expenses, charges, counsel fees and other disbursements incurred by it or by its attorneys, agents and employees in and about the performance of their powers and duties hereunder, and the Escrow Agent shall have no lien whatsoever upon any of the moneys in the Escrow Fund for the payment of such proper fees and expenses.

**SECTION 15.** The Escrow Agent at the time acting hereunder may at any time resign and be discharged from the trusts hereby created by giving not less than 60 days' written notice to the District, the Corporation and the Series 2003 Trustee, specifying the date when such resignation will take effect in the same manner as a notice is to be mailed pursuant to Section 8 hereof, but no such resignation shall take effect unless a successor Escrow Agent shall have been appointed by the holders of the Series 2003 Certificates or by the District as hereinafter provided and such successor Escrow Agent shall have accepted such appointment, in which event such resignation shall take effect immediately upon the appointment and acceptance of a successor Escrow Agent.

The Escrow Agent may be removed at any time by an instrument or concurrent instruments in writing, delivered to the Escrow Agent, the District, the Corporation and the Series 2003 Trustee and signed by the holders of a majority in principal amount of the Series 2003 Certificates.

In the event the Escrow Agent hereunder shall resign or be removed, or be dissolved, or shall be in the course of dissolution or liquidation, or otherwise become incapable of acting hereunder, or in the case the Escrow Agent shall be taken under the control of any public officer or officers, or of a receiver appointed by a court, a successor Escrow Agent may be appointed by the holders of a majority in principal amount of the Series 2003 Certificates, by an instrument or concurrent instruments in writing, signed by such holders, or by their attorneys in fact, duly authorized in writing; provided, nevertheless, that in any such event, the District shall appoint a temporary Escrow Agent to fill such vacancy until a successor Escrow Agent shall be appointed by the holders of a majority in principal amount of the Series 2003 Certificates, and any such temporary Escrow Agent so appointed by the District shall immediately and without further act be superseded by the Escrow Agent so appointed by such holders.

In the event that no appointment of a successor Escrow Agent or a temporary successor Escrow Agent shall have been made by such holders or the District pursuant to the foregoing provisions of this Section within 60 days after written notice of the removal or resignation of the Escrow Agent has been given to the District, the holder of any of the Series 2003 Certificates or any retiring Escrow Agent may apply to any court of competent jurisdiction for the appointment of a successor Escrow Agent, and such court may thereupon, after such notice, if any, as it shall deem proper, appoint a successor Escrow Agent.

No successor Escrow Agent shall be appointed unless such successor Escrow Agent shall be a corporation or institution with trust powers organized under the laws of the United States of America or any state, and shall have at the time of appointment capital and surplus of not less than \$50,000,000. For purpose of this Section 16, a corporation or institution with trust powers organized under the laws of the United States of America or any state shall be deemed to have combined capital and surplus of at least \$50,000,000 if it has a combined capital surplus of at least \$20,000,000 and is a wholly-owned subsidiary of a corporation having a combined capital and surplus of at least \$50,000,000.

Every successor Escrow Agent appointed hereunder shall execute, acknowledge and deliver to its predecessor and to the District and the Corporation, an instrument in writing accepting such appointment hereunder and thereupon such successor Escrow Agent without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, immunities, powers, trusts, duties and obligations of its predecessor; but such predecessor shall, nevertheless, on the written request of such successor Escrow Agent or the District execute and deliver an instrument transferring to such successor Escrow Agent all the estates, properties, rights, immunities, powers, trusts, duties and obligations of such predecessor hereunder; and every predecessor Escrow Agent shall deliver all securities and moneys held by it to its successor. Should any transfer, assignment or instrument in writing from the District be required by any successor Escrow Agent for more fully and certainly vesting in such successor Escrow Agent the estates, properties rights, immunities, powers, trusts, duties and obligations hereby vested or intended to be vested in the predecessor Escrow Agent, any such transfer, assignment and instrument in writing shall, on request, be executed, acknowledged and delivered by the District.

Any corporation or association into which the Escrow Agent, or any successor to it in the trusts created by this Agreement, may be merged or converted or with which it or any

successor to it may be consolidated, or any corporation resulting from any merger, conversion, consolidation or reorganization to which the Escrow Agent or any successor to it shall be a party or any successor to a substantial portion of the Escrow Agent's corporate trust business, shall, if it meets the qualifications set forth in the fifth paragraph of this Section and if it is otherwise satisfactory to the District, be the successor Escrow Agent under this Agreement without the execution or filing of any paper or any other act on the part of any of the parties hereto, anything herein to the contrary notwithstanding.

**SECTION 16.** The Escrow Agent shall have no power or duty to invest any funds held under this Agreement except as provided in Section 6 hereof. The Escrow Agent shall have no power or duty to transfer or otherwise dispose of the moneys held hereunder except as provided in this Agreement.

**SECTION 17.** To the extent permitted by law, the District hereby assumes liability for, and hereby agrees (whether or not any of the transactions contemplated hereby are consummated) to indemnify, protect, save and keep harmless the Escrow Agent and its successors, assigns, agents, employees and servants, from and against any and all liabilities, obligations, losses, damages, penalties, claims, actions, suits, costs, expenses and disbursements (including reasonable legal fees and disbursements) of whatsoever kind and nature which may be imposed on, incurred by, or asserted against, the Escrow Agent at any time (whether or not also indemnified against the same by the District or any other person under any other agreement or instrument, but without double indemnity) in any way relating to or arising out of the execution, delivery and performance of this Agreement, the establishment hereunder of the Escrow Fund, the acceptance of the funds and securities deposited therein, the purchase of any securities to be purchased pursuant hereto, the retention of such securities or the proceeds thereof and any payment, transfer or other application of moneys or securities by the Escrow Agent in accordance with the provisions of this Agreement. The District shall not be required to indemnify the Escrow Agent against the Escrow Agent's own negligence or willful misconduct or the negligence or willful misconduct of the Escrow Agent's successors, assigns, agents and employees or the material breach by the Escrow Agent of the terms of this Agreement. In no event shall the District, the Corporation or the Escrow Agent be liable to any person by reason of the transactions contemplated hereby other than to each other as set forth in this Section. The indemnities contained in this Section shall survive the termination of this Agreement and the resignation and removal of the Escrow Agent.

**SECTION 18.** The recitals of fact contained in the "Whereas" clauses herein shall be taken as the statements of the District or the Corporation, and the Escrow Agent assumes no responsibility for the correctness thereof. The Escrow Agent makes no representation as to the sufficiency of the securities to be purchased pursuant hereto and any uninvested moneys to accomplish the prepayment of the Series 2003 Installment Payments pursuant to the Series 2003 Installment Agreement or to the validity of this Agreement as to the District and Corporation and, except as otherwise provided herein, the Escrow Agent shall incur no liability in respect thereof. The Escrow Agent shall not be liable in connection with the performance of its duties under this Agreement except for its own negligence or willful misconduct, and the duties and obligations of the Escrow Agent shall be determined by the express provisions of this Agreement. Anything in this Agreement notwithstanding, in no event shall the Escrow Agent be liable for special, indirect or consequential loss or damage of any kind whatsoever (including but

not limited to lost profits), even if the Escrow Agent has been advised of such loss or damage and regardless of the form of action. The Escrow Agent may consult with counsel, who may or may not be counsel to the District, and in reliance upon the written opinion of such counsel shall have full and complete authorization and protection in respect of any action taken, suffered or omitted by it in good faith in accordance therewith. Whenever the Escrow Agent shall deem it necessary or desirable that a matter be proved or established prior to taking, suffering, or omitting any action under this Agreement, such matter (except the matters set forth herein as specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of nationally recognized bond counsel) may be deemed to be conclusively established by a written certification of the District. Whenever the Escrow Agent shall deem it necessary or desirable that a matter specifically requiring a certificate of a nationally recognized firm of independent certified public accountants or an opinion of nationally recognized bond counsel be proved or established prior to taking, suffering, or omitting any such action, such matter may be established only by such a certificate or such an opinion. The Escrow Agent shall incur no liability for losses arising from any investment made pursuant to this Agreement.

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

**SECTION 19.** This Agreement shall terminate upon the later of the payment of the prepayment price of all of the outstanding Series 2003 Certificates on the Prepayment Date in the amount set forth in Section 9 of this Agreement. Upon such termination, all moneys remaining in the Escrow Fund after payment of all fees and expenses of the Escrow Agent shall be transferred to the Series 2003 Trustee for deposit into the Prepayment Fund under the Series 2003 Trust Agreement.

**SECTION 20.** This Agreement is made in the State of California under the Constitution and laws of the State of California and is to so be construed.

**SECTION 21.** If any one or more of the covenants or agreements provided in this Agreement on the part of the District, the Corporation or the Escrow Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, such covenant or agreement shall be deemed and construed to be severable from the remaining covenants and agreements herein contained and shall in no way affect the validity of the remaining provisions of this Agreement.

All the covenants, promises and agreements in this Agreement contained by or on behalf of the District or the Corporation or by or on behalf of the Escrow Agent shall bind and inure to the benefit of their respective successors and assigns, whether so expressed or not.

**SECTION 22.** This Agreement may be executed in several counterparts, all or any of which shall be regarded for all purposes as one original and shall constitute and be but one and the same instrument.

*[Remainder of page intentionally left blank.]*

IN WITNESS WHEREOF, the parties hereto have caused this Escrow Agreement to be executed by their duly authorized officers as of the date first-above written.

NIPOMO COMMUNITY SERVICES DISTRICT

By \_\_\_\_\_  
General Manager

THE BANK OF NEW YORK MELLON TRUST  
COMPANY, N.A.,  
as Escrow Agent and Series 2003 Trustee

By \_\_\_\_\_  
Authorized Officer

**Exhibit A**  
**Escrow Requirement**

**Series 2003 Certificates**  
**Prepayment Date**  
(\_\_\_\_\_, 2013)

Series 2003 Installment  
Payments to be  
Prepaid at Par

Principal  
Component

Interest  
Component

Total Due

## Exhibit B

### Form of Notice of Prepayment

**NIPOMO COMMUNITY SERVICES DISTRICT  
REVENUE CERTIFICATES OF PARTICIPATION  
(PIPELINE AND STORAGE FACILITY PROJECT)  
SERIES 2003**

NOTICE IS HEREBY GIVEN by the Nipomo Community Services District (the "District"), to the owners of the certificates listed below (the "Certificates"), caused to be executed and delivered pursuant to the Trust Agreement, dated as of May 1, 2003 (the "Trust Agreement"), by and among the District, the Nipomo Community Services District Public Facilities Corporation (the "Corporation"), and The Bank of New York Mellon Trust Company, N.A., as successor to BNY Western Trust Company, that the Certificates identified below representing undivided interests in the Installments Payments due under the Installment Purchase Agreement, dated as of May 1, 2003 (the "Installment Purchase Agreement"), by and between the District and the Corporation, have been scheduled for optional prepayment on \_\_\_\_\_, 2013 (the "Prepayment Date"), pursuant to the provisions of the Installment Purchase Agreement and the Trust Agreement.

The Certificates scheduled for prepayment have the maturity date, principal component amount, CUSIP Number and prepayment price as set forth below:

<u>Maturity</u> <u>September 1</u>	<u>Principal</u> <u>Component</u>	<u>CUSIP</u>	<u>Prepayment</u> <u>Price</u>
			100%
			100
			100
			100
			100
			100
			100

Owners of the Certificates should surrender said Certificates on the prepayment date at the following address:

By Mail, Hand or Overnight:

The Bank of New York Mellon Trust Company, N.A.  
Corporate Trust Operations

\_\_\_\_\_  
\_\_\_\_\_



Any questions may be directed to:

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

\_\_\_\_\_  
Corporate Trust Department

Telephone: \_\_\_\_\_

IMPORTANT NOTICE. Under the provisions of the Economic Growth and Tax Relief Reconciliation Act of 2001 (the "Act"), The Bank of New York Mellon Trust Company, N.A., as paying agent (the "Paying Agent"), may be obligated to withhold 28% of the prepayment price from any Certificate holder who has failed to furnish the Paying Agent with a valid taxpayer identification number and a certification that such Certificate holder is not subject to backup withholding under the Act. Certificate holders who wish to avoid the application of these provisions should submit a completed Form W-9 when presenting their Certificates. If you have any questions, please call The Bank of New York Mellon Trust Company, N.A. at \_\_\_\_\_.

Neither the District, the Corporation or the Paying Agent shall be held responsible for the selection or use of the CUSIP number, nor is any representation made as to its corrections indicated in this Notice of Prepayment. It is included solely for convenience of the owners of the Certificates.

Failure to receive this Notice of Prepayment or any immaterial defect contained herein shall not affect the sufficiency of the prepayment proceedings as provided in the Trust Agreement.

Dated: April \_\_\_, 2013

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