

RESOLUTION NO. 2020-421

A RESOLUTION OF THE SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT BOARD OF DIRECTORS AUTHORIZING THE EXECUTION, DELIVERY AND SALE OF CERTIFICATES OF PARTICIPATION TO USDA IN THE MAXIMUM PRINCIPAL AMOUNT OF \$4,464,000 TO FINANCE WASTEWATER PROJECTS, AND APPROVING RELATED DOCUMENTS AND ACTIONS

WHEREAS, the South San Luis Obispo County Sanitation District (the "District") owns and operates facilities and property for the transportation, treatment and disposal of wastewater within the service area of the District (the "Wastewater System"); and

WHEREAS, the Board of Directors of the District wishes at this time to provide funds to finance certain capital expenditures relating to the Wastewater System referred to as the "Redundancy Project" (the "Project"); and

WHEREAS, in order to provide financing for the Project from the United States Department of Agriculture-Rural Development ("USDA"), the District has requested that the Public Property Financing Corporation of California, a nonprofit public benefit corporation duly organized and existing under the laws of the State of California (the "Corporation"), enter into an Installment Sale Agreement (the "Installment Sale Agreement") with the District; and

WHEREAS, in order to raise funds for such purposes, the Corporation proposes to assign its rights under the Installment Sale Agreement to the District Administrator, as trust administrator (the "Trust Administrator"), and the Corporation, the Trust Administrator and the District propose to enter into a Trust Agreement under which the Trust Administrator will execute and deliver Certificates of Participation (Redundancy Project), or similar designation (the "Certificates"), representing the direct, undivided fractional interests of the owners thereof in the semiannual payments which the District is obligated to make thereunder in respect of debt service on the Certificates; and

WHEREAS, California Government Code Section 5852.1 requires that certain financial information be obtained and disclosed with respect to the Certificates by the Board of Directors of the District, and said information is set forth in the staff report accompanying this Resolution; and

WHEREAS, the Board of Directors wishes to authorize the execution, delivery and sale of the Certificates at this time for the purpose of providing funds to finance the Project;

NOW, THEREFORE, BE IT RESOLVED, by the Board of Directors of the South San Luis Obispo County Sanitation District as follows:

Section 1. Approval of Financing Plan and Related Documents. The Board of Directors hereby approves the execution, delivery and sale of the Certificates to USDA in the maximum principal amount of \$4,464,000 for the purpose of providing funds to finance the Project and pay all the costs of issuance related to the Certificates. To that end, the Board of Directors hereby approves each of the following financing documents in substantially the respective forms on file with the Secretary, together with any changes therein or additions thereto approved by the Chair or the District Administrator (each, an "Authorized Officer"), and the execution thereof by an Authorized Officer shall be conclusive evidence of such approval:

- **Installment Sale Agreement** between the District and the Corporation, under which the Corporation agrees to provide funds to finance the Project in consideration of semi-annual payments to be made by the District from the net revenues of the Wastewater System.
- **Trust Agreement** among the District, the Corporation and the Trust Administrator, whereby the Trust Administrator agrees to execute and deliver the Certificates and to apply the proceeds thereof to accomplish the purposes of the financing.

Each Authorized Officer, acting alone, is hereby authorized and directed for and in the name and on behalf of the District to execute the final form of each of the foregoing documents, and the Secretary is hereby authorized and directed to attest to the final form of each of the foregoing documents, if necessary. The schedule of semiannual payments attached to the Installment Sale Agreement shall correspond to the payments of principal and interest represented by the Certificates, to be determined upon the sale thereof to USDA.

Section 2. Sale of Certificates to USDA. An offer to purchase the Certificates, submitted to the District by the United States of America, acting through Rural Utilities Service, U.S. Department of Agriculture, is hereby approved, and the District Administrator is hereby authorized and directed to indicate the District's acceptance of such offer by the execution thereof, with such changes, insertions, and omissions as may be approved by such official, so long as the aggregate principal amount of the Certificates does not exceed \$4,464,000.

Section 3. Official Actions. The Chair, the District Administrator, the Secretary and all other officers of the Board of Directors and the District are each authorized and directed in the name and on behalf of the District to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate the execution, delivery and sale of the Certificates and any of the other transactions contemplated by the agreements and documents approved pursuant to this Resolution. Whenever in this Resolution any officer of the District is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.

Section 4. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

PASSED AND ADOPTED at a regular meeting of the South San Luis Obispo County Sanitation District Board of Directors held this 5th day of August 2020.

On the motion of Director Lee, seconded by Director Ray Russom, and by the following roll call vote:

AYES: Directors Lee, Ray Russom and Austin
NOES: None
ABSENT: None
ABSTAINED: None

RESOLUTION NO. 2020-421

CERTIFICATION:

I do hereby certify that the foregoing is a full, true, and correct copy of a resolution duly and regularly adopted at a meeting of the South San Luis Obispo County Sanitation District held this 5th day of August 2020.



**CHAIR, BOARD OF DIRECTORS
SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT**

ATTEST:



DISTRICT BOOKKEEPER/SECRETARY

APPROVED AS TO FORM:



**JONES HALL, A PROFESSIONAL LAW CORPORATION
SPECIAL COUNSEL TO THE DISTRICT**

CONTENTS:



**JEREMY GHENT
DISTRICT ADMINISTRATOR**

INSTALLMENT SALE AGREEMENT

Dated as of _____, 2020

by and between

**PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA,
as Seller**

and the

**SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT,
as Purchaser**

Relating to:

**\$4,464,000
South San Luis Obispo County Sanitation District
Certificates of Participation
(Redundancy Project)**

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INSTALLMENT SALE AGREEMENT

THIS INSTALLMENT SALE AGREEMENT (this “Agreement” or “Installment Sale Agreement”), dated as of _____, 2020, by and between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation organized and existing under the laws of the State of California, as seller (the “Corporation”), and the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT, a county sanitation district duly organized and existing under and by virtue of the laws of the State of California, as purchaser (the “District”);

WITNESSETH:

WHEREAS, the District owns and operates facilities and property for the transportation, treatment and disposal of wastewater within the service area of the District (the “Wastewater System”);

WHEREAS, the District is proceeding to finance the acquisition and construction of certain improvements to the Wastewater System as more particularly described in Appendix A hereto (the “Project”), and in order to provide such financing the Corporation has proposed to acquire and construct the Project and sell the completed Project to the District as provided in this Agreement.

WHEREAS, the Corporation has been formed for the purpose of providing financial assistance to local agencies in the State of California, including the District.

WHEREAS, to that end, the Corporation will cause the execution and delivery of certificates of participation in the principal amount of \$4,464,000 (the “Certificates”), under a Trust Agreement dated as of _____, 2020 (the “Trust Agreement”), by and among the Corporation, the District and the District Administrator, as trust administrator (the “Trust Administrator”), and apply the proceeds of the sale thereof to the acquisition and construction of the Project; and

WHEREAS, the District has determined to purchase the Project from the Corporation pursuant to this Installment Sale Agreement; and

WHEREAS, the District will make installment payments pursuant to this Installment Sale Agreement (the “Installment Payments”) from the Net Revenues (as defined herein) of the Wastewater System in order to purchase the Project from the Corporation; and

WHEREAS, under the Trust Agreement, the Corporation will assign its right to receive Installment Payments to the Trust Administrator for the benefit of the Owner (as defined herein) of the Certificate; and

NOW, THEREFORE, in consideration of the above premises and of the mutual covenants hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

GENERAL

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in Appendix A attached to the Trust Agreement shall, for all purposes of this Installment Sale Agreement, have the meanings specified therein. The following appendices are attached to, and by this reference are made a part of, this Installment Sale Agreement:

- Appendix A: Project Description
- Appendix B: Installment Payments Schedule

Section 1.02. Interpretation .

(a) Unless the context otherwise indicates, words expressed in the singular include the plural and vice versa and the use of the neuter, masculine, or feminine gender is for convenience only and includes the neuter, masculine or feminine gender, as appropriate.

(b) Headings of articles and sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and do not affect the meaning, construction or effect hereof.

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

ARTICLE II

REPRESENTATIONS, COVENANTS AND WARRANTIES; DEPOSITS; PAYMENTS; CONSTRUCTION

Section 2.01. Representations, Covenants and Warranties. The District and the Corporation represent, covenant and warrant to each other as follows:

- (a) Each is validly organized and existing under the laws of the State.
- (b) The laws of the State authorize each to enter into this Installment Sale Agreement and the Trust Agreement and to enter into the transactions contemplated by and to carry out its obligations under each of the aforesaid agreements, and the each has duly authorized and executed such agreements.
- (c) The execution and delivery of this Installment Sale Agreement, the Trust Agreement, the fulfillment of or compliance with the terms and conditions hereof or thereof, and the consummation of the transactions contemplated by this Installment Sale Agreement and the Trust Agreement do not conflict with and do not result in a material breach of the terms, conditions or provisions of any restriction or any agreement or

instrument to which each is now a party or by which each is bound or constitutes a default under any of such agreement or instrument.

(d) Each has authorized and executed this Installment Sale Agreement in accordance with the laws of the State.

(e) The District represents that the Project has not been the subject of a previous conveyance by the District.

(f) The District represents that it has not issued or incurred any obligations payable out of the Gross Revenues or the Net Revenues.

Section 2.02. Payment of Construction Costs and Delivery Costs. The Corporation shall cause to be deposited with the Trust Administrator, for deposit in the funds as provided in the Trust Agreement, the amounts derived from the Certificate proceeds (\$4,464,000) in the installments as and when disbursed by the Original Purchaser.

Payment of the Construction Costs and Delivery Costs shall be made from the moneys deposited with the Trust Administrator in the Construction Fund, which shall be disbursed for such purpose in accordance and upon compliance with Sections 3.02 and 3.03, respectively, of the Trust Agreement. The District hereby covenants to pay necessary Construction Costs and Delivery Costs in excess of amounts available from Certificate proceeds from any legally available source of funds.

Section 2.03. Unexpended Proceeds. In accordance with Section 3.04 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.

Section 2.04. Construction of Project. The Corporation hereby appoints the District as its agent to acquire and construct the Project.

ARTICLE III

PROJECT SALE AND TITLE; INSTALLMENT PAYMENTS; NET REVENUES

Section 3.01. Sale. The Corporation hereby sells, bargains and conveys the Project to the District, and the District hereby purchases the Project from the Corporation upon the terms and conditions set forth in this Installment Sale Agreement.

Section 3.02. Title. The District and the Corporation agree that title to the Project, and each component thereof, shall be deemed conveyed to and vested in the District upon the completion of the acquisition, construction and installation thereof. 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 3.03. Assignment by the Corporation. The Corporation's right, title and interest in this Installment Sale Agreement, including the right to receive and enforce payment of

the Installment Payments to be made by the District under this Installment Sale Agreement, have been assigned to the Trust Administrator, subject to certain exceptions, pursuant to the Trust Agreement.

The District understands and agrees that the Corporation has assigned its right, title and interest (but not its duties or obligations) in this Installment Sale Agreement to the Trust Administrator pursuant to the Trust Agreement for the benefit of the Owners and the District assents to such assignment. The Corporation hereby directs the District, and the District hereby agrees, to pay to the Trust Administrator at the Trust Administrator's principal corporate trust office or at such other place as the Trust Administrator may direct in writing, all payments payable by the District pursuant to this Installment Sale Agreement.

Section 3.04. Term of the Installment Sale Agreement. The Term of the Installment Sale Agreement shall be as defined in Appendix A to the Trust Agreement, unless sooner terminated.

Section 3.05. Installment Payments.

(a) **Obligation to Pay.** The District agrees to pay to the Corporation, its successors and assigns, as the purchase price of the Project, the Installment Payments, consisting of components of principal and interest, on the Installment Payment Dates and in the amounts specified in Appendix B hereto, except such amounts shall be reduced by moneys on deposit in the Installment Payment Fund and credited to the payment of Installment Payments next due. The Installment Payments shall be payable solely from Net Revenues as hereinafter provided.

(b) **Reduction Upon Partial Prepayment.** If the District prepays less than all of the remaining principal components of the Installment Payments pursuant to Sections 4.02 and 4.03 hereof, the amount of such prepayment shall be applied (1) first to any interest owing but unpaid at the time of the prepayment, and (2) second to reduce the principal component of the subsequent remaining Installment Payments in any manner as directed by the District in a Written Certificate and the interest component of each subsequent remaining Installment Payment shall be reduced by the aggregate corresponding amount of interest that would otherwise be payable with respect to the Certificate redeemed as a result of such prepayment.

(c) **Rate on Overdue Payments.** If the District should fail to make any of the payments required in this Section 3.05 so that there are insufficient moneys on hand in the Installment Payment Fund to pay any Installment Payment in full on an Installment Payment Date, the Installment Payment in default shall continue as an obligation of the District until the amount in default is fully paid and the District agrees to pay the same with interest thereon, to the extent permitted by law, from the date thereof at the rate of interest payable with respect to the Certificate.

Section 3.06. Special Obligation of the District.

(a) **Limitations.** The District's obligation to pay the Installment Payments shall be a special obligation limited solely to Net Revenues. Under no circumstances shall the District be required to advance any moneys derived from any source of income other than the Net Revenues and other sources specifically identified herein for the

payment of the Installment Payments, nor shall any other funds or property of the District be liable for the payment of the Installment Payments.

(b) Obligations Unconditional. The obligations of the District to make the Installment Payments from Net Revenues and to perform and observe the other agreements contained herein shall be absolute and unconditional and shall not be subject to any defense or any right of set-off, counterclaim or recoupment arising out of any breach of the District, the Corporation or the Trust Administrator of any obligation to the District or otherwise with respect to the Project, whether hereunder or otherwise, or out of indebtedness or liability at any time owing to the District by the Corporation or the Trust Administrator.

(c) Obligations Specified. Until such time as all of the Installment Payments are fully paid or prepaid, the District:

(i) will not suspend, abate, or discontinue any payments provided for in Section 3.05 hereof;

(ii) will perform and observe all other agreements contained in this Installment Sale Agreement; and

(iii) will not terminate the Term of the Installment Sale Agreement for any cause, including, the occurrence of any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, destruction of or damage to the Project, the taking by eminent domain of title to or temporary use of any or all of the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either thereof or any failure of the Corporation or the Trust Administrator to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with the Trust Agreement or this Installment Sale Agreement.

(d) Corporation Obligations. Nothing contained in this Section 3.06 shall be construed to release the Corporation from the performance of any of the agreements on its part herein contained, and if the Corporation fails to perform any such agreements on its part, the District may institute such action against the Corporation as the District may deem necessary to compel performance so long as such action does not abrogate the obligations of the District contained in Section 3.06(b) above. The District may, however, at the District's own cost and expense and in the District's own name or in the name of the Corporation prosecute or defend any action or proceeding or take any other action involving third persons which the District deems reasonably necessary in order to secure or protect the District's right of possession, occupancy and use hereunder, and in such event the Corporation hereby agrees to cooperate fully with the District and to take such action necessary to effect the substitution of the District for the Corporation in such action or proceeding if the District so requests.

Section 3.07. Pledge of Net Revenues; Transfer to Pay Installment Payments; Release from Lien.

(a) Pledge and Assignment of Net Revenues. All of the Net Revenues, and all moneys on deposit in any of the funds and accounts established and held by the Trust

Administrator under the Trust Agreement, are hereby irrevocably pledged to the punctual payment of the Installment Payments. Such pledge constitutes a lien on and security interest in the Net Revenues and such other moneys for the payment of the Installment Payments in accordance with the terms hereof. Such pledge and lien on, and security interest in, the Net Revenues shall be on a parity with the pledge, lien and security interest which secures any Parity Obligations.

(b) Deposit to Wastewater System Funds; Payment of Operations and Maintenance Costs. The District has heretofore established the Wastewater System Funds, which the District agrees to continue to hold and maintain for the purposes and uses set forth herein. The District shall deposit all of the Gross Revenues in the Wastewater System Funds immediately upon receipt, and shall pay Operation and Maintenance Costs therefrom.

(c) Payment of Installment Payments and Parity Obligations. In addition to the transfers required to be made under the documents authorizing the issuance of any Parity Obligations, the District shall withdraw amounts on deposit in the Wastewater System Funds constituting Net Revenues, and apply such Net Revenues at the times and for the purposes, and in the priority, as follows:

- (i) Payment of Installment Payments and Parity Obligations. On or before each Installment Payment Date, the District shall withdraw from the Wastewater System Funds and transfer to the Trustee for deposit in the Installment Payment Fund an amount of Net Revenues which, together with the balance then on deposit in the Installment Payment Fund, is equal to the aggregate amount of the Installment Payment coming due and payable on the next succeeding Interest Payment Date. In addition, the District shall withdraw from the Wastewater System Funds and pay the principal of and interest on any Parity Obligations from Net Revenues, without preference or priority among the Installment Payments and Parity Obligations. If the amount of Net Revenues on deposit in the Wastewater System Funds is at any time insufficient to enable the District to pay when due the Installment Payments and the principal of and interest on the Parity Obligations, such payments shall be made on a pro rata basis.
- (ii) Reserve Fund Deposits and Transfers. Promptly upon receipt by the District of knowledge that the amount on deposit in the Reserve Fund or any other reserve fund established for any Parity Obligation has fallen below the amount required to be on deposit therein (or that there is an amount due to any provider of an insurance policy on deposit in any reserve fund), the District shall promptly (A) withdraw such amount due from available Net Revenues on deposit in the Wastewater System Funds, and (B) transfer such amount for deposit in the Reserve Fund or such other reserve fund (or to the provider of such insurance policy). If the amount of Net Revenues on deposit in the Wastewater System Funds is any time insufficient to enable the District to pay when due all amounts required by this subsection (ii), such payments shall be made on a pro rata basis.
- (iii) Other Uses of Net Revenues Permitted. The District shall manage, conserve and apply moneys in the Wastewater System Funds in such a manner that all deposits required to be made under this Section and the documents authorizing the issuance of any Parity Obligations will be made

at the times and in the amounts so required. Subject to the foregoing sentence, the District may at any time and from time to time use and apply moneys in the Wastewater System Funds for (i) the acquisition and construction of improvements to the Wastewater System, (ii) the prepayment of the Installment Payments and Parity Obligations, or (iii) any other lawful purpose of the Wastewater System.

Section 3.08. Rate Covenant; Rate Stabilization Fund.

(a) Rate Covenant. The District hereby covenants that it shall prescribe, revise and collect such charges for the services and facilities of the Wastewater System which, after allowances for contingencies and error in the estimates, will produce Net Revenues equal to at least 1.10 times the aggregate of the following:

(i) the Installment Payments coming due and payable during such Fiscal Year,

(ii) all payments required with respect to Parity Obligations during such Fiscal Year, if any,

(iii) amounts required to replenish the Reserve Fund, as required by Section 6.06 of the Trust Agreement, and

(iv) amounts required to replenish any reserve fund required by any Parity Obligation, if any.

(b) Rate Stabilization Fund. The District may at any time create a separate fund to be known as the "Rate Stabilization Fund", to be held and maintained by the District. The Rate Stabilization Fund is not pledged to secure payment of the Installment Payments. Amounts in the Rate Stabilization Fund shall be applied solely for the uses and purposes set forth in this subsection (b). The District shall have the right to deposit into the Rate Stabilization Fund from time to time any amount of funds which are legally available therefor; provided that deposits for each Fiscal Year may be made until (but not after) 180 days following the end of such Fiscal Year.

For the purpose of computing the amount of Net Revenues for any Fiscal Year for purposes of the preceding subsection (a), the District shall be permitted to transfer amounts on deposit in the Rate Stabilization Fund for purposes of such computation, such transfers to be made until (but not after) 180 days after the end of such Fiscal Year. In addition, the District shall be permitted to withdraw amounts on deposit in the Rate Stabilization Fund for any other lawful purpose.

Section 3.09. Limitations on Future Obligations Secured by Net Revenues.

(a) No Obligations Superior to Installment Payments. In order to protect further the availability of the Net Revenues and the security for the Installment Payments and any Parity Obligations, the District hereby agrees that the District shall not, so long as any Certificates are outstanding, issue or incur any obligations payable from Gross Revenues or Net Revenues superior to the Installment Payments or such Parity Obligations.

(b) Parity Obligations. The District further covenants that, except for obligations issued or incurred to prepay the Installment Payments in full pursuant to Section 4.02 hereof, the District shall not issue or incur any Parity Obligations unless all of the following conditions are met:

(i) The District may not be in default under the terms of this Installment Sale Agreement.

(ii) Net Revenues, calculated in accordance with sound accounting principles, as shown by the books of the District for the latest Fiscal Year or as shown by the books of the District for any other 12-month period selected by the District ending not more than 90 days prior to the date of issuance of such Parity Obligations, plus (at the option of the District) Additional Revenues, are at least equal to 120% of the amount of Maximum Annual Debt Service with respect to the Installment Payments and all Parity Obligations then outstanding (including the Parity Obligations then proposed to be issued).

(iii) So long as all of the Outstanding Certificates are held by the Original Purchaser, the prior written consent of the Original Purchaser must be obtained.

Notwithstanding the foregoing, any Parity Obligation issued or incurred by the District in the approximate par amount of the Certificates that is used to provide interim financing for the District to pay for a portion of the Project that is anticipated to be financed by the Certificates need not comply with clause (b)(ii) or (b)(iii) above.

Section 3.10. Additional Payments. In addition to the Installment Payments, the District shall pay, from Net Revenues, when due all costs and expenses incurred by the Corporation or Trust Administrator to comply with the provisions of the Trust Agreement and this Installment Sale Agreement, including, without limitation all Delivery Costs, compensation due to the Trust Administrator for its fees, costs and expenses incurred under the Trust Agreement, and all costs and expenses of attorneys, auditors, engineers and accountants.

Section 3.11. Payments to Reserve Fund. In addition to the Installment Payments, the District shall pay to the Trust Administrator, from Net Revenues, for deposit in the Reserve Fund:

(a) on a monthly basis, \$1,216 per month, until a total of \$145,839 (the "Reserve Requirement") has been accumulated, and

(b) such amounts as may be required to replenish the Reserve Fund if a draw therefrom or a valuation thereof determines that a deficiency exists therein, all in accordance with Section 6.06 of the Trust Agreement;

provided, however, that if the amount on deposit in the Reserve Fund reaches the Reserve Requirement, the District shall discontinue the payments to the Reserve Fund (except to the extent necessary to replenish the Reserve Fund), and any further interest earnings on the Reserve Fund shall be allocated under Section 8.03 of the Trust Agreement.

Section 3.12. Payments to Short-Lived Asset Reserve. In order to comply with the requirements of the Letter of Conditions dated June 3, 2020 issued by the Government in connection with its purchase of the Certificates, the District shall establish and maintain a separate fund (the "Short-Lived Asset Reserve") as a reserve for short-lived assets of the Wastewater System. The District shall deposit \$96,750 annually into the Short-Lived Asset Reserve starting not later than the first anniversary following the date the Project is completed.

The District may withdraw amounts on deposit in the Short-Lived Asset Reserve from time to time to pay for timely replacement of assets of the Wastewater System, which for purposes of this Section shall mean any component or assets of the Wastewater System, including without limitation pumps, paint and small equipment, that will need to be repaired or replaced over a one- to fifteen-year period, the cost of which is not included within the definition of Operation and Maintenance Costs.

Earnings and gains resulting from investment of the Short-Lived Asset Reserve will be retained in the Short-Lived Asset Reserve and used for the purposes thereof. Upon the redemption in full of all outstanding Certificates, the District shall close the Short-Lived Asset Reserve and the balance therein shall be released to the District and used for any legally permissible purpose of the Wastewater System.

ARTICLE IV

PREPAYMENT OF INSTALLMENT PAYMENTS

Section 4.01. Prepayment. The District shall have the right to prepay the Installment Payments, but only in the manner, at the times and in all respects in accordance with the provisions of this Article IV.

Section 4.02. Optional Prepayment. Subject to the terms and conditions of this Section 4.02, the Corporation hereby grants an option to District to prepay the Installment Payments in full, by paying the total unpaid principal component of the Installment Payments as set forth in Appendix B, or in part, but not in an amount of less than the Denomination Amount or any integral multiple thereof, without premium or penalty.

The District may exercise this option on any date following written notice by the District to the Corporation and the Trust Administrator of the exercise of such option at least 45 days prior to the date designated for prepayment.

In order to prepay the Installment Payments in full, the District shall deposit with the Trust Administrator, no later than the applicable prepayment date, (i) cash in an amount sufficient to pay the total unpaid principal component of such Installment Payments as set forth in Appendix B, (ii) any Installment Payments then due but unpaid, and (iii) accrued interest to the prepayment date.

In order to prepay the Installment Payments in part, the District shall deposit with the Trust Administrator, no later than the applicable prepayment date, (i) an amount divisible by the Denomination Amount equal to the amount desired to be prepaid, (ii) any Installment Payments

then due but unpaid, and (iii) accrued interest on the amount to be prepaid to the prepayment date.

Any partial prepayment shall be applied by the Corporation or its assignee against Installment Payments in such order as directed by the District and consistent with Section 4.02 of the Trust Agreement, and the District shall prepare (or cause to be prepared) and provide to the Trust Administrator a revised schedule of Installment Payments reflecting such partial prepayment.

Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the District. Refunds, extra payments and loan proceeds obtained from outside sources for the purpose of paying down the District debt shall, after payment of interest, be applied to the installments last to become due under this Agreement and shall not affect the obligation of the District to pay the remaining installments as scheduled in the security instruments.

Section 4.03. Mandatory Prepayment From Net Proceeds of Insurance or Condemnation and from Unexpended Proceeds. The District shall be obligated to prepay the Installment Payments in whole or in part on any Installment Payment Date from and to the extent of

(a) any Net Proceeds of any insurance or condemnation award theretofore deposited in the Installment Payment Fund for such purpose pursuant to Section 5.07 hereof or pursuant to Section 7.02 of the Trust Agreement; and

(b) from any excess monies remaining in the Construction Fund and not required for payment of Construction Costs ("Unexpended Proceeds").

The District and the Corporation hereby agree that such Net Proceeds and Unexpended Proceeds shall be credited towards the District's obligations under this Section 4.03. Except in the case of such prepayment of the Installment Payments in full, such payment shall be in addition to the Installment Payment required to be paid by the District on such date. Prepayment of Certificates pursuant to this Section shall be applied against the final unpaid principal installment of the Certificates.

Section 4.04. Credit for Amounts on Deposit. If the District elects or is required to prepay the Installment Payments in full under this Article IV, such that the Trust Agreement will be discharged by its terms as a result of such prepayment, all amounts then on deposit in the Installment Payment Fund, the Construction Fund or the Reserve Fund shall be credited towards the amounts required to be so prepaid.

Section 4.05. Security Deposit. Notwithstanding any other provision hereof, the District may on any date secure the payment of Installment Payments, in whole or in part, by irrevocably depositing with the Trust Administrator an amount of cash which, together with other available amounts, is either (a) sufficient to pay all such Installment Payments, including the principal and interest components thereof, when due hereunder, or (b) invested in whole or in part in non-callable Defeasance Obligations in such amount as will, in the report of an independent certified public accountant, together with interest to accrue thereon and together with any cash which is so deposited, be fully sufficient to pay all such Installment Payments when due hereunder (including when due on any optional prepayment date pursuant to Section 4.02), as the District instructs at the time of said deposit. If the District makes a security deposit

under this Section for the payment of all remaining Installment Payments, all obligations of the District hereunder, and the pledge of Net Revenues and all other security provided by this Installment Sale Agreement for said obligations, will cease and terminate, excepting only the obligation of the District to make, or cause to be made, all Installment Payments from such security deposit. A security deposit constitutes a special fund for the payment of such Installment Payments in accordance with the provisions hereof. Upon such deposit, the Corporation will execute or cause to be executed any and all documents as may be necessary to release the security provided hereby to the extent of such deposit.

ARTICLE V

MAINTENANCE; TAXES; INSURANCE; AND OTHER MATTERS

Section 5.01. Maintenance, Taxes and Assessments, Contests.

(a) **Operation.** The District covenants to operate the Wastewater System in an efficient and economical manner and operate, maintain and preserve the Wastewater System in good repair and working order in accordance with customary standards and practices applicable to similar facilities

(b) **Taxes and Assessments.** The District shall also pay or cause to be paid all taxes and assessments of any type or nature charged to the Corporation or the District or levied, assessed or charged against the Wastewater System or the respective interests or estates therein; provided that with respect to special assessments or other governmental charges that may lawfully be paid in installments over a period of years, the District shall be obligated to pay only such installments as are required to be paid during the Term of the Installment Sale Agreement as and when the same become due. The District shall not be required to pay any federal, state or local income, inheritance, estate, succession, transfer, gift, franchise, gross receipts, profit, excess profit, capital stock, corporate, or other similar tax payable by the Corporation, its successors or assigns, unless such tax is made in lieu of or as a substitute for any real estate or other tax upon property.

(c) **Contest.** The District may, at the District's expense and in its name, in good faith contest any such taxes, assessments, utility and other charges and, in the event of any such contest, may permit the taxes, assessments or other charges so contested to remain unpaid during the period of such contest and any appeal therefrom unless the Corporation shall notify the District that, in the opinion of Independent Counsel, by nonpayment of any such items, or the Project or any part thereof will be subject to loss or forfeiture, in which event the District shall promptly pay such taxes, assessments or charges or provide the Corporation with full security against any loss which may result from nonpayment, in form satisfactory to the Corporation.

Section 5.02. Modification of Project. The District may, at its own expense, remodel the Project or make additions, modifications and improvements thereto. All such additions, modifications and improvements shall thereafter comprise part of the Project and be subject to the provisions of this Installment Sale Agreement and shall be the prior written consent of the Original Purchaser. Such additions, modifications and improvements shall not in any way

damage the Project or cause it to be used for purposes other than those authorized under the provisions of state and federal law; and the Project, upon completion of any additions, modifications and improvements made pursuant to this Section 5.02, shall be of a value which is not substantially less than the value of the Project immediately prior to the making of such additions, modifications and improvements.

Section 5.03. Installation of District's Equipment. The District may at any time and from time to time, in its sole discretion and at its own expense, install or permit to be installed other items of equipment or other personal property in or upon the Project. All such items shall remain the sole property of the District, in which neither the Corporation nor the Trust Administrator shall have any interest, and may be modified or removed by the District at any time provided that the District shall repair and restore any and all damage to the Project resulting from the installation, modification or removal of any such items. Nothing in this Installment Sale Agreement shall prevent the District from purchasing items to be installed pursuant to this Section 5.03 under a conditional sale or lease purchase contract, or subject to a vendor's lien or security agreement, as security for the unpaid portion of the purchase price thereof.

Section 5.04. Public Liability and Property Damage Insurance.

(a) **Insurance Policies.** The District shall maintain or cause to be maintained, throughout the Term of the Installment Sale Agreement, insurance policies, including a standard comprehensive general insurance policy or policies in protection of the District, its members, officers, agents and employees. Said policy or policies shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the construction or operation of the Wastewater System. Such policy or policies shall provide coverage in the minimum liability limits of \$1,000,000 for personal injury or death of each person and in each accident or event, and in a minimum amount of \$250,000 (subject to a deductible clause of not to exceed \$200,000) for damage to property resulting from each accident or event. Such public liability and property damage insurance may, however, be in the form of a single limit policy in the amount of \$2,500,000 covering all such risks. Such liability insurance may be maintained as part of or in conjunction with any other liability insurance coverage carried by the District, and may be maintained in the form of insurance maintained through a nonprofit public benefit corporation created for such purpose or in the form of self-insurance by the District.

(b) **Self-Insurance.** If the District maintains self-insurance, it shall supply to the Trust Administrator a statement of sufficiency by an independent insurance consultant or the District's risk manager on an annual basis as described in Section 5.06 hereof.

(c) **Application of Net Proceeds.** The Net Proceeds of such liability insurance shall be applied toward extinguishment or satisfaction of the liability with respect to which the insurance proceeds shall have been paid.

Section 5.05. Fire and Extended Coverage Insurance.

(a) **Insurance Policies.** The District shall procure and maintain, or cause to be procured and maintained, throughout the Term of the Installment Sale Agreement, insurance against loss or damage to any structures constituting any part of the

Wastewater System (excluding transmission and distribution pipelines and equipment in public and private rights-of-way) by fire and lightning, with extended coverage insurance but not including earthquake insurance. Such insurance shall be in an amount equal to the greater of 100% of the replacement cost of the Project or the then Outstanding principal amount of Certificates. Such insurance may be subject to a deductible clause of not to exceed ten percent of said replacement cost for any one loss. Such insurance may be maintained as part of or in conjunction with any other fire and extended coverage insurance carried or required to be carried by the District, and may be maintained in the form of insurance maintained through a nonprofit public benefit corporation created for such purpose or in the form of self-insurance by the District.

(b) Self-Insurance. If the District maintains self-insurance, it will supply to the Trust Administrator a statement of sufficiency by an independent insurance consultant or the District's risk manager on an annual basis as described in Section 5.06 hereof.

(c) Application of Net Proceeds. Net Proceeds of such insurance shall be applied as provided in Section 5.07 hereof.

Section 5.06. Insurance Net Proceeds; Form of Policies. The insurance required by Sections 5.04 and 5.05 above shall provide that all proceeds thereunder shall be payable to the Trust Administrator for the benefit of the Certificate Owners. The District shall pay or cause to be paid when due the premiums for all insurance policies required by this Installment Sale Agreement. All such policies shall provide that the Corporation and the Trust Administrator are named as additional insureds and that the Trust Administrator shall be given 30 days' notice of each expiration, any intended cancellation thereof or reduction of the coverage provided thereby. The Trust Administrator shall not be responsible for the sufficiency of any insurance herein required or for the obtaining of such insurance and shall be fully protected in accepting payment on account of such insurance or any adjustment, compromise or settlement of any loss agreed to by the District. The District shall cause to be delivered to the Trust Administrator annually, no later than the end of each Fiscal Year, a Written Certificate signed by a District Representative stating that the District is in compliance with Sections 5.04 and 5.05 of this Agreement. The Trust Administrator may conclusively rely on such certificate.

Section 5.07. Application of Net Proceeds.

(a) From Insurance Award. The Net Proceeds of any insurance award resulting from any damage to or destruction of the Project by fire or other casualty shall be deposited in the Insurance and Condemnation Fund by the Trust Administrator promptly upon receipt thereof and, if the District Representative notifies the Trust Administrator in writing of the District's determination that the replacement, repair, restoration, modification or improvement of the Project is not economically feasible or in the best interest of the District, then such Net Proceeds shall be promptly transferred by the Trust Administrator to the Installment Payment Fund to be applied as provided in Section 4.03 hereof.

All Net Proceeds deposited in the Insurance and Condemnation Fund and not so transferred shall be applied to the prompt replacement, repair, restoration, modification or improvement of the Project by the District, upon receipt of a requisition, signed by the District Representative and, so long as all of the Outstanding Certificates are held by the

Original Purchaser, the Owner of the Certificate stating with respect to each payment to be made

(i) the requisition number,

(ii) the name and address of the person, firm or corporation to whom payment is due,

(iii) the amount to be paid and

(iv) that each obligation mentioned therein has been properly incurred, is a proper charge against the Insurance and Condemnation Fund, has not been the basis of any previous withdrawal, and specifying in reasonable detail the nature of the obligation.

Any balance of the Net Proceeds remaining after such work has been completed shall be transferred to the Installment Payment Fund. The District covenants that it will commence such replacement, repair, restoration, modification or improvement or indicate that such replacement, repair, restoration, modification or improvement is not economically feasible within 180 days of receipt of such Net Proceeds.

(b) From Eminent Domain Award. The Net Proceeds of any eminent domain award shall be deposited in the Insurance and Condemnation Fund to be held and applied by the Trust Administrator pursuant to Section 7.02 of the Trust Agreement.

Section 5.08 Advances. If the District fails to perform any of its obligations under this Article V, the Corporation may, but shall not be obligated to, take such action as may be necessary to cure such failure, including the advancement of money, and the District shall be obligated to repay all such advances as soon as possible, with interest at the rate of interest with respect to the Certificate from the date of the advance to the date of repayment.

ARTICLE VI

DISCLAIMER OF WARRANTIES; ACCESS; INDEMNITY

Section 6.01. Disclaimer of Warranties. The Corporation makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the District for the Project or any item thereof, or any other representation or warranty with respect to the Project or any item thereof. In no event shall the Corporation be liable for incidental, indirect, special or consequential damages, in connection with or arising out of this Installment Sale Agreement or the Trust Agreement for the existence, furnishing, functioning or District's use of the Project.

Section 6.02. Access to the Project and Records. To the extent permitted by law, the District agrees that the Corporation, any Corporation Representative, and the Corporation's successors or assigns shall have the right at all reasonable times to enter upon and to examine and inspect the Project. The District further agrees that the Corporation, any Corporation Representative, and the Corporation's successors or assigns shall have such rights of access to

the Project as may be reasonably necessary to cause the proper maintenance of the Project in the event of failure by the District to perform its obligations hereunder. In addition, the District agrees that the Corporation, any Corporation Representative, and the Corporation's successors or assigns shall have the right at all reasonable times to inspect and examine all books, papers and records of the Corporation and the District pertaining to the Project and the Certificate, to make copies thereof and to take non-privileged memoranda therefrom or with respect thereto as may be desired.

Section 6.03. Indemnity. The District shall and hereby agrees to indemnify and save the Corporation and its successors and assigns harmless from and against all claims, losses and damages, including legal fees and expenses, arising out of:

(a) the use, maintenance, condition or management of, or from any work or thing done on the Project by the District;

(b) any breach or default on the part of the District in the performance of any of its obligations under this Installment Sale Agreement;

(c) any act or negligence of the District or of any of its agents, contractors, servants, employees or licensees with respect to the Project;

(d) any act or negligence of any assignee or sublessee of the District with respect to the Project; or

(e) the construction of the Project or the authorization of payment of the Construction Costs or Delivery Costs by the District or the Corporation.

No indemnification is made under this Section 6.03, or elsewhere in this Installment Sale Agreement for willful misconduct, negligence, or breach of duty under this Installment Sale Agreement by the Corporation, its officers, agents, employees, successors or assigns.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES

Section 7.01. Events of Default Defined. The following shall be "events of default" under this Installment Sale Agreement and the terms "events of default" and "default" shall mean, whenever they are used in this Installment Sale Agreement, any one or more of the following events:

(a) Failure by the District to pay any Installment Payment by the Installment Payment Date or failure to make any other payment required to be paid hereunder at the time specified herein; or

(b) Failure by the District to observe and perform any covenant, condition or agreement on its part to be observed or performed in this Installment Sale Agreement or the Trust Agreement, other than as referred to in clause (a) of this Section 7.01, for a

period of 30 days after written notice specifying such failure and requesting that it be remedied has been given to the District by the Corporation, the Trust Administrator or the Owners of not less than 25% in aggregate principal amount of Certificate then Outstanding; provided, however, if the failure stated in the notice cannot be corrected within the applicable period, the Corporation, the Trust Administrator or such Owners, as applicable, shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the District within the applicable period and diligently pursued until the default is corrected; or

(c) The filing by the District of 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 the approval by a court of competent jurisdiction of 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, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction assumes custody or control of the District or of the whole or any substantial part of its property; or

(d) An event of default occurs and is continuing with respect to any Parity Obligations.

Section 7.02. Remedies on Default. Whenever any event of default referred to in Section 7.01 hereof shall have happened and be continuing, the Corporation shall have the right, at its option and without any further demand or notice, to:

(a) declare all principal components of the unpaid Installment Payments, together with accrued interest at the rate or rates specified in the respective Outstanding Certificate from the immediately preceding Installment Payment Date on which payment was made, to be immediately due and payable, whereupon the same shall become due and payable; and

(b) take whatever action at law or in equity may appear necessary or desirable to collect the Installment Payments then due or thereafter to become due during the Term of the Installment Sale Agreement, or enforce performance and observance of any obligation, agreement or covenant of the District under this Installment Sale Agreement.

Section 7.03. No Remedy Exclusive. No remedy herein conferred upon or reserved to the Corporation is intended to be exclusive and every such remedy shall be cumulative and shall be in addition to every other remedy given under this Installment Sale Agreement or now or hereafter existing at law or in equity. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as may be deemed expedient. In order to entitle the Corporation to exercise any remedy reserved to it in this Article it shall not be necessary to give any notice, other than such notice as may be required in this Article or by law.

Section 7.04. Prosecution and Defense of Suits. The District shall promptly, upon request of the Corporation or its assignee, from time to time take or cause to be taken such action as may be necessary or proper to remedy or cure any defect in or cloud upon the title to the Project whether now existing or hereafter developing and 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 or cause to be indemnified the Corporation and its assignee for all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceedings.

To the extent permitted by law, the District shall defend, or cause to be defended, against every suit, action or proceeding at any time brought against the Corporation or its assignee upon any claim arising out of the receipt, application or disbursement of any of the Net Revenues or involving the rights or duties of the Corporation or its assignee under this Installment Sale Agreement or the Trust Agreement; provided, that the Corporation and its assignee at their election may appear in and defend any such suit, action or proceeding. The District shall indemnify or cause to be indemnified the Corporation and its assignee against any and all liability claimed or asserted by any person, arising out of such receipt, application or disbursement. Notwithstanding any contrary provision hereof, this covenant shall remain in full force and effect, even though all Installment Payments have been fully paid and satisfied, until a date which is three years following the payment of the last of the Installment Payments.

Section 7.05. No Additional Waiver Implied by One Waiver. If any agreement contained in this Installment Sale Agreement should be breached by either party and thereafter waived by the other party, such waiver shall be limited to the particular breach so waived and shall not be deemed to waive any other breach hereunder.

Section 7.06. Application of the Proceeds. The Trust Administrator, as assignee of the Corporation, shall apply all amounts received under this Article VII as set forth in Section 13.03 of the Trust Agreement.

Section 7.07. Liability Limited to Net Revenues. Notwithstanding any provision of this Installment Sale Agreement, the District's liability to pay the Installment Payments and other amounts hereunder shall be limited solely to Net Revenues as provided in Sections 3.06 and 3.07 hereof. If Net Revenues are insufficient at any time to pay an Installment Payment in full, the District shall not be liable to pay or prepay such Installment Payment other than from Net Revenues.

Section 7.08. Trust Administrator and Certificate Owners to Exercise Rights. Such rights and remedies as are given to the Corporation under this Article VII have been assigned by the Corporation to the Trust Administrator under the Trust Agreement, to which assignment the District hereby consents. Such rights and remedies shall be exercised by the Trust Administrator and the Owners of the Certificate as provided in the Trust Agreement.

Section 7.09. Pro Rata Application of Net Revenues. If, at any time, there is a deficiency in Net Revenues available to pay the Installment Payments, any amounts due with respect to Parity Obligations (which may require the consent of the Original Purchaser as set forth in Section 3.09(b)(iv)), amounts required to replenish the Reserve Fund, or amounts required to replenish any reserve fund established for Parity Obligations, available Net Revenues shall be applied on a pro rata basis to the payment of such Installment Payments, to the payment of amounts due with respect to Parity Obligations, to the replenishment of the Reserve Fund, to the replenishment of any reserve fund established for Parity Obligations.

ARTICLE VIII

MISCELLANEOUS

Section 8.01. Assignment, Sale or Lease by the District.

(a) **Assignment or Sale.** This Installment Sale Agreement may not be assigned by the District, and the Wastewater System may not be sold by the District during the Term of this Installment Sale Agreement.

(b) **Lease.** The District may lease the Project, or any portion thereof, with the consent of the Owner of the Certificate so long as all of the Outstanding Certificate are held by the Original Purchaser thereof, and subject to all of the following conditions:

(i) This Installment Sale Agreement and the obligation of the District to make Installment Payments hereunder shall remain obligations of the District;

(ii) The District shall, within 30 days after the delivery thereof, furnish or cause to be furnished to the Corporation and the Trust Administrator a true and complete copy of the documents accomplishing such lease;

(iii) No such lease by the District shall cause the Project to be used for a purpose other than a governmental or proprietary function authorized under the provisions of the Constitution and laws of the State; and

(iv) No such lease shall cause the interest component of the Installment Payments to become subject to federal or State personal income taxes.

Section 8.02. Amendment of Installment Sale Agreement. The District will not alter, modify or cancel or agree or consent to alter, modify or cancel this Installment Sale Agreement, except as permitted by Article VII of the Trust Agreement, without the written consent of the Trust Administrator and the Corporation.

Section 8.03. Binding Effect. This Installment Sale Agreement shall be for the benefit of and shall be binding upon the Corporation and the District and their respective successors and assigns.

Section 8.04. Applicable Law. This Installment Sale Agreement shall be governed by and construed in accordance with the laws of the State.

Section 8.05. Severability. If any provision of this Installment Sale Agreement is held invalid or unenforceable by any court of competent jurisdiction, such holding shall not invalidate or render unenforceable any other provision hereof.

Section 8.06. Captions. The captions or headings in this Installment Sale Agreement are for convenience only and in no way define, limit or describe the scope or intent of any provision, Article or Section of this Installment Sale Agreement.

Section 8.07. Net Contract. This Installment Sale Agreement shall be deemed and construed to be a "net contract" and the District hereby agrees that the Installment Payments shall be an absolute net return to the Corporation, free and clear of any expenses, charges or set-offs whatsoever.

Section 8.08. Further Assurances and Corrective Instruments. The Corporation and the District agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements hereto and such further instruments as may reasonably be required for correcting any inadequate or incorrect description of the Project hereby sold or intended so to be or for carrying out the expressed intention of this Installment Sale Agreement.

Section 8.09. Corporation and District Representatives. Whenever under the provisions of this Installment Sale Agreement the approval of the Corporation or the District is required, or the Corporation or the District is required to take some action at the request of the other, such approval or such request shall be given for the Corporation by an Corporation Representative and for the District by a District Representative, and any party hereto shall be authorized to rely upon any such approval or request.

Section 8.10. Notices. All written notices to be given hereunder shall be given by mail first class, postage prepaid, 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. Any such notice shall be deemed to have been received 48 hours after deposit in the United States mail, with postage fully prepaid.

If to the District: South San Luis Obispo County Sanitation District
1600 Aloha Place
Oceano, California 93445
Attn: District Administrator

If to the Corporation: Public Property Financing Corporation of California
_____, CA _____
Attn: Treasurer

If to the Trust Administrator: District Administrator
South San Luis Obispo County Sanitation District
1600 Aloha Place
Oceano, California 93445

The Corporation, the District and the Trust Administrator, by notice given hereunder, may designate different addresses to which subsequent notices, certificates or other communications will be sent.

Section 8.11. Execution in Counterparts. This Installment Sale Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

[Signature page follows]

IN WITNESS, the Corporation has caused this Installment Sale Agreement to be duly executed in its name by its duly authorized officer; and the District has caused this Installment Sale Agreement to be duly executed in its name by its duly authorized officers, as of the date first above written.

PUBLIC PROPERTY FINANCING
CORPORATION OF CALIFORNIA, *as
Seller*

Attest

By _____
Secretary

By _____
President

SOUTH SAN LUIS OBISPO COUNTY
SANITATION DISTRICT, *as Purchaser*

Attest

By _____
Secretary

By _____
District Administrator

:

APPENDIX A

DESCRIPTION OF THE PROJECT

The Project will consist of the acquisition and construction of the following improvements to the Wastewater System referred to as the “Redundancy Project” and more specifically identified as follows:

The Redundancy Project is intended to provide redundancy to the regional wastewater treatment plant (WWTP) owned and operated by the District to allow major process units to be removed from service for maintenance or repairs without risking violation of effluent permit limits. The Redundancy Project will help protect human health, the environment and prevent sewage spills. The project is not intended to increase the flow or load capacity of the WWTP, but instead to improve its reliability.

The Redundancy Project consists of the following anticipated components: two activated sludge aeration basins, one new secondary clarifier, one new fixed film reactor (FFR) effluent pump station, waste activated sludge (WAS) thickening centrifuge with modifications to the existing dewatering platform, blower, electrical and motor control center (MCC) building, dewatered sludge conveyor, yard piping, site improvements, instrumentation and controls, electrical systems, floodproofing of critical plant systems, and repairs and improvements to existing secondary clarifier. The project will be completed within the existing WWTP site, and no offsite work is anticipated to be required.

**APPENDIX B
SCHEDULE OF INSTALLMENT PAYMENTS**

Payment Date	Principal	Interest Rate	Interest	Semiannual Debt Service	Annual Debt Service
03/01/21					
09/01/21					
03/01/22					
09/01/22					
03/01/23					
09/01/23					
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09/01/56
03/01/57
09/01/57

Total

*Commencing with the March 1, 2021 interest payment, it is assumed that total advances in the principal amount of \$4,464,000 have been drawn by said March 1, 2021 date.

TRUST AGREEMENT

Dated as of _____, 2020

among

the
DISTRICT ADMINISTRATOR,
as Trust Administrator

the
PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA,

and the

SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT

Relating to:

\$4,464,000
Certificates of Participation
(Redundancy Project)

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TRUST AGREEMENT

This TRUST AGREEMENT, made and entered into as of _____, 2020, by and among the DISTRICT ADMINISTRATOR, as trust administrator (the "Trust Administrator"), the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA, a nonprofit public benefit corporation organized and existing under the laws of the State of California (the "Corporation"), as seller under the Installment Sale Agreement hereinafter defined, and the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT, a county sanitation district duly organized and existing under and by virtue of the laws of the State of California (the "District").

B A C K G R O U N D :

1. The District owns and operates facilities and property for the transportation, treatment and disposal of wastewater within the service area of the District (the "Wastewater System").

2. The Corporation has been formed for the purpose of providing financial assistance to local agencies in the State of California, including the District.

3. The District and the Corporation have entered into an installment sale agreement (the "Installment Sale Agreement"), dated as of the date hereof, whereby the Corporation has agreed to sell certain improvements to the District's wastewater system (the "Project") to the District and the District has agreed to purchase the Project from the Corporation; and

4. For the purpose of obtaining the moneys required to be deposited by it with the Trust Administrator for financing the construction of the Project, the Corporation proposes to assign and transfer certain of its rights under the Installment Sale Agreement to the Trust Administrator and, in consideration of such assignment and the execution of this Trust Agreement, the Trust Administrator has agreed to execute and deliver a series of certificates of participation, evidencing direct, undivided fractional interests in the Installment Payments and Prepayments (each as hereinafter defined) to be made by the District, to provide the moneys required herein to be deposited by the Corporation;

5. The original purchaser and owner of the Certificates shall be the Government;

A G R E E M E N T :

In consideration of the premises and the material covenants contained herein, the District, the Corporation and the Trustee hereby agree as follows:

ARTICLE I DEFINITIONS; AUTHORIZATION

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in Appendix A attached hereto shall, for all purposes of this Trust Agreement, have the meanings therein specified.

Section 1.02. Authorization. Each of the parties hereby represents and warrants that it has full legal authority and is duly empowered to enter into this Trust Agreement, and has taken all actions necessary to authorize the execution of this Trust Agreement by the officers and persons signing it.

Section 1.03. Content of Written Certificates.

(a) **Contents.** Every certificate provided for in this Trust Agreement with respect to compliance with any provision hereof, except the certificate of destruction pursuant to Section 14.07, 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 has made or caused to be made such examination or investigation as is necessary to enable him to express an informed opinion with respect to the subject matter referred to in the instrument to which his 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.

(b) **Reliance.** 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 Trust Agreement, but different officers, counsel or accountants may certify to different matters, respectively.

Section 1.04. Appendices. The following are attached to, and by this reference are made a part of, this Trust Agreement:

- Appendix A: Definitions
- Appendix B: Form of Certificates of Participation
- Appendix C: Form of Disbursement Requisition from Construction Fund

ARTICLE II
THE CERTIFICATE OF PARTICIPATION

Section 2.01. Authorization. The Trust Administrator is hereby authorized and directed upon written request from the Corporation to execute and deliver, to the Original Purchaser, the Certificates in the principal amounts evidencing undivided fractional interests in the Installment Payments and the prepayments. The aggregate principal amount of the Certificates shall not in any case exceed the aggregate payments by the Original Purchaser therefor, as such payments and the dates thereof are endorsed on the fully registered Certificates. No provision is made for the Certificates to be executed and delivered in blocks or phases as the Original Purchaser's regulations for single delivery have been satisfactorily met.

Section 2.02. Date. Each Certificate shall be dated as of the date of delivery thereof.

Section 2.03. Maturity; Interest Rates. The Certificates shall mature on September 1 in the years and be payable in sinking fund principal amounts, and interest with respect thereto shall be computed at the Interest Rate of per annum as shown below:

Maturity Date (September 1)	Total Principal	Interest Rate
2021		
2022		
2023		
2024		
2025		
2026		
2027		
2028		
2029		
2030		
2031		
2032		
2033		
2034		
2035		
2036		
2037		
2038		
2039		
2040		
2041		
2042		
2043		
2044		
2045		
2046		
2047		
2048		
2049		

Maturity Date (September 1)	Total Principal	Interest Rate
2050		
2051		
2052		
2053		
2054		
2055		
2056		
2057		
2058		
2059		
2060		
	\$4,464,000.00	

Section 2.04. Interest. Interest on the Certificates shall be payable semiannually on each Interest Payment Date to and including the date of final principal payment (or provision therefor under Section 14.01 hereof) or prepayment, whichever is earlier, determined on the Original Purchaser's aggregate payments for the single Certificates from the respective date(s) thereof, as such payments and dates thereof are endorsed on the single Certificates. Such interest shall represent the portion of Installment Payments designated as interest and coming due during the six-month period preceding each Interest Payment Date. The portion of Installment Payments designated as interest with respect to any Certificate shall be computed by multiplying the portion of Installment Payments designated as principal with respect to such Certificate by the rate of interest applicable to such Certificate. Interest shall be calculated on the basis of a year of 365 days and actual days elapsed. Each semiannual payment of interest shall be in the amount of one-half of the annual amount of interest due. Unless otherwise requested by the registered owner, principal installments and interest hereon are payable by the Pre-Authorized Debit (PAD) payment process.

Interest on any Certificate shall be payable from the Interest Payment Date next preceding the date of execution thereof, unless

(i) such Certificate is executed on an Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or

(ii) such Certificate is executed after the close of business on the 15th day of the month immediately preceding the following Interest Payment Date and prior to such Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or

(iii) such Certificate is executed on or before September 15, 2018, in which event interest shall be payable from the date of delivery thereof;

provided, however, that if at the time of execution of any Certificate, interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment.

Payment of interest with respect to any Certificate shall be made to the person appearing on the registration books of the Trust Administrator as the Owner thereof as of the

15th day of the month preceding such Interest Payment Date, such interest to be paid by wire transfer (in the electronic funds transfer manner specified by the Government if the Government is the Owner) or by check mailed by first class mail to the Owner at the Owner's address as it appears on such registration books.

So long as the Government is the Owner of the Certificates, the Trust Administrator shall make all payments with respect to the Certificates through the Preauthorized Debit (PAD) System, or any other electronic funds transfer system that may be specified by the Government from time to time.

Section 2.05. Form of Certificate; Legends. The Certificates shall be delivered in the form of fully registered Certificates, without coupons, in the Denomination Amount or any integral multiple thereof, except that one Certificate may contain any odd amount, and no Certificate may have principal maturing in more than one year. The Certificates shall be numbered in such manner as the Trust Administrator deems appropriate. At the option of the Original Purchaser of the Certificate, a single, fully-registered Certificate may be executed and delivered, in lieu of serial, registered Certificates, which single Certificate shall mature in installments of the same principal amounts and on the same dates as the registered Certificate it represents. The single Certificate shall be substantially in the form set forth in Appendix B attached hereto and by this reference incorporated herein. The Certificates may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Trust Agreement as may be necessary or desirable to comply with custom, or otherwise.

Section 2.06. Execution. The Certificate shall be executed by and in the name of the Trust Administrator, at the written direction of the Corporation, by the manual signature of an authorized signatory of the Trust Administrator.

Section 2.07. Transfer and Exchange. The following shall apply to transfers and exchanges of Certificates, provided that no transfer or exchange of Certificates shall be required to be made during the 15 days prior to the date of selection of Certificates for prepayment, or of any Certificate selected for prepayment:

(a) **Transfer of Certificate.** Any Certificate may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 2.11 hereof by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Certificate for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trust Administrator, duly executed. Whenever any Certificate shall be surrendered for transfer, the Trust Administrator shall deliver a new Certificate or Certificates of the same maturity, interest rate and aggregate principal amount in authorized denominations to the transferee thereof. The Trust Administrator may require the payment by the Certificate Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

(b) **Exchange of Certificate.** Certificates may be exchanged at the Principal Trust Office, for a like aggregate principal amount of Certificates of other authorized denominations of the same maturity. The Trust Administrator may require the payment by the Certificate Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

Section 2.08. Certificate Mutilated, Lost, Destroyed or Stolen. If any Certificate becomes mutilated, the Trust Administrator, at the expense of the Owner of said Certificate, shall execute and deliver a new Certificate of like maturity and principal amount in authorized denominations in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trust Administrator of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trust Administrator shall be canceled by it and destroyed in accordance with Section 14.07 hereof, and the Trust Administrator shall deliver a certificate of destruction to the District.

If any Certificate becomes lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trust Administrator and, if such evidence is satisfactory to the Trust Administrator and if an indemnity satisfactory to the Trust Administrator and the Corporation shall be given, the Trust Administrator, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like tenor and maturity and numbered as the Trust Administrator shall determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen.

The Trust Administrator may require payment of an appropriate fee for each new Certificate delivered under this Section and of the expenses which may be incurred by the Trust Administrator in carrying out the duties under this Section.

Any Certificate delivered 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 Trust Agreement with all other Certificate secured by this Trust Agreement. The Trust Administrator shall not be required to treat both the original Certificate and any substitute Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder; the Trust Administrator shall consider only the substitute Certificate as Outstanding for such purpose. Notwithstanding any other provision of this Section, in lieu of delivering a new Certificate which has been mutilated, lost, destroyed or stolen, and which has matured, the Trust Administrator may make payment with respect to such Certificate upon receipt of indemnity satisfactory to the Trust Administrator.

Section 2.09. Payment. Except as otherwise provided herein, payment of interest due with respect to any Certificate on any Interest Payment Date shall be made to the person appearing on the Registration Books as the Owner thereof as of the Regular Record Date immediately preceding such Interest Payment Date, such interest to be paid by check mailed on the Interest Payment Date by first class mail to such Owner at his address as it appears on the Registration Books as of such Regular Record Date. The principal and prepayment price with respect to the Certificate at maturity or upon prior prepayment shall be payable by check denominated in lawful money of the United States of America upon surrender of the Certificate at the Principal Trust Office. If the Government is the Owner of the single, fully-registered Certificate, surrender shall not be required for payment, except for final payment.

Section 2.10. Execution of Documents and Proof of Ownership. Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Certificate Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose, or by any bank, trust company or other depository for such Certificate. Proof of the execution of any such instrument, or of any instrument appointing any such attorney or agent, and of the

holding and ownership of Certificate shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

(a) The fact and date of the execution by any Owner or such Owner's attorney or agent of any such instrument and of any instrument appointing any such attorney or agent, may be proved by a certificate, which need not be acknowledged or verified, of an officer of any bank or trust company located within the United States of America, or of any notary public, or other officer authorized to take acknowledgments of deeds to be recorded in such jurisdictions, that the persons signing such instruments acknowledged before such notary or officer the execution thereof. Where any such instrument is executed by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such certificate shall also constitute sufficient proof of the authority of such officer or member.

(b) The fact of the holding of Certificate by any Owner and the amount, the maturity and the numbers of such Certificate and the date of his holding the same may be proved by reference to the Certificate Register maintained by the Trust Administrator provided for in Section 2.11 hereof. The Trust Administrator may conclusively assume that such ownership continues until transfer as provided in Section 2.07(a) hereof.

(c) Nothing contained in this Article II shall be construed as limiting the Trust Administrator to such proof, it being intended that the Trust Administrator may accept any other evidence of the matters herein stated which the Trust Administrator may deem sufficient. Any request or consent of the Owner of any Certificate shall bind every future Owner of the same Certificate in respect of anything done or suffered to be done by the Trust Administrator in pursuance of such request or consent.

Section 2.11. Certificate Register. The Trust Administrator will keep or cause to be kept, at the Principal Trust Office, sufficient books for the registration and transfer of the Certificates which shall be open at all reasonable times with reasonable prior notice during normal business hours of the Trust Administrator to inspection by the District and the Corporation; and, upon presentation for such purpose, the Trust Administrator 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.

Section 2.12. CUSIP Numbers. The Trust Administrator, the District and the Corporation shall not be liable for any defect or inaccuracy in any CUSIP number that appears on any Certificate or in any prepayment notice. The Trust Administrator may, in its discretion, include in any prepayment notice a statement to the effect that any CUSIP numbers on the Certificates have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Trust Administrator, the District nor the Corporation shall be liable for any inaccuracies in such numbers.

CUSIP numbers shall not be required if the Government is the Original Purchaser of a single, fully registered Certificate.

ARTICLE III CONSTRUCTION FUND

Section 3.01. Construction Fund. The Trust Administrator shall establish the Construction Fund; shall keep the Construction Fund separate and apart from all other funds, accounts and moneys held by the Trust Administrator; and shall administer the Construction Fund as provided herein.

There shall be deposited in the Construction Fund all of the proceeds of sale of the Certificates (\$4,464,000), and any other funds from time to time deposited with the Trust Administrator for deposit in the Construction Fund, in each case in the installments as and when disbursed by the Original Purchaser.

Section 3.02. Payment of Construction Costs.

(a) Amounts in the Construction Fund shall be disbursed for Construction Costs.

(b) The Trust Administrator shall disburse moneys in the Construction Fund to pay Construction Costs only upon receipt of a sequentially numbered requisition, the form of which is attached as Appendix C, with bills, invoices or statements attached, signed by a District Representative (and, if required, by the Government as the Certificate Owner).

(c) The Trust Administrator shall be responsible for the safekeeping and investment (in accordance with Section 8.02 hereof) of the moneys held in the Construction Fund for the payment of Construction Costs in accordance with this Section, but the Trust Administrator shall not be responsible for such requisitions.

Section 3.03. Payment of Delivery Costs.

(a) Amounts in the Construction Fund shall also be disbursed by the Trust Administrator to pay the Delivery Costs.

(b) The Trust Administrator shall disburse moneys in the Construction Fund to pay the Delivery Costs only upon a receipt of a sequentially numbered requisition, the form of which is attached as Appendix C, with bills, invoices or statements attached, signed by a District Representative (and, if required, by the Government as the Certificate Owner).

(c) The Trust Administrator shall be responsible for the safekeeping and investment (in accordance with Section 8.02 hereof) of the moneys held in the Construction Fund for the payment of Delivery Costs in accordance with this Section, but the Trust Administrator shall not be responsible for such requisitions.

(d) Any moneys not expended to pay Delivery Costs shall be used to pay the costs of the Project.

Section 3.04. Transfers of Unexpended Proceeds. The Trust Administrator is hereby directed that all unexpended moneys remaining in the Construction Fund and not identified in

writing by a District Representative and by the Owner to be required for payment of Construction Costs or other capital improvements (the "Unexpended Proceeds") shall, on the date of completion of the Project or as soon thereafter as the Trust Administrator is so notified, be transferred to the Installment Payment Fund and applied to the prepayment of the Certificates.

ARTICLE IV PREPAYMENT OF CERTIFICATE

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 are subject to prepayment in whole on any date and in part on any Interest Payment Date from the (i) Net Proceeds of any insurance or condemnation award and (ii) Unexpended Proceeds, which are, in either case deposited in the Installment Payment Fund and credited towards the prepayment made by the District pursuant to Section 4.03 of the Installment Sale Agreement, at a prepayment price equal to the principal amount thereof, together with accrued interest to the date fixed for prepayment, without premium.

(c) **Optional Prepayment.** In addition, the Certificates are subject to prepayment in whole or in part on any date, at a prepayment price equal to the principal amount thereof, together with accrued interest to the date fixed for prepayment, without premium, from the proceeds of optional prepayments made by the District pursuant to the Installment Sale Agreement. Refunds, extra payments and loan proceeds obtained from outside sources for the purpose of optionally prepaying the Certificates in part shall, after payment of interest, be applied to the principal amount of Certificates last to become due under this Agreement and shall not affect the obligation to pay the remaining Certificates as scheduled.

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 Trust Administrator shall select the Certificates to be prepaid for prepayment in any order of maturity selected by the District and by lot within a maturity. The Trust Administrator shall promptly notify the District and the Corporation in writing of the Certificates so selected for prepayment. So long as the Government is the sole owner of the Certificates, prepayment shall be made in inverse order of maturity.

Section 4.03. Notice of Prepayment.

(a) **General.** Notice of any such prepayment shall be given by the Trust Administrator on behalf and at the expense of the District by mailing a copy of a prepayment notice by first class mail at least 30 days and not more than 60 days prior to the date fixed for prepayment to such Owner of the Certificate or Certificates to be redeemed (or such shorter period as agreed by the Owner) at the address shown on the

Certificate Register maintained by the Trust Administrator; 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.

(b) Contents. 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 Certificates 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 Corporate Trust Office.

(c) Prepayment. Notice of prepayment having been given as aforesaid, the Certificates or portions of Certificates so to be redeemed 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 Trust Administrator 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 Certificates, 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 Trust Administrator, shall not be reissued and shall be destroyed pursuant to Section 14.07.

(d) CUSIP. The Trust Administrator shall have no responsibility for a defect in the CUSIP number that appears on any Certificates 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 Certificates Owners and that the Trust Administrator and the District shall not be liable in any way for inaccuracies in said numbers.

Section 4.04. Partial Prepayment of Certificates. Upon surrender of any Certificate prepaid in part only, the Trust Administrator 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. After notice has been given 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 redeemed shall become due and payable on the Interest Payment Date, and, upon presentation and surrender thereof at the Principal Trust specified in such notice, such Certificates shall be paid at the unpaid principal amount with respect thereto, and any unpaid and accrued interest to the Interest Payment Date.

If, on the 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 Trust Administrator so as to be available therefor on such Interest Payment Date, and, if notice of prepayment thereof shall have been given, 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 such moneys shall not be so available on the Interest Payment Date, interest with respect to such Certificate 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 Trust Administrator for the prepayment of particular Certificate shall be held in trust for the account of the Owners of the Certificate so to be prepaid. The Trust Administrator 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 Trust Administrator for such prepayment may also be used on any Interest Payment Date, upon receipt by the Trust Administrator at least 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 Certificate were prepaid; *provided, however*, that no Certificate shall be purchased in lieu of prepayment with a trade settlement date less than 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; INSTALLMENT PAYMENT FUND

Section 5.01. Assignment of Rights in Installment Sale Agreement.

(a) Assignment by the Corporation. The Corporation, for good and valuable consideration, does hereby irrevocably assign and transfer to the Trust Administrator, for the benefit of the Owner of the Certificates, all of its rights and interest in the Installment Sale Agreement (excepting only its rights under Sections 5.08, 6.03 and 7.04 thereof), including, without limitation, its rights to receive and collect Installment Payments from District under the Installment Sale Agreement, its rights to the pledge of Net Revenues, the right to receive and collect any proceeds of any insurance maintained thereunder, or

of any condemnation award rendered with respect to the Project and the right to exercise such rights and remedies as are conferred on the Corporation by the Installment Sale Agreement as may be necessary to enforce payment of the Installment Payments when due or otherwise to protect its interests in the event of a default by the District.

(b) Acceptance by the Trust Administrator. The Trust Administrator hereby accepts such assignment in trust for the purpose of securing, equally and proportionately, such payments and rights to the Owner of the Certificates delivered pursuant to this Trust Agreement, all subject to the provisions of this Trust Agreement.

(c) Application of Installment Payments. The Installment Payments shall be applied, and the rights assigned by the Corporation to the Trust Administrator shall be exercised, by the Trust Administrator as provided in this Trust Agreement for the benefit of the Owner of the Certificates.

All Installment Payments, prepayments and such other amounts which the Corporation may at any time be entitled to shall be paid directly to the Trust Administrator and, if the Corporation receives or collects Installment Payments, such payments shall be deemed to be held or to have been collected or received by the Corporation as agent of the Trust Administrator.

Section 5.02. Establishment of Installment Payment Fund. The Trust Administrator shall establish the Installment Payment Fund. All moneys at any time deposited by the Trust Administrator in the Installment Payment Fund shall be held by the Trust Administrator in trust for the benefit of the Owners of the Certificates, and shall secure payment of the Certificates.

So long as any Certificates are Outstanding, neither the District nor the Corporation shall have any beneficial right or interest in the Installment Payment Fund or the moneys deposited therein, except only as provided in this Trust Agreement, and such moneys shall be used and applied by the Trust Administrator as hereinafter set forth.

Section 5.03. Deposits. There shall be deposited in the Installment Payment Fund all Installment Payments and prepayments received by the Trust Administrator, including any moneys received by the Trust Administrator for deposit therein pursuant to Sections 4.06, 6.04 or 6.05 hereof or Article IV of the Installment Sale Agreement, and any other moneys required to be deposited therein pursuant to the Installment Sale Agreement or pursuant to this Trust Agreement.

Section 5.04. Application of Moneys. All amounts in the Installment Payment Fund shall be used and withdrawn by the Trust Administrator solely for the purpose of paying principal and interest with respect to the Certificates as they become due and payable, in accordance with the provisions of Article II hereof.

Section 5.05. Surplus. Any surplus remaining in the Installment Payment Fund, after payment of all Certificates, and accrued interest (if any) and payment of any applicable fees, costs and expenses to the Trust Administrator, or provision for such prepayment or payment having been made to the satisfaction of the Trust Administrator, shall be withdrawn by the Trust Administrator and remitted to the District.

ARTICLE VI RESERVE FUND

Section 6.01. Establishment of Reserve Fund. The Trust Administrator shall establish the Reserve Fund, which the Trust Administrator shall keep separate and apart from all other funds and moneys held by the Trust Administrator. All moneys at any time on deposit in the Reserve Fund shall be held by the Trust Administrator in trust for the benefit of the Owners of the Certificates, and applied solely as provided herein.

Section 6.02. Deposits. There shall be deposited into the Reserve Fund the amounts specified in Section 3.11 of the Installment Sale Agreement.

Section 6.03. Transfers in Excess of Reserve Requirement. The Trust Administrator shall, on or before each March 1 and September 1, transfer any moneys in the Reserve Fund in excess of the applicable Reserve Requirement to the Project Fund or to the Installment Payment Fund, as provided in Section 8.03 hereof.

Section 6.04. Application in Event of Deficiency in the Installment Payment Fund. If, on any Interest Payment Date, the moneys available in the Installment Payment Fund do not equal the amount of the principal, interest and prepayment premium (if any) with respect to the Certificates then coming due and payable, the Trust Administrator shall apply the moneys available in the Reserve Fund to make delinquent Installment Payments on behalf of the District and transfer the amount necessary for this purpose to the Installment Payment Fund. Upon receipt of any delinquent Installment Payment with respect to which moneys have been advanced from the Reserve Fund such Installment Payment shall be deposited in the Reserve Fund to the extent of such advance.

Section 6.05. Transfer to Make All Installment Payments. If on any Installment Payment Date, the moneys on hand in the Reserve Fund and the Installment Payment Fund are sufficient to pay all of the Outstanding Certificates, including all principal and interest, the Trust Administrator shall, upon the written direction of a District Representative, accompanied by all amounts then on hand in the Reserve Fund, deposit such funds in the Installment Payment Fund to be applied to the payment of the Installment Payments or prepayments on behalf of the District with respect to such Certificates, and such moneys shall be distributed to the Owners of such Certificates in accordance with Article II and Article IV of this Trust Agreement.

Section 6.06. Replenishment of Reserve Fund. The District shall maintain or cause to be maintained in the Reserve Fund amounts equal to the amounts required to be deposited therein pursuant to Section 3.11 of the Installment Sale Agreement, and thereafter the amount of the applicable Reserve Requirement.

If, on any date of computation, amounts on hand in the Reserve Fund are less than such required amounts because of a transfer therefrom made in accordance with Section 6.04 hereof, the District shall pay to the Trust Administrator, within one year from the date of such deficiency if caused by a drawing from Net Revenues, an amount necessary to bring the amounts on deposit in the Reserve Fund to the amount required to be maintained therein; provided, however, that the period of time permitted herein for the replenishment of the Reserve Fund by the District shall not affect any other provision of this Trust Agreement.

ARTICLE VII
INSURANCE AND CONDEMNATION FUND; INSURANCE; EMINENT DOMAIN

Section 7.01. Establishment of Insurance and Condemnation Fund; Application of Net Proceeds of Insurance Award. Any Net Proceeds of insurance against accident to or destruction of any structure constituting any part of the Project collected by the District in the event of any such accident or destruction shall be transferred by the District to the Trust Administrator pursuant to Section 5.07 of the Installment Sale Agreement and the Trust Administrator shall deposit such moneys in a special fund designated as the "Insurance and Condemnation Fund" to be applied and disbursed by the Trust Administrator as provided in Section 5.07(a) of the Installment Sale Agreement.

Section 7.02. Application of Net Proceeds of Eminent Domain Award. If all or any part of the Project is taken by eminent domain (or sold to a government threatening to exercise the power of eminent domain) the Net Proceeds therefrom shall be transferred by the District to the Trust Administrator for deposit in the Insurance and Condemnation Fund pursuant to Section 5.07(b) of the Installment Sale Agreement and shall be applied and disbursed by the Trust Administrator as follows:

(a) If the District determines that such eminent domain proceedings have not materially affected the operation of the Project, or the ability of the District to meet any of its obligations under the Installment Sale Agreement, and if the District determines that such proceeds are:

(i) not needed for repair, replacement or rehabilitation of the Project, upon receipt of a written certificate from the District, the Trust Administrator shall transfer such proceeds to the Installment Payment Fund to be credited towards the prepayments required to be paid pursuant to Section 10.03 of the Installment Sale Agreement and applied to the prepayment of Certificate in the manner provided in Article IV hereof, or

(ii) needed for repair or rehabilitation of the Project, upon receipt of a written certificate from the District, the Trust Administrator shall pay to the District, or to its order, from said proceeds such amounts as the District may expend for such repair or rehabilitation, upon the filing with the requisitions of the District Representative, substantially in the form described in Section 3.02 in connection with the payment of Construction Costs.

(b) If (i) less than all of the Project is taken in such eminent domain proceedings, and if the District determines that such eminent domain proceedings have materially affected the operation of the Project or the ability of the District to meet any of its obligations under the Installment Sale Agreement or (ii) all of the Project is taken in such eminent domain proceedings, then upon receipt of written instruction from the District the Trust Administrator shall transfer such proceeds to the Installment Payment Fund to be credited toward the prepayment required to be paid pursuant to Section 4.03 of the Installment Sale Agreement and applied to the prepayment of Certificate in the manner provided in Article IV hereof.

Section 7.03. Excess Net Proceeds. After all of the Certificates have been retired and the entire amount of principal and interest with respect to the Certificates and any remaining

fees and expenses of the Trust Administrator have been paid in full, the Trust Administrator shall transfer any remaining funds to the District.

Section 7.04. Cooperation. The Corporation shall cooperate with the District at the expense of the District in filing any proof of loss with respect to any insurance policy maintained pursuant to Article V of the Installment Sale Agreement and in the prosecution or defense of any prospective or pending condemnation proceeding with respect to the Project or any part thereof.

ARTICLE VIII MONEYS IN FUNDS; INVESTMENT

Section 8.01. Held in Trust. The moneys and investments held by the Trust Administrator under this Trust Agreement, except for those held in the Construction Fund and the Delivery Cost Fund, are irrevocably held in trust for the benefit of the Owner(s) of the Certificates, and for the purposes herein specified, and such moneys, and any income or interest earned thereon, shall be expended only as provided in this Trust Agreement, and shall not be subject to levy or attachment or lien by or for the benefit of any creditor of either the Corporation, the Trust Administrator or the District or any Owner of Certificates, or any of them until after the Certificates have been paid in full.

Section 8.02. Investments Authorized. Moneys held by the Trust Administrator hereunder shall be invested and reinvested by the Trust Administrator, to the maximum extent practicable, in Permitted Investments. Unless otherwise directed, the Trust Administrator shall invest the affected moneys in Permitted Investments described in paragraph (g) of the definition thereof.

A District Representative may, by written order filed with the Trust Administrator, direct investment of moneys held by the Trust Administrator in specific Permitted Investments. Investments purchased with moneys on deposit in the Reserve Fund shall have a term not greater than five years. Investments, if registrable, shall be registered in the name of and held by the Trust Administrator or the Trust Administrator's nominee.

The Trust Administrator may purchase or sell to itself or any affiliate, as principal or agent, investments authorized by this Section 8.02. Such investments and reinvestments shall be made giving full consideration to the time at which funds are required to be available. The Trust Administrator may act as principal or agent in the making or disposing of any investment.

The Trust Administrator shall not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with this Article VIII.

The Trust Administrator shall be entitled to rely conclusively upon the written instructions of a District Representative directing investments as to the fact that each investment is permitted by the laws of the State and constitutes a Permitted Investment hereunder, and the Trust Administrator shall not be required to make further investigation with respect thereto.

To the extent that any of the requirements concerning any Permitted Investment embodies a legal conclusion, the Trust Administrator shall be entitled to conclusively rely upon a certificate from the appropriate party or an opinion of counsel to such party that such requirement has been met.

Section 8.03. Allocation of Earnings. All interest or income received by the Trust Administrator on investment of the Construction Fund and the Installment Payment Fund shall, as received, be retained in the respective fund.

Amounts retained in the Installment Payment Fund pursuant to this Section 8.03 shall be applied as a credit against the Installment Payment due by the District pursuant to the Installment Sale Agreement on the Installment Payment Date following the date of deposit.

All interest or income received by the Trust Administrator on investment of the Reserve Fund shall be retained in the Reserve Fund if amounts on deposit in the Reserve Fund are less than the applicable Reserve Requirement. Pursuant to Section 6.03 hereof, if amounts then on deposit in the Reserve Fund equal or exceed the Reserve Requirement, such excess shall, as received, be transferred, prior to the date of completion of the Project, to the Construction Fund, and after the date of completion of the Project, shall be transferred to the Installment Payment Fund and shall be applied as a credit against the Installment Payment due by the District pursuant to the Installment Sale Agreement on the Installment Payment Date following the date of deposit.

Transfers to the Installment Payment Fund from the Reserve Fund shall be made by the Trust Administrator on or prior to each Installment Payment Date.

Section 8.04. Accounting. The Trust Administrator shall furnish to the District a semi-annual accounting of all investments, transactions and disbursements made by the Trust Administrator. The Trust Administrator may commingle, at its sole discretion, any of the funds held by it pursuant to this Trust Agreement into a separate fund or funds for investment purposes only; provided, however, that all funds or accounts held by the Trust Administrator hereunder shall be accounted for separately notwithstanding such commingling by the Trust Administrator.

Section 8.05. Acquisition, Disposition and Valuation of Investments.

(a) Except as otherwise provided in subsection (b) of this Section 8.05, the District covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Trust Agreement, or otherwise containing gross proceeds of the Certificates (within the meaning of section 148 of the Tax Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Trust Agreement or the Tax Code) at Fair Market Value.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code and (unless valuation is undertaken at least annually) investments in the Reserve Fund shall be valued at their present value (within the meaning of section 148 of the Tax Code).

**ARTICLE IX
THE TRUST ADMINISTRATOR**

Section 9.01. Appointment of Trust Administrator. The Trust Administrator is hereby appointed by the Corporation and the District for the purpose of receiving all moneys required to

be deposited with the Trust Administrator hereunder and to allocate, use and apply the same as provided in this Trust Agreement.

(a) General. The Trust Administrator is hereby authorized to pay or redeem the Certificates when duly presented for payment at maturity, or on prepayment, and to cancel all Certificates upon payment thereof. The Trust Administrator shall keep accurate records of all funds administered by it and of all Certificates paid and discharged.

(b) Successor. So long as no Event of Default occurs and is continuing, the District may, with the written consent of the Owners, remove the Trust Administrator initially appointed, and any successor thereto, on 30 days' written notice and may appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company that is a corporation organized and doing business under the laws of any state, the District or the United States of America, authorized under such laws to exercise corporate trust powers, which has (or, in the case of a corporation included in a bank holding company system, the related bank holding company has) a combined capital and surplus of at least \$50,000,000, and is subject to supervision or examination by federal or state authority, so long as any Certificates are Outstanding.

If such corporation publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to then for the purpose of this Section 9.01 the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Any removal of the Trust Administrator shall not be effective until written acceptance of appointment by the successor Trust Administrator.

(c) Resignation. The Trust Administrator may at any time resign by giving written notice to the Corporation and the District and by providing notice by first class mail, postage prepaid, to the Owners at their addresses as shown on the Certificate registration books maintained by the Trust Administrator. Said mailing shall be made prior to the proposed effective date of resignation.

Upon receiving such notice of resignation, the District, with the written consent of the Owners, shall promptly appoint a successor Trust Administrator by an instrument in writing; *provided, however*, that if the District does not appoint a successor Trust Administrator within 30 days following receipt of such notice of resignation, the Corporation may appoint a successor Trust Administrator and if the Corporation does not appoint such successor Trust Administrator, the resigning Trust Administrator, at the expense of the District, may petition any appropriate court having jurisdiction to appoint a successor Trust Administrator.

Any resignation or removal of the Trust Administrator and appointment of a successor Trust Administrator shall become effective upon acceptance of appointment by the successor Trust Administrator and receipt by the Trust Administrator of any fees and expenses due and payable to it.

Section 9.02. Liability of Trust Administrator. The recitals of facts, covenants and agreements herein and in the Certificates contained shall be taken as statements, covenants and agreements of the Corporation and the District, and the Trust Administrator neither

assumes any responsibility for the correctness of the same, nor makes any representations as to the validity or sufficiency of this Trust Agreement or of the Certificates nor shall incur any responsibility in respect thereof, other than in connection with the duties or obligations herein or in the Certificates assigned to or imposed upon the Trust Administrator.

Section 9.03. Merger or Consolidation. Any company into which the Trust Administrator may be merged or converted or with which any of them may be consolidated or any company resulting from any merger, conversion or consolidation to which any of them shall be a party or any company to which the Trust Administrator may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 9.01, shall be the successor to the Trust Administrator without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

Section 9.04. Protection and Rights of the Trust Administrator.

(a) **Good Faith.** The Trust Administrator shall be protected and shall incur no liability in acting or proceeding in good faith upon any resolution, notice, telegram, request, consent, waiver, certificates, statement, affidavit, voucher, bond, requisition or other paper or document which it shall in good faith believe to be genuine and to have been passed or signed by the proper board or person or to have been prepared and furnished pursuant to any of the provisions of this Trust Agreement, and the Trust Administrator 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.

(b) **Ownership Claims.** The Trust Administrator shall not be bound to recognize any person as an Owner of any Certificate or to take any action at such Owner's request unless such Certificate shall be deposited with the Trust Administrator or satisfactory evidence of the ownership of such Certificate shall be furnished to the Trust Administrator.

(c) **Counsel.** The Trust Administrator may consult with counsel, who may be counsel to the District, with regard to legal questions and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith in accordance therewith.

(d) **Proof.** Whenever in the administration of its duties under this Trust Agreement, the Trust Administrator shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) shall be deemed to be conclusively proved and established by the Written Certificate of the District Representative or Corporation Representative and such Written Certificate shall be full warranty to the Trust Administrator for any action taken or suffered under the provisions of this Trust Agreement upon the faith thereof, but in its discretion the Trust Administrator may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

(e) **Owner.** The Trust Administrator may acquire and dispose of other bonds or evidence of indebtedness of the District with the same rights it would have if it were not the Trust Administrator; and may act as a depository for and permit any of its officers

or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Certificates, whether or not such committee shall represent the Owners of the majority in principal amount of the Certificates then Outstanding. If a successor Trustee is appointed in accordance with Section 9.05, the successor Trustee may become the Owner of the Certificates with the same rights it would have if it were not Trustee hereunder.

(f) Powers and Liability. The Trust Administrator may execute any of the powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of its duty hereunder, and the Trust Administrator shall not be liable for the default or misconduct of any such attorney, agent, or receiver selected by it with reasonable care. The Trust Administrator shall not be liable for the exercise of any discretion or power under this Trust Agreement or for anything whatever in connection with the funds and accounts established hereunder, except only for its own willful misconduct or negligence.

(g) Limits of Liability. The Trust Administrator undertakes to perform such duties, and only such duties as are specifically set forth in this Trust Agreement and no implied duties or obligations shall be read into this Trust Agreement against the Trust Administrator. No provision in this Trust Agreement shall require the Trust Administrator to risk or expend its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not assured to it. In accepting the duties hereby enumerated, the Trust Administrator acts solely as Trust Administrator 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 Trust Administrator arising from the Trust Agreement shall look only to the funds and accounts held by the Trust Administrator hereunder for payment except as otherwise provided herein. Under no circumstances shall the Trust Administrator be liable in its individual capacity for the obligations evidenced by the Certificates. The Trust Administrator shall not be liable in its individual capacity with respect to any action taken or omitted to be taken by the Trust Administrator in good faith in accordance with the written request of the Owners of the Certificates.

(h) No Representations. The Trust Administrator 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 of the Project. In no event shall the Trust Administrator be liable for incidental, indirect, special or consequential damages in connection with or arising from the Installment Sale Agreement or Trust Agreement for the existence, furnishing or use of the Project.

(i) Enforcement; Knowledge. The Trust Administrator shall not be responsible for the sufficiency or enforceability of the Installment Sale Agreement or the assignment under the Trust Agreement of its rights to receive Installment Payments. The Trust Administrator shall not be deemed to have knowledge of any Event of Default hereunder or under the Installment Sale Agreement except failure by the District to make Installment Payments unless the Trust Administrator is specifically notified in writing of such Event of Default.

(j) **Released and Unclaimed Funds.** The Trust Administrator shall not be accountable for the use or application by the District or any other party of any funds which the Trust Administrator has released under this Trust Agreement. Subject to applicable escheat laws, any amounts unclaimed two years after the final prepayment or maturity date of the Certificates, whichever occurs first, shall be paid by the Trust Administrator to the District, and thereafter, the Owner of any Certificates remaining unpaid shall look to the District for the payment of such Certificates.

Section 9.05. Appointment of Successor Trustee. In the event that an Event of Default shall occur or if it shall otherwise be necessary for the Trust Administrator to enforce payment of the Installment Payments, prepayments or any other amount required to be deposited into the Installment Payment Fund or the Insurance and Condemnation Fund, or to exercise any of the remedies set forth in Article XIII hereof, or if it is determined that the Trust Administrator is unable to perform any of the other duties hereunder, the District, with the written consent of the Original Purchaser as the Owner, shall appoint a Trustee to succeed to the duties and responsibilities of the Trust Administrator hereunder, such appointment to be effective immediately upon written notice thereof to the Trust Administrator. Any Trustee appointed in such circumstances shall meet the requirements of the third paragraph of Section 9.01 hereof. Upon such appointment, the term "Trust Administrator" in this Agreement shall also refer to such Trustee.

ARTICLE X MODIFICATION OR AMENDMENT OF AGREEMENTS

Section 10.01. Amendments Permitted.

(a) **With Consent.** This Trust Agreement and the rights and obligations of the Owners of the Certificates and the Installment Sale Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement which shall become effective when the written consent of the Owners of at least 60% in aggregate principal amount of the Certificates then Outstanding, exclusive of Certificates disqualified as provided in Section 10.03, shall have been filed with the Trust Administrator.

No such modification or amendment may:

(1) extend or have the effect of extending the fixed maturity of any Certificate or reducing the interest rate with respect thereto or extending the time of payment of interest, or reducing the amount of principal thereof or reducing any premium payable upon the prepayment thereof, without the express consent of the Owner of such Certificate, or

(2) reduce or have the effect of reducing the percentage of Certificates required for the affirmative vote or written consent to an amendment or modification of the Installment Sale Agreement, or

(3) modify any of the rights or obligations of the Trust Administrator without its written assent thereto.

Any such supplemental agreement shall become effective as provided in Section 10.02.

(b) Without Consent. This Trust Agreement and the rights and obligations of the Owners of the Certificates and the Installment Sale Agreement and the rights and obligations of the parties thereto, may be modified or amended at any time by a supplemental agreement, without the consent of any such Owners, but only to the extent permitted by law and only

(1) to cure, correct or supplement any ambiguous or defective provision contained herein or therein, or

(2) in regard to questions arising hereunder or thereunder, as the parties hereto or thereto may deem necessary or desirable and which shall not, in the opinion of nationally recognized bond counsel, materially adversely affect the interest of the Owners of the Certificates, or

(3) if and to the extent specified in an opinion of nationally recognized bond counsel filed with the District, the Corporation and the Trust Administrator, to make such additions, deletions or modifications as may be necessary to assure compliance with section 148(f) of the Tax Code or otherwise as may be necessary to assure exclusion from gross income for purposes of federal income taxation of the interest component of Installment Payments.

Any such supplemental agreement shall become effective upon its execution and delivery by the parties hereto or thereto as the case may be.

(c) Counsel. The Trust Administrator may obtain an opinion of legal counsel that any amendment entered into hereunder complies with the provisions of this Article X and the Trust Administrator may rely conclusively on such opinion.

Section 10.02. Procedure for Amendment with Written Consent of Certificate Owners.

(a) General. This Trust Agreement or the Installment Sale Agreement may be amended by supplemental agreement as provided in this Section 10.02 in the event the consent of the Owners of the Certificates is required pursuant to Section 10.01. A copy of such supplemental agreement, together with a request to the Certificate Owners for their consent thereto, shall be mailed by the Trust Administrator to the Owner of each Certificate at his address as set forth in the Certificate Register, but failure to mail copies of such supplemental agreement and request shall not affect the validity of the supplemental agreement when assented to as provided in this Section 10.02.

(b) Effective. Such supplemental agreement shall not become effective unless there shall be filed with the Trust Administrator the written consent of the Owners of at least 60% in aggregate principal amount of the Certificates then Outstanding (exclusive of Certificates disqualified as provided in Section 10.03) and a notice shall have been mailed as hereinafter provided in this Section 10.02. Each such consent shall be effective only if accompanied by proof of ownership of the Certificate for which such consent is given, which proof shall be such as is permitted by Section 2.11.

Any such consent shall be binding upon the Owner of the Certificate giving such consent and on any subsequent Owner (whether or not such subsequent Owner has notice thereof) unless such consent is revoked in writing by the Owner giving such consent or a subsequent Owner by filing such revocation with the Trust Administrator within five Business Days of the date when the notice of consent hereinafter in this Section 10.02 provided for has been mailed.

Any revocation received by the Trust Administrator later than five Business Days after such notice has been mailed shall be of no force and effect.

(c) Notice. After the Owners of the required percentage of Certificates have filed their consents to such supplemental agreement, the Trust Administrator shall mail a notice to the Owners of the Certificates in the manner hereinbefore provided in this Section 10.02 for the mailing of such supplemental agreement at the notice of adoption thereof, stating in substance that such supplemental agreement has been consented to by the Owners of the required percentage of Certificates and will be effective as provided in this Section 10.02 (but failure to mail copies of said notice shall not affect the validity of such supplemental agreement or consents thereto).

A record, consisting of the papers required by this Section 10.02 to be filed with the Trust Administrator, shall be conclusive proof of the matters therein stated until the contrary is proved. Such supplemental agreement shall be deemed conclusively binding upon the parties hereto and the Owners of all Certificates at the expiration of 60 days after such filing, except in the event of a final decree of a court of competent jurisdiction setting aside such consent in a legal action or equitable proceeding for such purpose commenced within such 60-day period.

Section 10.03. Disqualified Certificates. Certificates owned or held by or for the account of the District or by any person directly or indirectly controlled or controlled by, or under direct or indirect common control with the District (except any Certificates held in any pension or retirement fund) shall not be deemed Outstanding for the purpose of any vote, consent, waiver or other action or any calculation of Outstanding Certificates provided for in this Trust Agreement, and shall not be entitled to vote upon, consent to, or take any other action provided for in this Trust Agreement.

Section 10.04. Effect of Supplemental Agreement. From and after the time any supplemental agreement becomes effective pursuant to this Article X, this Trust Agreement or the Installment Sale Agreement, as the case may be, shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Certificates Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any supplemental agreement shall be deemed to be part of the terms and conditions of this Trust Agreement or the Installment Sale Agreement, as the case may be, for any and all purposes.

The District may adopt appropriate regulations to require each Certificate Owner, before such Owner's consent provided for in this Article X shall be deemed effective, to reveal the Certificates as to which such consent is given are disqualified as provided in Section 10.03.

Section 10.05. Endorsement or Replacement of Certificate Delivered After Amendments. The District may determine that Certificates delivered after the effective date of any action taken as provided in this Article X shall bear a notation, by endorsement or otherwise, in form approved by the Trust Administrator, as to such action. In that case, upon demand of the Owner of any Certificate Outstanding at such effective date and presentation of his Certificate for the purpose at the Principal Corporate Trust Office, a suitable notation shall be made on such Certificate. The District may determine that new Certificates, so modified as in the opinion of the District is necessary to conform to such Certificate Owners' action, shall be prepared, executed and delivered. In that case, upon demand of the Owner of any Certificate then Outstanding, such new Certificate shall be exchanged in the Principal Corporate Trust Office, without cost to such Owner, for a Certificate of the same character then Outstanding, upon surrender of such Certificate.

Section 10.06. Amendatory Endorsement of Certificate. The provisions of this Article X shall not prevent any Certificate Owner from accepting any amendment as to the particular Certificate held by such Owner, provided that due notification thereof is made on such Certificate.

ARTICLE XI COVENANTS

Section 11.01. Compliance With and Enforcement of Installment Sale Agreement. The District and the Corporation covenant and agree with the Owners of the Certificates to perform all obligations and duties imposed on them under the Installment Sale Agreement and this Trust Agreement. The District or the Corporation, immediately upon receiving or giving any notice or communication or other document in any way relating to or affecting their respective interests in the Project which may or can in any manner affect such interest, will deliver the same, or a copy thereof, to the Trust Administrator. The District will not 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 by the Corporation thereunder.

Section 11.02. Payment of Taxes. The District will, subject to any right of challenge thereof, pay or cause to be paid all taxes, assessments and other governmental charges, if any, that may be levied, assessed or charged upon the Project or any part thereof, promptly as and when the same shall become due and payable; and the District will keep the Trust Administrator advised in writing of such payments. The District will not suffer the Project, or any part thereof, to be sold for any taxes, assessments or other charges whatsoever, or to be forfeited therefor.

Section 11.03. Observance of Laws and Regulations. The District will well and truly keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it with respect to the Wastewater System by contract, or prescribed by any law of the United States, or of the State, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of any and every right, privilege or franchise now owned or hereafter acquired by the District with respect to the Wastewater System to the end that such rights, privileges and franchises shall be maintained and preserved, and shall not become abandoned, forfeited or in any manner impaired.

Section 11.04. Prosecution and Defense of Suits. The District shall promptly, upon request of the Trust Administrator or any Certificate Owner holding at least 25% in principal amount of the Certificates 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 Project, whether now existing or hereafter developing and shall, to the extent permitted by law, prosecute all such suits, actions and other proceedings as may be appropriate for such purpose and shall indemnify and save the Trust Administrator and every Certificate Owner harmless from all loss, cost, damage and expense, including attorneys' fees, which they or any of them may incur by reason of any such defect, cloud, suit, action or proceeding.

Section 11.05. Further Assurances. The Corporation, the District and the Trust Administrator (at the cost and request of the District or the Corporation) will make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Trust Agreement, and for the better assuring and confirming unto the Owners of the Certificates the rights and benefits provided herein.

Section 11.06. Filing. The District shall be responsible for the filing of any supplemental instruments or documents of further assurance as may be required by law in order to perfect or renew the security interests created by this Trust Agreement. Neither the Trust Administrator nor the Corporation shall be responsible for such filing.

Section 11.07. Private Activity Bond Limitation. The District shall assure that proceeds of the Certificates are not so used as to cause the Certificates or the Installment Sale Agreement to satisfy the private business tests of section 141(b) of the Tax Code or the private loan financing test of section 141(c) of the Tax Code.

Section 11.08. Federal Guarantee Prohibition. The District shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the Certificates or the Installment Sale Agreement to be "federally guaranteed" within the meaning of section 149(b) of the Tax Code.

Section 11.09. Rebate Requirement. The District shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Certificates and the Installment Sale Agreement.

Section 11.10. No Arbitrage. The District shall not take, or permit or suffer to be taken by the Trust Administrator or otherwise, any action with respect to the proceeds of the Certificates which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the Certificates or the Installment Sale Agreement to be "arbitrage bonds" within the meaning of section 148 of the Tax Code.

Section 11.11. Maintenance of Tax-Exemption. The District shall take all actions necessary to assure the exclusion of interest with respect to the Certificates from the gross income of the Owners of the Certificates to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date.

ARTICLE XII LIMITATION OF LIABILITY

Section 12.01. Limited Liability of District. Except for the payment of Installment Payments and prepayments when due in accordance with the Installment Sale Agreement and the performance of the other covenants and agreements of the District contained in said Agreement, the District shall have no pecuniary obligation or liability to any of the other parties or to the Owners of the Certificates with respect to this Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Installment Payments to the Owners by the Trust Administrator except as expressly set forth herein.

Section 12.02. No Liability of the Corporation for Trust Administrator Performance. Neither the District nor the Corporation shall have any obligation or liability to the other party or to the Owners of the Certificates with respect to the performance by the Trust Administrator of any duty imposed upon the Trust Administrator under this Trust Agreement.

Section 12.03. Indemnification of Trust Administrator. The District shall to the extent permitted by law indemnify and save the Trust Administrator, its officers, employees, directors and agents harmless from and against all claims, losses, costs, expenses, liability and damages, including legal fees and expenses, arising out of:

- (a) the use, maintenance, condition or management of, or from any work or thing done on, the Project by the Corporation or the District;
- (b) any breach or default on the part of the Corporation or the District in the performance of any of their respective obligations under the Installment Sale Agreement, this Trust Agreement and any other agreement made and entered into for purposes of the Project;
- (c) any act of the Corporation or the District or of any of their respective agents, contractors, servants, employees or licensees with respect to the Project;
- (d) any act of any assignee of, or purchaser from the Corporation or the District or of any of its or their respective agents, contractors, servants, employees or licensees with respect to the Project;
- (e) the acquisition, construction, installation and equipping of the Project or the authorization of payment of Construction Costs or Delivery Costs;
- (f) the actions of any other party, including but not limited to the ownership, operation or use of the Project by the Corporation or the District,
- (g) the Trust Administrator's exercise and performance of its powers and duties hereunder, or
- (h) the offering and sale of the Certificates.

No indemnification will be made under this Section 12.03 or elsewhere in this Trust Agreement for willful misconduct or negligence under this Trust Agreement by the Trust Administrator, its officers or employees. The District's obligations hereunder shall

remain valid and binding notwithstanding maturity and payment of the Certificates or resignation or removal of the Trust Administrator.

Section 12.04. Limitation of Rights to Parties and Certificate Owners. Nothing in this Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give any person other than the District, the Corporation, the Trust Administrator and the Owners of the Certificates, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision hereof; and all such covenants, conditions and provisions are and shall be for the sole and exclusive benefit of the District, the Corporation, the Trust Administrator and said Owners.

ARTICLE XIII EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

Section 13.01. Assignment of Rights. Pursuant to the Trust Agreement, the Corporation transfers, assigns and sets over to the Trust Administrator all of the Corporation's rights under the Installment Sale Agreement (excepting only its rights under Sections 5.08, 6.03 and 7.04 thereof), including without limitation the Corporation's rights to exercise such rights and remedies conferred on the Corporation pursuant to the Installment Sale Agreement as may be necessary or convenient

(i) to enforce payment of the Installment Payments, prepayments and any other amounts required to be deposited in the Installment Payment Fund or the Insurance and Condemnation Fund, and

(ii) otherwise to exercise the Corporation's rights and take any action to protect the interests of the Trust Administrator or the Certificate Owners in an Event of Default.

Section 13.02. Remedies. If an Event of Default occurs, then and in each and every such case during the continuance of such Event of Default, the Trust Administrator may exercise any and all remedies available hereunder pursuant to law or granted pursuant to the Installment Sale Agreement.

Upon the occurrence of an Event of Default, the Trust Administrator may, and shall, at the written direction of the Owners of a majority of the principal amount of Certificates then Outstanding, by written notice to the District, declare the principal of the Installment Payments to be immediately due and payable, whereupon that portion of the principal of the Installment Sale Agreement thereby coming due and the interest thereon accrued to the date of payment shall, without further action, become and be immediately due and payable, anything in this Trust Agreement or in the Installment Payments to the contrary notwithstanding.

Remedies shall be cumulative with respect to the Trust Administrator and the Owners. If any remedial action is discontinued or abandoned, the Trust Administrator and the Owners shall be restored to their former positions.

Section 13.03. Application of Funds. All moneys received by the Trust Administrator pursuant to any right given or action taken under the provisions of this Article XIII or of Article VII of the Installment Sale Agreement, shall be applied by the Trust Administrator in the order

following upon presentation of the several Certificates and the stamping thereon of the payment if only partially paid or upon the surrender thereof if fully paid:

(a) **First**, to the payment of the costs and expenses of the Trust Administrator hereunder (including, but not limited to, the costs and expenses of itself and its counsel) and, after such payment to the Trust Administrator, of the Certificate Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel, together with interest on all such amounts advanced as provided in the Installment Sale Agreement;

(b) **Second**, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest on the overdue principal and installments of interest at the rate or rates specified in the respective Certificates (but such interest on overdue installments of interest shall be paid only to the extent funds are available therefor following payment of principal and interest and interest on overdue principal, as aforesaid), and if such moneys are insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment first of interest unpaid and owing at the time of such Event of Default, and second to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

Section 13.04. Institution of Legal Proceedings. If one or more Events of Default shall happen and be continuing, the Trust Administrator in its discretion may, and upon the written request of the Owners of a majority in principal amount of the Certificates then Outstanding, and upon being indemnified to its satisfaction therefor, shall, proceed to protect or enforce its rights or the rights of the Owners of Certificates by a suit in equity or action at law, for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trust Administrator shall deem most effectual to enforce any of its rights or duties hereunder.

Section 13.05. Non-waiver. Nothing in this Article XIII or in any other provision of this Trust Agreement, or in the Certificates, shall affect or impair the obligation of the District, which is absolute and unconditional subject to Section 3.06 of the Installment Sale Agreement, to pay or prepay the Installment Payments as provided in the Installment Sale Agreement, or affect or impair the right of action, which is also absolute and unconditional, of the Certificate Owners to institute suit to enforce such payment. No delay or omission of the Trust Administrator or of any Owner of any of the Certificates to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or an acquiescence therein, and every power and remedy given by this Article XIII to the Trust Administrator or to the Owners of Certificates may be exercised from time to time and as often as shall be deemed expedient by the Trust Administrator or the Certificate Owners.

Section 13.06. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trust Administrator or to the Certificate Owners is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing, at law or in equity or by statute or otherwise.

Section 13.07. Power of Trust Administrator to Control Proceedings. In the event that the Trust Administrator, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Certificates then Outstanding, 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 Trust Administrator 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 13.08. Limitation on Certificate Owners' Right to Sue. No Owner of any Certificate shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless

(a) such Owner has previously given to the Trust Administrator 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 make written request upon the Trust Administrator to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name;

(c) said Owners have tendered to the Trust Administrator reasonable indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; provided, however, that so long as the Government is the sole Owner, this condition shall not apply; and

(d) the Trust Administrator refuses or omits to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has been made to, the Trust Administrator.

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

The right of any Owner of any Certificate to receive payment of said Owner's proportionate interest in the Installment Payments as the same become due, or to institute suit for the enforcement of such payment, shall not be impaired or affected without the consent of such Owner, notwithstanding the foregoing provisions of this Section 13.08 or any other provision of this Trust Agreement.

Section 13.09. Parties Interested Herein. Nothing in this Trust Agreement expressed or implied is intended or shall be construed to confer upon, or to give to, any person or entity, other than the District, the Corporation, the Trust Administrator and the Owners any right, remedy or claim under or by reason of this Trust Agreement, or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Trust Agreement contained by and on behalf of the District shall be for the sole and exclusive benefit of the District, the Corporation, the Trust Administrator and the Owners.

ARTICLE XIV MISCELLANEOUS

Section 14.01. Defeasance. The Outstanding Certificates may be paid and discharged in any one or more of the following ways:

(a) **Payment.** By paying or causing to be paid the principal with respect to and interest with respect to all Certificates Outstanding, as and when the same become due and payable;

(b) **Deposit.** By depositing with the Trust Administrator, in trust, at or before maturity, money which, together with the amounts then on deposit in the Installment Payment Fund and the Reserve Fund, is fully sufficient to pay all Certificates Outstanding, including all principal and interest;

(c) **Escrow.** By irrevocably depositing with the Trust Administrator or an escrow agent, cash or Defeasance Obligations in such amount as an independent certified public accountant shall determine in a written report will, together with the interest to accrue thereon, be fully sufficient to pay and discharge all Certificates (including all principal and interest) at or before their respective maturity dates; or

(d) **Security Deposit.** By depositing with the Trust Administrator, security for the payment of Installment Payments as more particularly described in Section 4.05 of the Installment Sale Agreement, said security to be held by the Trust Administrator, as agent for District, and to be applied by the Trust Administrator to Installment Payments representing the obligation of the District under the Installment Sale Agreement, as described in Section 4.05 of the Installment Sale Agreement;

(e) **Effect.** Notwithstanding that any Certificates shall not have been surrendered for payment, all rights hereunder of the Owners of the Certificates and all obligations of the Corporation, the Trust Administrator and the District under this Trust Agreement with respect to all Outstanding Certificates shall cease and terminate, except only the obligation of the Trust Administrator to pay or cause to be paid, from Installment Payments paid by or on behalf of the District from deposits pursuant to paragraphs (b) through (d) of this Section 14.01, to the Owners of the Certificates not so surrendered and paid all sums due with respect thereto, and in the event of deposits pursuant to paragraphs (b) through (d) of this Section 14.01, the Certificates shall continue to represent direct, undivided and fractional interests of the Owners thereof in Installment Payments under the Installment Sale Agreement.

(f) Payment Date. All monies held or deposited pursuant to subsections (b) through (d), above, shall be used to pay and prepay Certificates on the earliest possible date.

(g) Surplus Funds. Any funds held by the Trust Administrator, at the time of one of the events described above in subsections (a) through (d) above, which are not required for the payment to be made to Owners, or for payments to be made to the Trust Administrator by the District (including attorneys' fees), shall be paid over to the District.

Section 14.02. Records. The Trust Administrator shall keep complete and accurate records of all moneys received and disbursed under this Trust Agreement, which shall be available for inspection by the District, the Corporation, and the Owners of not less than 10% in aggregate principal amount of the Certificates Outstanding, or the agent of any of them, upon reasonable prior notice and during regular business hours.

Section 14.03. Notices. All written notices to be given under this Trust Agreement shall be given by mail first class, postage prepaid, 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. Any such notice shall be deemed to have been received 48 hours after deposit in the United States mail, with postage fully prepaid.

If to the District: South San Luis Obispo County Sanitation District
1600 Aloha Place
Oceano, California 93445
Attn: District Administrator

If to the Corporation: Public Property Financing Corporation of California
_____, CA _____
Attn: Treasurer

If to the Trust Administrator: District Administrator
South San Luis Obispo County Sanitation District
1600 Aloha Place
Oceano, California 93445

Section 14.04. Governing Law. This Trust Agreement shall be construed and governed in accordance with the laws of the State.

Section 14.05. Binding Effect; Successors. This Trust Agreement shall be binding upon and be for the benefit of the parties hereto and their respective successors and assigns. Whenever in this Trust Agreement the Corporation, the District or the Trust Administrator is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Trust Agreement contained by or on behalf of the Corporation, the District or the Trust Administrator shall bind and be for the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 14.06. Execution in Counterparts. This Trust Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

Section 14.07. Destruction of Canceled Certificate. Whenever in this Trust Agreement provision is made for the surrender to or cancellation by the Trust Administrator and the delivery to the District of any Certificate, the Trust Administrator may, in lieu of such cancellation and delivery, destroy such Certificate and deliver a certificate of such destruction to the District.

Section 14.08. Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Trust Agreement. All references herein to "Articles," "Sections," and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Trust Agreement; and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

Section 14.09. Limitation of Rights to Parties and Certificate Owners. Nothing in this Trust Agreement or in the Certificates expressed or implied is intended or shall be construed to give to any person other than the Corporation, the District, the Trust Administrator and the Owners of the Certificates, any legal or equitable right, remedy or claim under or in respect of this Trust Agreement or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Corporation, the District, the Trust Administrator and the Owners of the Certificates delivered hereunder.

Section 14.10. Waiver of Notice. Whenever in this Trust Agreement the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 14.11. Payments Due on Other than Business Day. If the date for making any payment as provided in this Trust Agreement is not a Business Day, such payment may be made on the next succeeding Business Day with the same force and effect as if done on the date provided therefore herein.

Section 14.12. Payment of Unclaimed Moneys. Notwithstanding any provisions of this Trust Agreement, any moneys held by the Trust Administrator in trust for the payment of the principal or interest due with respect to any Certificate and remaining unclaimed two years from the date of prepayment of such Certificate, or if the law shall have been changed and a District has notified the Trust Administrator of such change or the Trust Administrator notifies the District, then on the date 30 days prior to the then applicable escheat provision of State law, shall, on such date, be repaid to the District free from the trusts created by this Trust Agreement, and all liability of the Trust Administrator with respect to such moneys shall thereupon cease; *provided, however,* that before the repayment of such moneys to the District as aforesaid, the Trust Administrator may (at the cost and request of the District) first mail to the Owners to whom such amounts have not yet been paid, at the addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trust Administrator with respect to the amounts so payable and with respect to the provisions relating to the repayment to the District of the moneys held for the payment thereof. The Trust Administrator shall not be liable for any interest on funds held by it. The District shall not be liable for any interest on the sums paid to it pursuant to this Section 14.11 and shall not be regarded as a Trust Administrator of such money.

Section 14.13. Separability of Invalid Provisions. If any one or more of the provisions contained in this Trust Agreement or in the Certificates is for any reason held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision of this Trust Agreement, and this Trust Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The parties hereto hereby declare that they would have entered into this Trust Agreement and each and every other section, paragraph, sentence, clause or phrase hereof and authorized the delivery of the Certificates pursuant thereto irrespective of the fact that any one or more sections, paragraphs, sentences, clauses or phrases of this Trust Agreement may be held illegal, invalid or unenforceable.

[Signature page follows]

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

DISTRICT ADMINISTRATOR,
as Trust Administrator

By _____
District Administrator for the South San Luis
Obispo County Sanitation District

PUBLIC PROPERTY FINANCING
CORPORATION OF CALIFORNIA

Attest

By _____
Secretary

By _____
President

SOUTH SAN LUIS OBISPO COUNTY
SANITATION DISTRICT

Attest

By _____
Secretary

By _____
District Administrator

APPENDIX A

DEFINITIONS

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

- (i) An allowance for Net Revenues from any additions or improvements to or extensions of the Wastewater System to be financed from the proceeds of such Parity Obligations or from any other source but in any case which, during all or any part of the most recent completed Fiscal Year for which audited financial statements are available or for any more recent 12-month period selected by the District under Section 3.09(b) of the Installment Sale Agreement, were not in service, all in an amount equal to the estimated additional Net Revenues to be derived from such additions, improvements and extensions based on the first full Fiscal Year in which each addition, improvement or extension is respectively to be in operation, all as shown by a certificate of a District Representative.
- (ii) An allowance for Net Revenues arising from any increase in rates and charges made for service from the Wastewater System which has become adopted by the Board of Directors of the District prior to the incurring of such Parity Obligations but which, during all or any part of such Fiscal Year or such 12-month period, was not in effect, in an amount equal to the total amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or such 12-month period, all as shown by a certificate of a District Representative.

“Board” means the Board of Directors, as the legislative body of the District.

“Bond Year” means any 12-month period commencing on September 2 in a year and ending on the next succeeding September 1, both dates inclusive; except that the first Bond Year commences on the Closing Date and ends on September 1, 2021.

“Corporation” means the Public Property Financing Corporation of California.

“Corporation Representative” means the Chairman, Vice Chairman, Executive Director, Treasurer, or any persons authorized to act on behalf of the Corporation under or with respect to the Trust Agreement or the Installment Sale Agreement and identified as such to the Trust Administrator in writing.

“Business Day” means any day other than (i) a Saturday or a Sunday or (ii) a day on which banking institutions in the state in which the Trust Administrator has its principal trust office are authorized or obligated by law or executive order to be closed.

“Certificate Register” means the registration books relating to the Certificate maintained by the Trust Administrator in accordance with Section 2.12 of the Trust Agreement.

“Certificates” means the \$4,464,000 South San Luis Obispo County Sanitation District Certificates of Participation (Redundancy Project), dated the Closing Date, executed and delivered pursuant to the Trust Agreement.

“District” means the South San Luis Obispo County Sanitation District, California.

“District Representative” means the Chair, District Administrator, Secretary, or any other official of the District authorized by the Board to act for the District.

“Closing Date” means _____, 2020, the date upon which there is a physical delivery of the Certificate in exchange for the amount representing the purchase price of all or the first advance of a portion of the purchase price of the Certificate by the Original Purchaser.

“Construction Costs” means the costs of the acquisition, construction, rehabilitation, equipping, improvement or financing of improvements to, or part of, the Wastewater System constituting the Project.

“Construction Fund” means the fund of that name established pursuant to Article III of the Trust Agreement and held by the Trust Administrator.

“Debt Service” means the scheduled amount of interest and sinking fund amounts payable with respect to the Certificates during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning or during such period.

“Defeasance Obligations” means (a) cash, or (b) non-callable Federal Securities.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the refinancing and financing of the Project from the proceeds of the Certificate, including but not limited to filing and recording costs, settlement costs, printing costs, reproduction and binding costs, 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.

“Denomination Amount” means the minimum denomination of the Certificate, which is \$1,000.

“Event of Default” means an event of default under Section 7.01 of the Installment Sale Agreement.

“Fair Market Value” means for purposes of valuing the Permitted Investments, 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 Tax Code) and, otherwise, the term “fair market value” means the acquisitions price in a bona fide arm’s length transaction (as referenced above) if

(i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code,

(ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code,

(iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or

(iv) any commingled investment fund in which the District and related parties do not own more than a 10% beneficial interest if the return paid by such fund is without regard to the source of investment.

The Trust Administrator 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" means direct general obligations (including obligations issued or held in book entry form on the books of the Department of the Treasury) of 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" means any period of 12 consecutive months established by the District as its fiscal year and shall initially mean the period commencing July 1 of one year and ending on June 30 of the following year.

"Government" means the United States of America, acting through the Rural Utilities Service (or successor agency, bureau or division) of the United States Department of Agriculture.

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

- (a) all income, rents, rates, fees, charges or other moneys derived from the services, facilities and commodities sold, furnished or supplied through the facilities of the Wastewater System, including connection fees,
- (b) the earnings on and income derived from the investment of such income, rents, rates, fees, charges or other moneys to the extent that the use of such earnings and income is limited by or under applicable law to the Wastewater System, and
- (c) the proceeds derived by the District directly or indirectly from the sale, lease or other disposition of a part of the Wastewater System as permitted in this Trust Agreement.

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

proceeds of any *ad valorem* property taxes levied for the purpose of paying general obligation bonds of the District, and (iii) the proceeds of any special assessments or special taxes levied upon real property within any improvement district for the purpose of paying special assessment bonds or special tax obligations of the District.

“Installment Payment” means any payment required to be paid by the District to the Corporation pursuant to Section 3.05 of the Installment Sale Agreement.

“Installment Payment Date” means each Interest Payment Date.

“Installment Payment Fund” means the fund designated “South San Luis Obispo County Sanitation District Project Installment Payment Fund” established and held by the Trust Administrator pursuant to Article V of the Trust Agreement.

“Installment Sale Agreement” means the Installment Sale Agreement, dated as of the date of this Trust Agreement, by and between the Corporation and the District, and any duly authorized and executed amendment or supplement thereto.

“Insurance and Condemnation Fund” means the fund by that name established pursuant to Article VII of the Trust Agreement and held by the Trust Administrator.

“Interest Payment Date” means, with respect to any Certificate, March 1, 2021, and each March 1 and September 1 thereafter to and including the date of maturity or the date of prepayment of such Certificate.

“Interest Rate” means the rate of interest to be paid on the Certificates which is _____% per annum.

“Maximum Annual Debt Service” means with respect to the Installment Payments and any Parity Obligations, as of the date of any calculation, the maximum sum obtained for the current or any future Bond Year by totaling the following amounts for such Bond Year:

- (a) the principal amount of the Installment Payments and any Parity Obligations coming due and payable by their terms in such Bond Year, including the principal amount required to be paid by operation of mandatory sinking fund redemption in such Bond Year; and
- (b) the amount of interest which would be due during such Bond Year on the aggregate principal amount of the Installment Payments and any Parity Obligations which would be Outstanding in such Bond Year if the Installment Payments and any Parity Obligations are retired as scheduled. Notwithstanding the foregoing, with respect to any Parity Obligations which then bear interest at a variable rate, such interest shall be assumed to bear interest at the highest of: (i) the actual rate on the date of calculation, or if such Parity Obligations are not yet outstanding, the initial rate (if established and binding), (ii) if such Parity Obligations have been outstanding for at least 12 months, the average rate of the 12 months immediately preceding the date of calculation, (iii)(A) if interest on such Parity Obligations is excludable from gross income under the Tax Code, the most recently published Bond Buyer 25 Bond Revenue Index (or comparable index if no longer published) plus 50 basis points, or (B) if

interest is not so excludable, the interest rate on direct United States Treasury obligations with comparable maturities plus 50 basis points; *provided, however*, that for purposes of any rate covenant measuring actual debt service coverage during a certain period, variable rate indebtedness shall be deemed to bear interest at the actual rate per annum applicable during such period.

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

“Operation and Maintenance Costs” means the reasonable and necessary costs paid or incurred by the District for maintaining and operating the Wastewater System, determined in accordance with generally accepted accounting principles, including but not limited to (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Wastewater System in good repair and working order, and (b) all administrative costs of the District that are charged directly or apportioned to the operation of the Wastewater System, such as salaries and wages of employees, overhead, taxes (if any) and insurance. “Operating and Maintenance Costs” do not include (i) administrative costs of the Certificates which the District is required to pay hereunder, (ii) payments of debt service on bonds, notes or other long-term obligations of the District with respect to the Wastewater System, (iii) depreciation, replacement and obsolescence charges or reserves therefor, (iv) discretionary payments made by the District not required for operations, such as voluntary prepayment of pension liability, and (v) amortization of intangibles or other bookkeeping entries of a similar nature.

“Original Purchaser” means the Government as the first purchaser of the Certificates upon their delivery by the Trust Administrator on the Closing Date.

“Outstanding,” when used as of any particular time with respect to a Certificate, means (subject to the provisions of Section 10.03 of the Trust Agreement) all Certificates theretofore executed and delivered by the Trust Administrator under the Trust Agreement except:

(a) Certificates theretofore canceled by the Trust Administrator or surrendered to the Trust Administrator for cancellation;

(b) Certificates for the payment or prepayment of which funds or eligible securities in the necessary amount, including accrued interest thereon, shall have theretofore been deposited with the Trust Administrator (whether upon or prior to the maturity or prepayment date of such Certificate), provided that, if such Certificates are to be redeemed prior to maturity, notice of such prepayment has been given as provided in Section 4.03 of the Trust Agreement or provision satisfactory to the Trust Administrator shall have been made for the giving of such notice; and

(c) Certificates in lieu of or in exchange for which other Certificates shall have been executed and delivered by the Trust Administrator pursuant to Section 2.09 of the Trust Agreement.

“Owner” or “Certificate Owner” or “Owner of a Certificate,” or any similar term, means the person or entity in whose name a Certificate is registered.

“Parity Obligations” means (i) the Installment Payments, and (ii) 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 Net Revenues equally and ratably with the Installment Payments.

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

- (a) Federal Securities;
- (b) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P and Moody’s.
- (c) Interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee), provided that: (i) the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P and Moody’s; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation.
- (d) Commercial paper rated in the highest short-term rating category by S&P and Moody’s.
- (e) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating in the highest rating category of S&P and Moody’s.
- (f) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of at least AAAm-G, AAAm or AAm (such funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services).
- (g) Obligations the interest on which is excludable from gross income pursuant to Section 103 of the Tax Code and which are either (a) rated A or better by S&P and Moody’s, or (b) fully secured as to the payment of principal and interest by Federal Securities.
- (h) Obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by S&P and Moody’s.

- (i) Bonds or notes issued by any state or municipality which are rated by S&P and Moody's in one of the two highest rating categories assigned by such rating agencies.
- (j) Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P and Moody's at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee in the event such rating at any time falls below A.
- (k) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

"Prepayment" means any payment applied towards the prepayment of the Installment Payments, in whole or in part, pursuant to Article X of the Installment Sale Agreement.

"Principal Amount" means the aggregate principal amount with respect to the Certificates, being \$4,464,000.

"Principal Trust Office" means the office of the Trust Administrator at the offices of the District, or at such other address designated by the Trust Administrator by written notice filed with the District and the Corporation.

"Proceeds" when used with reference to the Certificate, means the face amount of the Certificate, plus accrued interest and premium, if any, less original issue discount, if any.

"Project" means the improvements to the Wastewater System described in Appendix A to the Installment Sale Agreement.

"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.

"Regular Record Date" means the close of business on the 15th day of the month preceding each Interest Payment Date, whether or not such 15th day is a Business Day.

"Reserve Fund" means the fund of that name established under Article VI of the Trust Agreement and held by the Trust Administrator.

"Reserve Requirement" has the meaning set forth in the Installment Sale Agreement.

"S&P" means S&P Global Ratings, or its successors.

"State" means the State of California.

"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 Net Revenues subordinate to the Installment Payments.

“Tax Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced in the Installment Sale Agreement or the Trust Agreement) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated under the Tax Code.

“Term of the Installment Sale Agreement” means the time during which the Installment Sale Agreement is in effect which begins on the Closing Date and ends on the payment of the final Installment Payment, unless sooner terminated pursuant to the terms of the Installment Sale Agreement.

“Trust Administrator” means the District Administrator for the District, or any successor thereto, acting as Trust Administrator pursuant to the Trust Agreement.

“Trust Agreement” means this Trust Agreement, dated as of _____, 2020, by and among the Trust Administrator, the Corporation and the District, together with any amendments or supplements thereto permitted to be made thereunder.

“Wastewater System” means any and all facilities now existing or hereafter acquired or constructed which are owned, controlled or operated by the District for the transportation, treatment, disposal or reuse of wastewater, including sewage treatment plants, intercepting and collecting sewers, outfall sewers, force mains, pumping stations, ejector stations, oxidation ponds, pipes, valves, machinery and all other appurtenances necessary, useful or convenient for the collection, treatment, purification, reclamation or disposal of sewage, and any necessary lands, rights of way and other real or personal property useful in connection therewith.

“Wastewater System Funds” means the fund or funds established and held by the District with respect to the Wastewater System, into which all or any part of the Gross Revenues are deposited.

“Written Certificate” of the District means a written certificate signed in the name of the District by a District Representative as contemplated by and containing the elements required by Section 1.03 of the Trust Agreement and Section 1.03 of the Installment Sale Agreement.

APPENDIX B

FORM OF CERTIFICATE OF PARTICIPATION

No. R-1

\$4,464,000

**CERTIFICATES OF PARTICIPATION
(REDUNDANCY PROJECT)
Evidencing the Direct, Undivided Fractional Interests of the Owner
Thereof in Installment Payments to be Made by the
SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
As the Purchase Price for Certain Property Pursuant
to an Installment Sale Agreement with the
PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA**

RATE OF INTEREST:
1.375%

DATED DATE:
_____, 2020

REGISTERED OWNER: UNITED STATES OF AMERICA, ACTING THROUGH RURAL UTILITIES SERVICE, UNITED STATES DEPARTMENT OF AGRICULTURE

PRINCIPAL AMOUNT: ***FOUR MILLION FOUR HUNDRED SIXTY-FOUR THOUSAND DOLLARS***

THIS IS TO CERTIFY THAT the Registered Owner identified above, or registered assigns, as the registered owner (the "Registered Owner") of this Certificate of Participation (the "Certificate") is the owner of a direct, undivided fractional interest in installment payments (the "Installment Payments") payable under the Installment Sale Agreement dated as of _____, 2020 (the "Installment Sale Agreement") by and between the PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA (the "Corporation"), a nonprofit public benefit corporation duly organized and existing under the laws of the State of California, and the SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT, a county sanitation district duly organized and existing under and by virtue of the laws of the State of California (the "District"). The Installment Payments and certain other rights and interests under the Installment Sale Agreement have been assigned to the District Administrator of the District, as trust administrator (the "Trust Administrator"), having an office in the location described in the Trust Agreement referred to below.

The Registered Owner of this Certificate is entitled to receive, subject to the terms of the Installment Sale Agreement, on the Maturity Dates identified below, or any earlier prepayment date, the principal amounts identified below representing a direct, undivided fractional share of the portion of the Installment Payments designated as principal as follows:

<u>Maturity Date</u>	<u>Bond Numbers</u>	<u>Total Principal</u>	<u>Interest Rate</u>
	1-86	\$	%

87-173
174-262
263-353
354-446
447-541
542-638
639-737
738-838
839-941
942-1046
1047-1153
1154-1262
1263-1373
1374-1486
1487-1601
1602-1719
1720-1839
1840-1962
1963-2087
2088-2215
2216-2345
2346-2478
2479-2613
2614-2751
2752-2892
2893-3036
3037-3182
3183-3331
3332-3483
3484-3638
3639-3797
3798-3959
3960-4124
4125-4292
4293-4464
4465-4639
4640-4818
4819-5000

\$4,464,000

and to receive on March 1, 2021, and semiannually thereafter on September 1 and March 1 of each year (each an "Interest Payment Date") until payment in full of said principal the Registered Owner's direct, undivided fractional share of the Installment Payments designated as interest coming due during the interest period immediately preceding each of the Interest Payment Dates. Interest represented hereby shall be payable at the above stated Rate of

Interest from the Interest Payment Date next preceding the date of execution of this Certificate unless (a) this Certificate is authenticated after the close of business on the 15th day of the month immediately preceding an Interest Payment Date (a "Record Date") and on or before such Interest Payment Date, in which event interest shall be payable from such Interest Payment Date, or (b) unless this Certificate is authenticated on or before February 15, 2021, in which event interest shall be payable from the Dated Date identified above. The Registered Owner's share of the portion of the Installment Payments designated as interest is the result of the multiplication of the share of the portion of the Installment Payments designated as principal as shown and endorsed on the attached Certificate of Advances of Payment from the United States of America, by the Rate of Interest per annum identified above. Principal represented hereby is payable in lawful money of the United States of America upon surrender hereof at the Office of the Trust Administrator, and interest represented hereby is payable by check or draft mailed by first class mail by the Trust Administrator on each Interest Payment Date to the Registered Owner at such Owner's address as it appears on the registration books of the Trust Administrator as of the preceding Record Date. Interest shall be calculated on the basis of a year of 365 days and actual days elapsed. Each semiannual payment of interest shall be in the amount of one-half of the annual amount of interest due. Unless otherwise requested by the registered owner, principal installments and interest hereon are payable by the Pre-Authorized Debit (PAD) payment process.

This single Certificate is issued in lieu of and represents the Certificates above-mentioned, all of like date, tenor and effect, but differing in amounts and maturities.

This Certificate is executed and delivered by the Trust Administrator pursuant to the terms of a Trust Agreement by and among the Trust Administrator, the Corporation and the District, dated as of _____, 2020 (the "Trust Agreement"). The District has certified that it is authorized to enter into the Installment Sale Agreement and the Trust Agreement under the laws of the State of California, for the purpose of paying and reimbursing the payment of the costs of certain public capital improvements. Reference is hereby made to the Installment Sale Agreement and the Trust Agreement (copies of which are on file at the Office of the Trust Administrator) for a description of the terms on which the Certificates are delivered, the rights thereunder of the owners of the Certificates, the rights, duties and immunities of the Trust Administrator and the rights and obligations of the District under the Installment Sale Agreement, to all of the provisions of the Installment Sale Agreement and the Trust Agreement the Registered Owner of this Certificate, by acceptance hereof, assents and agrees.

The District is obligated under the Installment Sale Agreement to pay the Installment Payments from Net Revenues (as such term is defined in the Trust Agreement). The obligation of the District to pay the Installment Payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The obligation of the District to pay Installment Payments does not constitute a debt of the District, the State of California or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

The Certificate is subject to prepayment in whole on any date and in part on any Interest Payment Date from the (i) Net Proceeds of any insurance or condemnation award and (ii) Unexpended Proceeds, which are, in either case deposited in the Installment Payment Fund and credited towards the prepayment made by the District pursuant to the Installment Sale Agreement, at a prepayment price equal to the principal amount thereof, together with accrued interest to the date fixed for prepayment, without premium.

The Certificate is subject to prepayment in whole or in part on any date, at a prepayment price equal to the principal amount thereof, together with accrued interest to the date fixed for prepayment, without premium, from the proceeds of optional prepayments made by the District pursuant to the Installment Sale Agreement. Prepayments of scheduled installments, or any portion thereof, may be made at any time at the option of the District. Refunds, extra payments and loan proceeds obtained from outside sources for the purpose of paying down the District debt shall, after payment of interest, be applied to the installments last to become due under this Certificate and shall not affect the obligation of the District to pay the remaining installments as scheduled in the security instruments.

As provided in the Trust Agreement, notice of prepayment shall be mailed by the Trust Administrator by first class mail, postage prepaid, not less than 30 nor more than 60 days before the prepayment date, to the Registered Owner of the Certificate, but neither failure to receive such notice nor any defect in the notice so mailed shall affect the sufficiency of the proceedings for prepayment or the cessation of accrual of interest represented thereby. If this Certificate is called for prepayment and payment is duly provided herefor as specified in the Trust Agreement, interest represented hereby shall cease to accrue from and after the date fixed for prepayment.

This Certificate is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Office of the Trust Administrator, but only in the manner, subject to the limitations and upon payment of the charges, if any, provided in the Trust Agreement and upon surrender and cancellation of this Certificate. Upon such transfer a new Certificate or Certificates, of authorized denomination or denominations, representing the same aggregate principal amount and representing the same rate of interest and maturity date, will be delivered to the transferee in exchange herefor. The District, the Corporation and the Trust Administrator may treat the Registered Owner hereof as the absolute owner hereof for all purposes, whether or not this Certificate shall be overdue, and the District, the Corporation and the Trust Administrator shall not be affected by any notice to the contrary.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consent of the owners of a majority in aggregate principal amount of the Certificates then outstanding, and may be amended without such consent under certain circumstances; provided that no such amendment shall extend the fixed maturity of any Certificate or reduce the interest or principal represented thereby, without the express consent of the owner of such Certificate.

The Trust Administrator has no obligation or liability to the registered owners of the Certificates to make payments of principal, or interest with respect to the Certificates except from amounts on deposit for such purposes with the Trust Administrator. The Trust Administrator's sole obligations are to administer for the benefit of the registered owners of the Certificates the various funds and accounts established under the Trust Agreement and to perform the other duties expressly imposed upon it under the Trust Agreement.

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

This Certificate is given as evidence of a loan to the District made by the United States of America, acting through Rural Utilities Service, United States Department of Agriculture, pursuant to the Consolidated Farm and Rural Development Act, and shall be subject to the present regulations of the Rural Utilities Service or any successor agency thereto and to its future regulations not inconsistent with the express provisions hereof.

IN WITNESS WHEREOF, this Certificate has been executed and delivered by the Trust Administrator, acting pursuant to the Trust Agreement.

Executed as of the Dated Date first written above.

**DISTRICT ADMINISTRATOR, as TRUST
ADMINISTRATOR**

By: _____
District Administrator for the South San Luis
Obispo County Sanitation District

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto

(Name, Address and Tax Identification or Social Security Number of Assignee)

the within registered Certificate and hereby irrevocably constitute(s) and appoint(s) _____
_____ attorney, to transfer the same on the registration books of
the Trust Administrator with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by an eligible guarantor.

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

Certificate of Advances of Payment from United States of America, acting through Rural Utilities Service, United States Department of Agriculture

The following advances have been paid to and received by the District in the amount and on the date(s) set forth below, as evidenced by the Trust Administrator's signature set forth below, as evidenced by said Trust Administrator's signature set forth opposite "Date of Advance" and "Amount of Advance."

<u>Date of Advance</u>	<u>Amount of Advance</u>	<u>Signature of The Trust Administrator</u>
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____
_____	\$ _____	_____

Total principal sum of the within Certificate advanced as of _____, 20__ is \$_____.

Record of Prepayment in Advance of Maturity
of Certificates Represented by this Certificate

The Record of prepayment in advance of maturity on the registered Certificate shall be substantially as follows:

<u>Amount</u>	<u>Date</u>
_____	_____
_____	_____
_____	_____

APPENDIX C

\$4,464,000
CERTIFICATES OF PARTICIPATION
(Redundancy Project)
Evidencing the Direct, Undivided Fractional Interests of the Owner
Thereof in Installment Payments to be Made by the
SOUTH SAN LUIS OBISPO COUNTY SANITATION DISTRICT
As the Purchase Price for Certain Property Pursuant
to an Installment Sale Agreement with the
PUBLIC PROPERTY FINANCING CORPORATION OF CALIFORNIA

WRITTEN REQUISITION NO. __ FOR DISBURSEMENT FROM CONSTRUCTION FUND

The undersigned hereby states and certifies that:

1. the undersigned is the duly appointed, qualified and acting _____ of the South San Luis Obispo County Sanitation District (the "District"), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

2. the undersigned is a duly designated "District Representative", as such term is defined in that certain Trust Agreement, dated as of _____, 2020 (the "Trust Agreement"), by and among the District Administrator, as trust administrator (the "Trust Administrator"), Public Property Financing Corporation of California (the "Corporation") and the District;

3. Under Section 3.02 or Section 3.03 of the Trust Agreement, the Trust Administrator is hereby requested to disburse this date, from the Construction Fund established under the Trust Agreement, to the payees set forth on Attachment I attached hereto and by this reference incorporated herein, at the addresses identified thereon, the amount set forth opposite such payee for payment of Construction Costs or Delivery Costs, as applicable.

4. The amounts to be disbursed constitute Construction Costs or Delivery Costs, as applicable; those 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 said amounts are not being paid in advance of the time, if any, fixed for payment.

5. No amount set forth in this requisition was included in any requisition requesting disbursement previously filed with the Trust Administrator pursuant to Section 3.02 or Section 3.03 of the Trust Agreement.

6. Insofar as this requisition relates to payment for work, materials, equipment or supplies, such work was actually performed, or such materials, equipment or supplies were actually installed in furtherance of the construction of the Project or delivered to the appropriate site for such purpose, or delivered for storage or fabrication at a place approved by the District.

7. If this requisition relates to payment to a contractor, no liens have been imposed on the Project as a result of said construction except liens that have not yet ripened or that would attach by operation of law.

8. any capitalized terms used herein and not otherwise defined have the meanings ascribed thereto in the Trust Agreement.

Dated: _____, 20__

SOUTH SAN LUIS OBISPO COUNTY
SANITATION DISTRICT

By:

Title: _____

ATTACHMENT I

Payee Name and Address

Purpose of Obligation

Amount