

**TRUST AGREEMENT**

by and among

U.S. BANK NATIONAL ASSOCIATION,

the

SOUTHERN CALIFORNIA WATER REPLENISHMENT FINANCING CORPORATION

and the

WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA

RELATING TO THE

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**WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA  
2008 REVENUE CERTIFICATES OF PARTICIPATION**

Evidencing Interests of the Owners Thereof  
in Installment Payments and Interest Thereon  
To Be Made By the Water Replenishment District of Southern California

Dated as of October 1, 2008

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## **TRUST AGREEMENT**

This TRUST AGREEMENT, dated as of October 1, 2008, by and among U.S. BANK NATIONAL ASSOCIATION, a national banking association duly organized and validly existing under and by virtue of the laws of the United States (the "Trustee"), the SOUTHERN CALIFORNIA WATER REPLENISHMENT FINANCING CORPORATION, a non-profit public benefit corporation duly organized and validly existing under and by virtue of the laws of the State of California (the "Corporation"), and the WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA, a special district duly organized and validly existing under and by virtue of the laws of the State of California (the "District");

### **WITNESSETH:**

WHEREAS, the Corporation and the District have executed and entered into an Installment Purchase Agreement, dated as of October 1, 2008 (the "Installment Purchase Agreement"), whereby the District has agreed to acquire from the Corporation the Project for the purposes of financing the costs of the Acquisition of the Project, as described therein and in the manner described therein; and

WHEREAS, under and pursuant to the Installment Purchase Agreement, the District is obligated to pay Installment Payments (as defined herein) to the Corporation and interest thereon for the costs of such acquisition; and

WHEREAS, the Corporation has assigned without recourse all its rights to receive such Installment Payments and interest to the Trustee pursuant to an Assignment Agreement dated as of the date hereof; and

WHEREAS, in consideration of such assignment and the execution and entering into of this Trust Agreement, the Trustee has agreed to execute and deliver certificates of participation in an aggregate principal amount equal to the aggregate principal amount of such Installment Payments, each evidencing and representing a proportionate interest in the right to receive such Installment Payments and interest thereon; and

WHEREAS, the District and the Corporation hereby certify that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and entering into of this Trust Agreement by each such party do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Trust Agreement;

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

**ARTICLE I**  
**DEFINITIONS; EQUAL SECURITY**

**Section 1.01. Definitions.**

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

“Accountant’s Report” means a report signed by an Independent Certified Public Accountant.

“Acquisition,” “Acquire” or “Acquired” means, with respect to the Project, the acquisition of an ownership interest in the Project, or the financing, construction or ownership of the Project.

“Acquisition Costs” with respect to the Project means the contract price paid or to be paid to the contractors therefor upon acquisition, construction, refinancing, improvement, repair, modification or delivery of any portion of the Project and related equipment, in accordance with the purchase order or contract therefor. Acquisition Costs include the costs of site preparation necessary for the installation of any improvements to the Project. Acquisition Costs also include costs incurred by the District, the Corporation and the contractors in connection with the acquisition, delivery and installation of the Project.

“Acquisition Fund” means the fund established in Section 3.10 hereof.

“Assignment Agreement” means that certain Assignment Agreement by and between the Corporation and the Trustee, dated as of October 1, 2008.

“Business Day” means any day other than a Saturday, Sunday or legal holiday or a day on which banks are authorized to be closed for business in California and New York.

“Certificate of the District” means an instrument in writing signed by the General Manager of the District, or by any other officer of the District duly authorized by the Board of Directors of the District for that purpose.

“Certificates” means the \$\_\_\_\_\_ principal amount of certificates of participation authorized hereby and at any time Outstanding hereunder that are executed and delivered by the Trustee under and pursuant to Article II of this Trust Agreement.

“Closing Date” means \_\_\_\_\_, 2008.

“Corporation” means the Southern California Water Replenishment Financing Corporation, a non-profit public benefit corporation duly organized and validly existing under the laws of the State of California and its successors and assigns.

“Delivery Costs” means all items of expense directly or indirectly payable by or reimbursable to the District or the Corporation relating to the financing of the Project, including but not limited to filing costs, settlement costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee and its counsel, financing discounts, Certificate insurance premiums and outside legal fees of the Insurer relating thereto, if any, legal fees and charges, financial and other professional consultant fees, costs of rating agencies for credit ratings, fees for execution, title insurance premiums, transportation and safekeeping of Certificates and charges and fees in connection with the foregoing.

“Delivery Costs Fund” means the fund established by Section 3.02 hereof.

“Depository” means (a) initially, DTC, and (b) any other qualified securities depository acting as Depository pursuant to Section 2.11 hereof.

“Depository System Participant” means any participant in the Depository’s book entry system.

“District” means the Water Replenishment District of Southern California, a special district duly organized and validly existing under the laws of the State of California.

“DTC” means the Depository Trust Company, New York, New York, and its successors and assigns.

“Event of Default” means an event of default described in Section 7.01 of the Installment Purchase Agreement.

“Federal Securities” means non-callable, direct obligations of (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States), or obligations the timely payment of the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America.

“Fiscal Year” means the twelve calendar month period terminating on June 30 of each year, or any other annual accounting period hereafter selected and designated by the District as its Fiscal Year in accordance with applicable law.

“Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures prescribed by the California State Controller or his successor for water districts in the State of California, or failing the prescription of such procedures means generally accepted accounting principles as presented and recommended by the American Institute of Certified Public Accountants or its successor, or by the National Council on Governmental Accounting or its successor, or by any other generally accepted authority on such principles.

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor;

FIS/Mergent, Inc., 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attn: Call Notification; Standard & Poor's Securities Evaluation, Inc., 55 Water Street, 45<sup>th</sup> Floor, New York, New York 10041, Attention: Notification Department; Xcitek, 5 Hanover Square, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other information services providing information with respect to called bonds as the Corporation or the District may designate to the Trustee.

“Installment Payment Fund” means the fund by that name established in Section 3.06 hereof, including the Interest Account, Principal Account and Prepayment Account therein.

“Installment Payments” means the installment payments of principal and interest scheduled to be paid by the District under the Installment Purchase Agreement plus amounts required to be paid by the District hereunder and pursuant to the Installment Purchase Agreement, including, without limitation (except when calculating the Reserve Requirement), amounts necessary to replenish the Reserve Fund and amounts required to be paid to the Insurer.

“Installment Purchase Agreement” means that certain Installment Purchase Agreement by and between the District and the Corporation, dated as of October 1, 2008 as originally executed and as it may from time to time be amended or supplemented in accordance herewith and therewith.

“Insurance Policy” means the insurance policy, and any endorsement thereto, issued by the Insurer guaranteeing the scheduled payment of the interest and principal evidenced by the Certificates when due, or any insurance policy substituted for said Insurance Policy.

“Insurer” means \_\_\_\_\_, or any successor thereto or assignee thereof, or, if the initial Insurance Policy is replaced with a substituted insurance policy, the issuer of such substituted insurance policy.

“Interest Payment Date” means February 1, 2009 and each August 1 and February 1 thereafter; provided, however, if such date is not a Business Day, Interest Payment Date means the next succeeding Business Day.

“Master Agreement” means .the Master Agreement for District Obligations, dated as of November 1, 2004, between the District and the Corporation, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Net Proceeds” means, when used with respect to any insurance or condemnation award, the proceeds from such insurance or condemnation award remaining after payment of all reasonable expenses (including attorneys’ fees) incurred in the collection of such proceeds.

“Nominee” means (a) initially, Cede & Co., as nominee of DTC, and (b) any other nominee of a Depository designated pursuant to Section 2.11 hereof.

“Outstanding” when used as of any particular time with reference to Certificates, means (subject to the provisions of Section 8.02) all Certificates except --

- (1) Certificates canceled by the Trustee;
- (2) Certificates paid or deemed to have been paid within the meaning of Section 9.01; and
- (3) Certificates in lieu of or in substitution for which replacement Certificates shall have been executed and delivered hereunder.

“Owner” means the registered owner of any Outstanding Certificate.

\*“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 (the Trustee is entitled to conclusively rely upon any direction of the District as a certification that such investment constitutes a Permitted Investment):

(1) (a) Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated (collectively “United States Obligations”). These include, but are not necessarily limited to:

- U.S. Treasury obligations  
All direct or fully guaranteed obligations
- Farmers Home Administration  
Certificates of beneficial ownership
- General Services Administration  
Participation certificates
- U.S. Maritime Administration  
Guaranteed Title XI financing
- Small Business Administration  
Guaranteed participation certificates
- Guaranteed pool certificates

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\* To be revised depending on Insurer.

- Government National Mortgage Association (GNMA)
  - GNMA-guaranteed mortgage-backed securities
  - GNMA-guaranteed participation certificates
- U.S. Department of Housing & Urban Development
  - Local authority bonds
- Washington Metropolitan Area Transit Authority
  - Guaranteed transit bonds

(2) Federal Housing Administration debentures.

(3) The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

- Federal Home Loan Mortgage Corporation (FHLMC)
  - Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts)
  - Senior debt obligations
- Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives)
  - Consolidated system wide bonds and notes
- Federal Home Loan Banks (FHL Banks)
  - Consolidated debt obligations
- Federal National Mortgage Association (FNMA)
  - Senior debt obligations
  - Mortgage-backed securities (excluded are stripped mortgages securities which are purchased at prices exceeding their principal amounts)
- Student Loan Marketing Association (SLMA)
  - Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date)
- Financing Corporation (FICO)
  - Debt obligations
- Resolution Funding Corporation (REFCORP)
  - Debt obligations

(4) Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P.

(5) Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million.

(6) Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's.

(7) Money market funds rated “AAm” or “AAm-G” by S&P, or better and, subject to the prior written consent of the Insurer, S&P and Moody’s, the investment pool maintained by the county in which the District is located or other investment pools, in either case so long as such pool is rated in one of the two highest rating categories by S&P and Moody’s.

(8) Repurchase agreements:

A. With (i) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least “AA” by S&P and “Aa” by Moody’s; (ii) any broker-dealer with “retail customers” or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least “A” by S&P and Moody’s, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corp. (SIPC); or (iii) any other entity rated “AA” or better by S&P and “Aa” or better by Moody’s and acceptable to the Insurer, provided that:

a. The market value of the collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody’s to maintain an “AA” and “Aa”, respectively, rating in an “AA” and “Aa,” respectively, rated structured financing (with a market value approach);

b. The Trustee or a third party acting solely as agent therefor (the “Holder of the Collateral”) has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor’s books);

c. The repurchase agreement shall state, and an opinion of counsel is rendered at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

d. All other requirements of S&P in respect of repurchase agreements shall be met;

e. The repurchase agreement shall provide that if during its term the provider’s rating by either S&P or Moody’s is withdrawn or suspended or falls below “A-” or “A3” respectively, the provider must, at the direction of the Trustee (who shall give such direction if so directed by the Insurer), within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Trustee.

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (a) above, so long as such collateral levels are 103% or better and the provider is rated at least “A” by S&P and Moody’s, respectively.

(9) State Obligations, which means

(a) Direct general obligations of any state of the United States or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated “A3” by Moody’s and “A” by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated.

(b) Direct, general short-term obligations of any state agency or subdivision described in (a) above and rated “A-1+” by S&P and “Prime-1” by Moody’s.

(c) Special Revenue Bonds (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (a) above and rated “AA” or better by S&P and “Aa” or better by Moody’s.

(10) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least “AA” by S&P and “Aa” by Moody’s; provided, that, by the terms of the investment agreement:

(a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the Acquisition Fund, construction draws) on the Certificates;

(b) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days’ prior notice; the Trustee and the District hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

(c) the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(d) the Trustee or the District receive the opinion of domestic counsel (which opinion shall be addressed to the District and the Insurer) that such investment agreement is legal, valid and binding and enforceable against the provider in accordance with its terms and of foreign counsel (if applicable) in form and substance acceptable, and addressed to, the Insurer;

(e) the investment agreement shall provide that if during its term (i) the provider’s rating by either Moody’s or S&P falls below “AA-” or “Aa3”,

respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (A) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Trustee or a Holder of the Collateral, collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to S&P and Moody's to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (B) repay the principal of and accrued but unpaid interest, on the investment, and (ii) the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A3" or "A," respectively, the provider must, at the direction of the Trustee (who shall give such direction if so directed by the Insurer), within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to the Trustee;

(f) the investment agreement shall state, and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of Collateral is in possession); and

(g) the investment agreement must provide that if during its term (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of the Trustee (who shall give such direction if so directed by the Insurer), be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Trustee, and (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to the Trustee.

(11) Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

(a) the municipal obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and redemption and the issuer of the municipal obligations has covenanted not to redeem such municipal obligations other than as set forth in such instructions;

(b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

(c) the principal of and interest on the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of

independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations (“Verification”);

(d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

(e) no substitution of a United States Treasury Obligation shall be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

(f) the cash or the United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

(12) The Local Agency Investment Fund of the State or any state administered pool investment fund in which the District is statutorily permitted or required to invest will be deemed a permitted investment.

“Principal Office” means the corporate trust office of the Trustee currently located in Los Angeles, California, or such other office designated by the Trustee from time to time, except that with respect to presentation of Certificates for payment or for registration of transfer or exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“Project” means that certain property to be financed with the proceeds of the Certificates, as described in Exhibit A of the Installment Purchase Agreement.

“Purchaser” means E. J. De La Rosa & Co., Inc., the initial purchaser of the Certificates.

“Record Date” means the fifteenth day of the calendar month prior to an Interest Payment Date, whether or not such date is a Business Day.

“Related Documents” means this Trust Agreement, the Master Agreement, the Assignment Agreement and the Installment Purchase Agreement.

“Reserve Fund” means the fund by that name established in Section 3.04 hereof.

“Reserve Requirement” means, as of any date of calculation by the Trustee, the lesser of (i) 10% of the original principal amount of the principal payments due under the Installment Purchase Agreement (less original issue discount, if any), (ii) an amount equal to the maximum annual Installment Payment payable in a Certificate Year by the District between such date of calculation and the expiration of the Installment Purchase Agreement, or (iii) 125% of the average annual Installment Payment, and interest thereon, payable in a Certificate Year by the District.

“S&P” means Standard & Poor’s Rating Services, its successors and assigns.

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

“Trust Agreement” means this Trust Agreement by and among the Trustee, the Corporation and the District, dated as of October 1, 2008 as originally executed and entered into and as it may from time to time be amended or supplemented in accordance herewith.

“Trustee” means U.S. Bank national Association, a banking association duly organized and existing under and by virtue of the laws of the United States, or its successor or any other bank or trust company which may at any time be substituted in its place as provided in Section 7.01.

### **Section 1.02. Equal Security.**

In consideration of the acceptance of the Certificates by the Owners, this Trust Agreement shall be deemed to be and shall constitute a contract by and among the Trustee, the District, the Corporation and the Owners to secure the full and final payment of the interest and principal and prepayment premiums, if any, to be made by the District evidenced and represented by the Certificates, subject to the agreements, conditions, covenants and terms contained herein; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to benefit, protection or security of any Certificates over any other Certificates by reason of the number or date thereof or the time of execution or delivery thereof or otherwise for any cause whatsoever, except as expressly provided herein or therein.

## **ARTICLE II TERMS AND CONDITIONS OF CERTIFICATES**

### **Section 2.01. Preparation of Certificates.**

The Trustee is hereby authorized and directed to execute the Certificates in the aggregate principal amount of \$\_\_\_\_\_ evidencing and representing the aggregate principal amount of the Installment Payments and each evidencing and representing an interest in the Installment Payments. The Certificates shall be designated “Water Replenishment District of Southern California 2008 Revenue Certificates of Participation.”

### **Section 2.02. Denominations, Medium, Method and Place of Payment and Dating of Certificates.**

The Certificates shall be prepared in the form of fully registered Certificates in denominations of five thousand dollars (\$5,000) or any integral multiple thereof. The interest, principal and prepayment premiums, if any, evidenced and represented by the Certificates shall

be payable in lawful money of the United States of America. Subject to the provisions of Section 2.11 hereof, the interest evidenced and represented by the Certificates shall be payable on their Interest Payment Dates by check mailed via first class mail on the Interest Payment Date by the Trustee to the respective Owners thereof as of the Record Date at their addresses as they appear in the books required to be kept by the Trustee pursuant to the provisions of Section 2.07 hereof or, upon the written request from any Owner of any Certificate in a denomination of, or Certificates aggregating, at least \$1,000,000 in principal amount, received on or prior to the fifteenth day of the month preceding an applicable Interest Payment Date, by wire in Federal Reserve funds on the Payment Date, with regard to which such payment is made. The principal evidenced and represented by the Certificates shall be payable on August 1 in each of the years and in the principal amounts as follows, or on prepayment prior thereto, upon surrender thereof at the principal corporate trust office of the Trustee in Los Angeles, California, or such other places designated by the Trustee:

<u>Year</u> <u>(August 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
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The Certificates shall be dated the Closing Date, and shall evidence and represent interest from the Interest Payment Date immediately preceding the date of execution thereof by the Trustee, unless such date of execution is between the fifteenth (15th) day of the calendar month prior to an Interest Payment Date and such Interest Payment Date, both inclusive, in which case they shall evidence and represent interest from such Interest Payment Date, or unless such date of execution is on or before January 15, 2009, in which case they shall evidence and represent interest from the Closing Date.

**Section 2.03. Interest with Respect to the Certificates.**

Interest on the principal components of the Installment Payments relating to the Certificates shall be calculated at the rates per annum (based on a 360-day year of twelve 30-day months) set forth in Section 2.02 hereof.

**Section 2.04. Form of Certificates.**

The Certificates and the assignment to appear thereon shall be in substantially the forms set forth in Appendix A hereto with appropriate or necessary insertions, omissions and variations as permitted or required hereby.

### **Section 2.05. Execution of Certificates.**

The Certificates shall be executed by the Trustee by the manual signature of an authorized officer of the Trustee.

### **Section 2.06. Transfer and Exchange of Certificates.**

Subject to the provisions of Section 2.11 hereof, (a) each Certificate shall be transferable only upon a register of the names of each certificate owner (the "Certificate Register"), which shall be kept for that purpose at the principal office of the Trustee, by the Owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner or his duly authorized attorney. Upon the transfer of any such Certificate, the Trustee shall provide in the name of the transferee, a new Certificate or Certificates, of the same aggregate principal amount, interest rate and maturity as the surrendered Certificates (unless there has occurred a partial prepayment of such Certificate pursuant to Section 4.01 hereof, in which case the principal amount of the new Certificate shall be equal to the unprepaid principal portion of the Certificate submitted for transfer).

(b) The Trustee shall deem and treat the person in whose name any Outstanding Certificate shall be registered upon the Certificate Register as the absolute owner of such Certificate, whether such Certificate shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal of and interest on such Certificate and for all other purposes, and all such payments so made to any such Owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Certificate to the extent of the sum or sums so paid, and neither the District nor the Trustee shall be affected by any notice to the contrary. The District agrees to indemnify and save the Trustee harmless from and against any and all loss, cost, charge, expense, judgment or liability incurred by it, acting in good faith and without negligence or willful misconduct under the Trust Agreement, in so treating such Owner.

In all cases in which the privilege of exchanging or transferring Certificates is exercised, the Trustee shall execute and deliver Certificates in accordance with the provisions of this Article. All Certificates surrendered in any such exchanges or transfers shall forthwith be canceled by the Trustee. For every such exchange or transfer of Certificates, whether temporary or definitive, the District and the Trustee may make a charge sufficient to reimburse any of them for any tax, fee or other governmental charge, other than one imposed by the District, required to be paid with respect to such exchange or transfer, which sum or sums shall be paid by the person requesting such exchange or transfer as a condition precedent to the exercise of the privilege of making such exchange or transfer. Notwithstanding any other provision hereof, the cost of preparing each new Certificate and any other expenses of the District or the Trustee incurred in connection therewith (except any applicable tax, fee or other governmental charge other than one imposed by the District) shall be paid by the District. The Trustee shall not be obliged to effect any exchange or transfer of any Certificate during the period after the mailing of notice calling such Certificate or a portion thereof for prepayment, nor during the fifteen (15) days preceding the giving of such notice of prepayment.

### **Section 2.07. Certificate Registration Books.**

The Trustee shall keep or cause to be kept at its Principal Office a Certificate Register, which shall, during normal business hours upon reasonable prior written notice be open to inspection by the District, the Corporation and the Insurer (or its designated agent); and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations consistent herewith as it may prescribe, register or transfer or cause to be registered or transferred, on the Certificate Register, Certificates as herein before provided.

### **Section 2.08. Temporary Certificates.**

Pending preparation of the definitive Certificates, any Certificates delivered under the Trust Agreement may be initially delivered in temporary form exchangeable for definitive Certificates when ready for delivery. The temporary Certificates may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the District, shall be without coupons and may contain such reference to any of the provisions hereof as may be appropriate. Every temporary Certificate shall be executed by the Trustee and be delivered by the Trustee upon the same conditions and in substantially the same manner as definitive Certificates. If the Trustee delivers temporary Certificates, it shall execute and furnish definitive Certificates without delay and, thereupon, the temporary Certificates shall be surrendered for cancellation at the Principal Office of the Trustee and the Trustee shall deliver in exchange for such temporary Certificates an equal aggregate principal amount of definitive Certificates of authorized denominations of the same interest rate or rates and maturity or maturities. Until so exchanged, the temporary Certificates shall be entitled to the same benefits under the Trust Agreement as definitive Certificates delivered pursuant hereto.

### **Section 2.09. Certificates Mutilated, Destroyed, Lost or Stolen.**

If any Certificate shall become mutilated, the Trustee, at the expense of the Owner of said Certificate, shall execute and deliver a new Certificate of like tenor in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee shall be canceled by it and destroyed. If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft shall be submitted to the Trustee and the Insurer, and, if such evidence is satisfactory to the Trustee and the Insurer and if an indemnity satisfactory to the Trustee and the Insurer shall be given, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like tenor and numbered as the Trustee shall determine in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of a reasonable fee for each new Certificate delivered under this Section and of the reasonable expenses which may be incurred by the Trustee in carrying out the duties under this Section 2.09. Any Certificate executed and 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 hereof with all other Certificates secured by the Trust Agreement. The Trustee shall not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be executed and delivered under the Trust Agreement or for the purpose of determining any percentage of Certificates Outstanding under the Trust Agreement, but both the original and

replacement Certificate shall be treated as one and the same. Notwithstanding any other provision of this Section 2.09, in lieu of delivering a new Certificate for a Certificate which has been mutilated, lost, destroyed or stolen and which has matured, the Trustee may make payment of such Certificate, upon receipt of indemnity satisfactory to Trustee.

#### **Section 2.10. Evidence of Signatures of Certificate Owners and Ownership of Certificates.**

Any request, direction, consent, revocation of consent, or other instrument in writing required or permitted by the 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 Certificate Owners in person or by their attorneys or agents appointed by an instrument in writing for that purpose. 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 Certificates shall be sufficient for any purpose hereof (except as otherwise herein provided), if made in the form of the Assignment attached to the Certificate in Exhibit A hereto.

Nothing contained in this Article shall be construed as limiting the Trustee to such proof, it being intended that the Trustee may accept any other evidence of the matters herein stated which to the Trustee may seem 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 District or the Trustee in pursuance of such request or consent.

#### **Section 2.11. Book Entry System.**

(a) Original Delivery. The Certificates shall be initially delivered in the form of a separate single fully registered Certificate (which may be typewritten) for each maturity. Upon initial delivery, the ownership of each such Certificate shall be registered on the Certificate Register kept by the Trustee in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding Certificates shall be registered in the name of the Nominee.

With respect to Certificates the ownership of which shall be registered in the name of the Nominee, the District and the Trustee shall have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the District holds an interest in the Certificates. Without limiting the generality of the immediately preceding sentence, the District and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Certificates, (ii) the delivery to any Depository System Participant or any other person, other than a Certificate Owner as shown in the Certificate Register, or any notice with respect to the Certificates, including any notice of prepayment, (iii) the selection by the Depository of the beneficial interests in the Certificates to be prepaid in the event the District elects to prepay the Certificate in part, (iv) the payment to any Depository System Participant or any other person, other than a Certificate Owner as shown in the Certificate Register, of any amount with respect to principal, premium, if any, or interest with respect to the Certificates, or (v) any consent given or other action taken by the Depository as Owner of the Certificates. The District and the Trustee may treat and consider the person in whose name each Certificate is registered as the absolute owner of such Certificates for the

purpose of payment of principal of, premium, if any, and interest on such Certificates for the purpose of giving notices of prepayment and other matters with respect to such Certificates, for the purpose of registering transfers of ownership of such Certificates, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest and premium, if any, on the Certificates only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the Certificates to the extent of the sum or sums so paid. No person other than an Owner shall receive a Certificate evidencing the obligation of the District to make payments of principal, interest and premium, if any, pursuant to this Trust Agreement. Upon delivery by the Depository to the Nominee of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice of the District shall promptly, but in no event later than two (2) Business Days after receipt thereof, deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Certificates for the Depository's book-entry system, the District shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the Certificates. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the District or the Trustee any obligation whatsoever with respect to persons having interests in the Certificates other than the Certificate Owners. In addition to the execution and delivery of such letter, the District may take any other actions, not inconsistent with this Trust Agreement, to qualify the Certificates for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. In the event that either (i) the Depository determines not to continue to act as Depository for the Certificates, or (ii) the District determines to terminate the Depository as such, then the District shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the District and the Trustee in the execution and delivery of replacement Certificates by providing the Trustee with a list showing the interests of the Depository System Participants in the Certificates, and by surrendering the Certificates, registered in the name of the Nominee, to the Trustee on or before the date such replacement Certificates are to be executed and delivered. The Depository, by accepting delivery of the Certificates, agrees in the Letter of Representations to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the District fails to identify another qualified securities depository to replace the Depository, then the Certificates shall no longer be required to be registered in the Certificate Register in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging Certificates shall designate, in accordance with the provisions of this Section 2.11 hereof.

In the event the District determines that it is in the best interests of the beneficial owners of the Certificates that they be able to obtain certificated Certificates, the District may notify the Depository System Participants of the availability of such certificate Certificates through the Depository. In such event, the Trustee will, at the expense of the District, execute, transfer and exchange Certificates as required by the Depository and others in appropriate amounts; and whenever the Depository so requests, the District shall cooperate with the

Depository in taking appropriate action (i) to make available one or more separate certificates evidencing the Certificates to any Depository System Participant having Certificates credited to its account with the Depository, or (ii) to arrange for another qualified securities depository to maintain custody of a single certificate evidencing such Certificates, all at the District's expense.

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

### **ARTICLE III PROCEEDS OF CERTIFICATES; INSTALLMENT PAYMENT**

#### **Section 3.01. Delivery of Certificates.**

The Trustee is hereby authorized to execute the Certificates and upon receipt of the proceeds of sale thereof deliver the Certificates to the Purchaser upon receipt of a Certificate of the District.

#### **Section 3.02. Depositing of Proceeds of Certificates and Other Amounts.**

The proceeds received from the sale of the Certificates (excluding amounts paid to the Insurer) shall be deposited by the Trustee as follows: \$\_\_\_\_\_ to the Acquisition Fund, \$\_\_\_\_\_ to the Reserve Fund and \$\_\_\_\_\_ in the Delivery Costs Fund, which funds are hereby established and shall be held hereunder.

#### **Section 3.03. Use of Money in the Delivery Costs Fund.**

(a) The Trustee shall disburse funds from the Delivery Costs Fund only upon receipt of a signed requisition (stating the amount to be disbursed and the party or parties being paid) approved by the Authorized Officer of the District and accompanied by an invoice or statement for each such amount. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

(b) Upon payment of all Delivery Costs, which shall be determined by a certificate to that effect by an Authorized Officer of the District delivered to the Trustee, or upon the date occurring three (3) months after the Closing Date, whichever occurs first, the Trustee shall transfer all funds remaining in the Delivery Costs Fund to the Installment Payment Fund, and the Delivery Costs Fund shall thereupon be closed.

#### **Section 3.04. The Reserve Fund.**

The Trustee hereby agrees to establish and maintain so long as any Certificates are Outstanding the Reserve Fund. The Trustee shall hold the Reserve Fund in trust and shall apply moneys in the Reserve Fund in accordance with the following provisions. If, five (5) days

prior to any Interest Payment Date, the money in the Installment Payment Fund is insufficient to make the payments required hereunder with respect to the Certificates on such Interest Payment Date the Trustee shall transfer from the Reserve Fund to the Installment Payment Fund the amount of such insufficiency; provided, if the Reserve Fund is funded with a letter of credit, insurance policy or other comparable credit facility as described below, Trustee shall take such action as is necessary to either (i) make a drawing under the letter of credit or (ii) make a claim under the surety bond or insurance policy, respectively, so that the amount of such insufficiency is paid or available to the Trustee on such Interest Payment Date under the terms of such instrument.

If as of the first (1<sup>st</sup>) day of the month preceding any Interest Payment Date there shall be any deficiency in the Reserve Fund (whether due to a payment therefrom or due to the fluctuation in market value of securities credited thereto, or otherwise), the Trustee shall promptly notify the District and the Insurer in writing of the amount of such deficiency and the District shall pay to the Trustee the amount of such deficiency as provided in Section 4.03 of the Installment Purchase Agreement. Delinquent Installment Payments, when received, shall be used to replenish any draw on the Reserve Fund caused by such delinquency.

If, following valuation thereof, the amount available and contained in the Reserve Fund (valued as provided herein) exceeds the Reserve Requirement and if the District is not then in default hereunder, the Trustee shall withdraw the amount of such excess from the Reserve Fund. The Trustee shall deposit such amount in the Installment Payment Fund; subject to the requirement that certain investment earnings must be transferred to the Rebate Fund (as defined in Section 3.11 hereof) in accordance with instructions of the District as required hereunder. Except for such withdrawals all money in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of making the Installment Payments in the event that amounts on deposit in the Installment Payment Fund are insufficient for such purposes.

The Trustee shall notify the Insurer, within two (2) Business Days, of the occurrence of any of the following:

- (i) any draw upon the Reserve Fund (other than withdrawals of amounts in excess of the Reserve Requirement or withdrawals resulting from a prepayment of the Certificates);
- (ii) any delinquency in the Reserve Fund.

In lieu of making the Reserve Fund deposits in compliance with Section 3.02, or in replacement of moneys then on deposit in the Reserve Fund, the District, with the prior written consent of the Insurer and without the consent of the Owners, may deliver to the Trustee an irrevocable letter of credit issued by a financial institution having unsecured debt obligations rated in one of the two highest rating categories of Moody's and S&P, in an amount, together with moneys, or surety bonds or insurance policies (as described below) on deposit in the Reserve Fund, equal to the Reserve Requirement. Such letter of credit shall have an original term of no less than three (3) years or, if less, the final maturity of the Certificates and such letter of credit shall provide by its terms that it may be drawn upon as provided herein. At least one year prior to the stated expiration of such letter of credit, the District shall either (i) deliver a

replacement letter of credit, (ii) deliver an extension of the letter of credit for at least an additional year or, if less, the final maturity of the Certificates, or (iii) deliver to the Trustee a surety bond or an insurance policy satisfying the requirements set forth below. Upon delivery of such replacement letter of credit, extended letter of credit, or surety bond or insurance policy, the Trustee shall deliver the then-effective letter of credit to or upon the written order of the District. If the District shall fail to deposit a replacement letter of credit, extended letter of credit or surety bond or insurance policy with the Trustee, the District shall immediately commence to make monthly deposits with the Trustee so that an amount equal to the Reserve Requirement will be on deposit in the Reserve Fund no later than the stated expiration date of the letter of credit. If an amount equal to the Reserve Requirement as of the date following the expiration of the letter of credit is not on deposit in the Reserve Fund one week prior to the stated expiration date of the letter of credit, the Trustee shall draw on the letter of credit to fund the deficiency resulting therefrom in the Reserve Fund.

Additionally, the District may, with the consent of the Insurer but without the consent of the Owners, and with an opinion of nationally recognized bond counsel that such delivery complies with the provisions hereof, deliver to the Trustee a surety bond or an insurance policy securing an amount, together with moneys or letters of credit on deposit in the Reserve Fund, equal to the Reserve Requirement. Such surety bond or insurance policy shall be issued by an insurance company whose unsecured debt obligations (or for which obligations secured by such insurance company's insurance policies) are rated in the highest rating category of Moody's and S&P's. Such surety bond or insurance policy shall have a term of no less than the final maturity of the Certificates. In the event that such surety bond or insurance policy for any reason lapses or expires, the District shall immediately implement clause (i) or (iii) of the preceding paragraph or make the required deposits to the Reserve Fund.

The Trustee shall, on a pro rata basis with respect to the portion of the Reserve Fund held in the form of letters of credit, surety bonds and insurance policies (calculated by reference to the maximum amounts of such letters of credit, surety bonds and insurance policies and the amount of the initial deposit of such cash), draw under each letter of credit, surety bond or insurance policy, in a timely manner and pursuant to the terms of such letter of credit, surety bond or insurance policy to the extent necessary in order to obtain sufficient funds on or prior to the date such funds are needed as required herein. In the event that the Trustee has actual knowledge that any payment of principal or interest with respect to a Certificate has been recovered from an Owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee, pursuant to and provided that the terms of the letter of credit, surety bond or insurance policy, if any, securing such Certificates so provide, shall so notify the issuer thereof and draw on such letter of credit, surety bond or insurance policy to the lesser of the extent required or the maximum amount of such letter of credit, surety bond or insurance policy in order to pay such Certificate owners the principal and interest so recovered.

Following the replacement of moneys then on deposit in the Reserve Fund by an irrevocable letter of credit, surety bond, or insurance policy as provided herein, any moneys on deposit in the Reserve Fund in excess of the Reserve Requirement shall be transferred by the Trustee to the Installment Payment Fund to be credited, at the written direction of the District, as provided herein.

Any letter of credit, surety bond or insurance policy as described hereunder may include any terms and conditions required by the Insurer as a condition for granting its consent.

### **Section 3.05. Deposit of Installment Payments.**

All Installment Payments and interest thereon shall be paid directly by the District to the Trustee, and if received by the Corporation at any time shall be deposited by the Corporation with the Trustee within one (1) Business Day after the receipt thereof. If the District shall fail to deposit with the Trustee an Installment Payment on the applicable Due Date, the Trustee shall, within three Insurance Business Days after such Due Date, notify the Insurer of such failure. All Installment Payments and interest thereon received by the Trustee shall be held in trust by the Trustee under the terms hereof and shall be deposited by it as and when received in the Installment Payment Fund, which fund the Trustee hereby agrees to establish and maintain so long as any Certificates are Outstanding.

### **Section 3.06. Installment Payment Fund.**

The Trustee shall deposit the money contained in the Installment Payment Fund at the following respective times in the following respective accounts in the following order of priority in the manner hereinafter provided, each of which fund and account the Trustee hereby agrees to establish and maintain so long as any Certificates are Outstanding, and the money in each of such funds shall be disbursed only for the purposes and uses hereinafter authorized:

(a) Interest Account. The Trustee, on each Interest Payment Date, shall deposit in the Interest Account that amount of money constituting the interest components due and unpaid or becoming due and payable to but not including such Interest Payment Date. All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest evidenced and represented by such Certificates to but not including their respective Interest Payment Dates or any other date on which the Certificates may be prepaid in accordance with Article IV hereof.

(b) Principal Account. The Trustee on each August 1, shall deposit in the Principal Account that amount of money constituting the principal components of Installment Payments representing the principal to become due and unpaid or becoming due and payable on August 1. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by such Certificates on the principal payment date.

(c) Prepayment Account. The Trustee, on the prepayment date specified in the Certificate of the District filed with the Trustee at the time that any prepayment is paid to the Trustee pursuant to the Installment Purchase Agreement, shall deposit in the Prepayment Account the amount of such prepayment. All money in the Prepayment Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest and principal and any applicable premium evidenced and represented by such Certificates to be prepaid on their respective prepayment dates.

(d) Payments to Insurer. To the extent any amounts are due and owing to the Insurer, as certified in writing by the Insurer to the Trustee, the Trustee, after making the

deposits specified above, shall pay to the Insurer such other amounts not paid to it pursuant to (a) and (b) above.

**Section 3.07. Held in Trust.**

The moneys and investments held by the Trustee under Sections 3.04, 3.05 and 3.06 are irrevocably held in trust for the benefit of the Owners, and, in the case of the Rebate Fund established pursuant to Section 3.11 below, for payment as required to the United States Treasury, 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 the District, the Trustee or the Corporation, or any of them.

**Section 3.08. Commingling of Moneys in Funds.**

The Trustee at its sole discretion may, and upon the written request of the District shall, commingle 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 Trustee hereunder shall be accounted for separately notwithstanding such commingling by the Trustee.

**Section 3.09. Arbitrage Covenant.**

The District and the Corporation hereby covenant with the Owners of the Certificates that, notwithstanding any other provision of this Trust Agreement, they will make no use of the proceeds of the Certificates which would cause the Certificates to be “arbitrage bonds” subject to federal income taxation by reason of Section 148 of the Internal Revenue Code of 1986, as amended. The Trustee hereby covenants with the Owners of the Certificates that it will comply with the express provisions of this Trust Agreement and will follow the written directions of the District and, so long as the Trustee shall have complied with the written instructions of the District as provided in Section 3.11 hereof with respect to making any rebate indicated therein to the United States, the Trustee shall conclusively be deemed to have complied with its obligations hereunder and shall not be liable if the Certificates become arbitrage bonds.

**Section 3.10. Use of Money in the Acquisition Fund.**

The Trustee hereby agrees to establish and maintain the Acquisition Fund until the completion of the Acquisition of the Project. All money in the Acquisition Fund shall be held by the Trustee in trust and shall be applied by the Trustee, along with certain other funds of the District, for the payment of Acquisition Costs of certain improvements relating to the Project and the expenses incidental thereto (including reimbursement to the District for any such costs or expenses theretofore paid by it for the account of the Corporation whether or not paid prior to the date hereof). Except for the foregoing specified transfers, before any payment is made from the Acquisition Fund by the Trustee, the District shall file with the Corporation and the Trustee a Certificate of the District in the form attached hereto as Appendix B. The Trustee shall not disburse any funds from the Acquisition Fund (other than amounts to be deposited into an escrow account to purchase a portion of the Project or to reimburse the District), until the District has obtained title to such component of the Project.

Upon receipt of each such Certificate of District, the Trustee shall, so long as the Trustee does not have actual knowledge of or has not received written notice that the District or the Corporation is then in default under the Installment Purchase Agreement or hereunder, pay the amount set forth therein as directed by the terms thereof from moneys on deposit in the Acquisition Fund, except that the Trustee shall not make any such payment of Acquisition Costs if it has received a stop notice or any other notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money to be so paid which has not been released or will not be released simultaneously with such payment, other than materialmen's or mechanics' liens accruing by mere operation of law or a notice from the Corporation stating that the District is not authorized to act as agent for the Corporation with respect to the matter described in such Certificate of the District. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

When the Acquisition of the Project has been completed to the satisfaction of the District or when the District determines that a portion of the Project will not be Acquired, the District shall deliver a Certificate of the District to the Trustee stating the fact and date of the completion of such improvements, and stating that all the Acquisition Costs and the expenses incidental thereto have been determined and paid (or that such claims and expenses have been paid less specified claims which are subject to dispute and for which a retention in the Acquisition Fund is to be maintained in the full amount of such claims until such dispute is resolved). Upon receipt of such certificate, the Trustee shall transfer (but less the amount of such retention) first to the Reserve Fund until the amount therein equals the Reserve Requirement, and thereafter to the Installment Payment Fund, all remaining moneys in the Acquisition Fund, to be credited to the payment of the Installment Payments as provided herein. In the event the Acquisition Fund has not been depleted by the date which is three years after the Closing Date, the District shall provide the Corporation with an opinion of nationally recognized bond counsel to the effect that the investment of such remaining funds shall not adversely affect the tax-exempt status of the Certificates.

### **Section 3.11. Rebate of Excess Investment Earnings to United States**

The District covenants to calculate the amount of, and to rebate to the United States, excess investment earnings, all in accordance with the Regulations. The Trustee shall not be responsible for enforcing compliance with such rebate requirements.

(a) Obligation to Calculate Excess Investment Earnings. The District shall calculate or cause to be calculated, and shall provide, or cause to be provided, written notice to the Trustee of the excess investment earnings (as defined in the Code, "Excess Investment Earnings") at such times and in such manner as may be required pursuant to the Code. The District shall inform the Trustee how frequently calculations are to be made, and shall ensure that a copy of all such calculations which indicate a payment is required is given promptly to the Trustee.

(b) Rebate to United States. The District agrees to deposit with the Trustee, promptly upon the receipt of any calculations made pursuant to the preceding subsection (a), the amount of Excess Investment Earnings so calculated. The Trustee shall deposit all

amounts paid to it for such purpose by the District in the Rebate Fund, which the Trustee shall establish when so directed by the District. The Trustee shall pay to the United States of America from the amounts on deposit in the Rebate Fund such amounts as shall be identified pursuant to written notice filed with the Trustee by the District for such purpose from time to time. Payments to the United States of America shall be made to the address prescribed by the Regulations as the same may be from time to time in effect with such reports and statements as may be prescribed by such Regulations. Following payment in full to the United States of America of all amounts due and owing under this subsection (b) and under the Code, the Trustee shall withdraw from the Rebate Fund and transfer to the District all amounts remaining on deposit in the Rebate Fund.

(c) Investment Transactions. The District shall assure that Excess Investment Earnings are not paid or disbursed except as required in this Section 3.11. To that end the District shall assure that investment transactions are on an arm's-length basis. In the event that Qualified Investments consist of certificates of deposit or investment contracts, investment in such Qualified Investments shall be made in accordance with the procedures described in the Regulations.

(d) Maintenance of Records. The District shall keep, and retain for a period of six (6) years following the retirement of the Certificates, records of the determinations made pursuant to this Section 3.11.

(e) Engagement of Professional Services. In order to provide for the administration of this Section 3.11, the District may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the District may deem appropriate.

(f) Modification of this Section. Any of the provisions of this Section 3.11 may be amended, modified or deleted in any manner whatsoever in the event that the District shall cause to be filed with the Trustee written directions making such amendment, modification or deletion, which written directions are accompanied by an opinion of Bond Counsel stating that such amendment, modification or deletion will not cause interest with respect to the Certificates to be includable in gross income of the Owners for federal income tax purposes. The Trustee shall be deemed conclusively to have complied with such provisions of this Section if it follows the directions of the District, and shall have no liability or responsibility to enforce compliance by the District with the terms of the guidance for compliance with the rebate requirements.

## **ARTICLE IV PREPAYMENT OF CERTIFICATES**

### **Section 4.01. Terms of Prepayment.**

(a) The Certificates shall not be subject to optional prepayment prior to August 1, 20\_\_\_. The Certificates are subject to prepayment, in whole or in part in any integral multiple of \$5,000, at the option of the District on any date on or after August 1, 20\_\_\_, from any available source of funds, at the prepayment price equal to the principal amount of the

Certificates to be prepaid from the proceeds of such prepayment, in each case together with accrued interest thereon to the prepayment date, without premium.

(c) The Certificates maturing on August 1, 20\_\_ are also subject to mandatory sinking fund prepayment in whole, or in part by lot, on August 1 in each year commencing August 1, 20\_\_, from Installment Payments made by the District pursuant to the Installment Purchase Agreement, at a prepayment price equal to the principal amount evidenced thereby to be prepaid, without premium, in the aggregate respective principal amounts and on August 1 in the respective years as set forth in the following table:

<b>Sinking Fund Prepayment Date <u>(August 1)</u></b>	<b>Principal Amount of Term Certificates <u>To Be Prepaid</u></b>
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If some but not all of such Certificates have been prepaid pursuant to subsection (a) or (b) above the total amount of all related future sinking fund payments shall be reduced by the aggregate principal amount of such Certificates so prepaid, to be allocated among such sinking fund payments on a pro rata basis as determined by the District (notice of which determination shall be given by the District to the Trustee)

**Section 4.02. Selection of Certificates for Prepayment; Purchase in Lieu of Prepayment.**

In the event that part, but not all, of the Certificates are to be prepaid (other than pursuant to sinking fund payments), the Certificates to be prepaid shall be selected by the Trustee from maturities designated by the District in writing, and by lot within a maturity.

The District may at any time buy Certificates at public or private sale at a price which, inclusive of brokerage fees, will not exceed the par amount of the Certificates so purchased, plus any applicable premium and any Certificates so purchased shall be tendered to the Trustee for cancellation. Term Certificates so purchased may be credited against sinking fund payments as set forth in Section 4.01 hereof.

**Section 4.03. Notice of Prepayment; Rescission.**

When prepayment is authorized or required pursuant to this Article, the Trustee shall give notice (the "Prepayment Notice"), at the expense of the District, of the prepayment of the Certificates. Such Prepayment Notice shall specify: (a) the Certificates or designated portions thereof (in the case of prepayment of the Certificates in part but not in whole) which are to be prepaid, (b) the date of prepayment, (c) the place or places where the prepayment will be made, including the name and address of any paying agent, (d) the prepayment price, (e) the CUSIP numbers (if any) assigned to the Certificates to be prepaid, (f) the Certificate numbers of the Certificates to be prepaid in whole or in part and, in the case of any Certificate to be prepaid in part only, the amount of such Certificate to be prepaid, and (g) the original issue date, interest rate and stated maturity date of each Certificate to be prepaid in whole or in part. Such

Prepayment Notice shall further state that on the specified date there shall become due and payable upon each Certificate or portion thereof being prepaid the prepayment price, together with interest accrued to the prepayment date, and that from and after such date interest with respect thereto shall cease to accrue and be payable. Such notice in respect of optional or extraordinary prepayment shall not be provided unless there has been deposited with the Trustee funds sufficient to pay such prepayment price (except in the case of prepayment resulting from the issuance of refunding obligations, or from funds provided by the Insurer in its sole discretion). The Trustee shall provide a copy of such Prepayment Notice to the Insurer.

Subject to the provisions stated above, the Trustee shall take the following actions with respect to such Prepayment Notice:

(a) At least thirty (30) but not more than sixty (60) days prior to the prepayment date, the Trustee shall cause Prepayment Notices to be given to the respective Owners of Certificates designated for prepayment by first class mail, postage prepaid, at their addresses appearing on the Certificate Register maintained by the Trustee pursuant to Section 2.07 hereof.

(b) At least thirty (30) days prior to the prepayment date, such Prepayment Notice shall be given by (i) first class mail, postage prepaid, (ii) telephonically confirmed facsimile transmission, or (iii) overnight delivery service, to each of the Securities Depositories.

(c) At least thirty (30) days prior to the prepayment date, such Prepayment Notice shall be given by (i) first-class mail, postage prepaid, (ii) overnight delivery service, or (iii) telecopy or facsimile transmission, to one of the Information Services selected by the District.

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

Neither failure to receive any Prepayment Notice nor any defect in such Prepayment Notice so given shall affect the sufficiency of the proceedings for the prepayment of such Certificates. Each check or other payment method used by the Trustee for the purpose of prepaying Certificates shall bear the CUSIP number identifying, by issue and maturity, the Certificates being prepaid with the proceeds of such check or other transfer.

#### **Section 4.04. Partial Prepayment of Certificates.**

Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof a new Certificate or Certificates equal to the unprepaid principal amount of the Certificate surrendered.

**Section 4.05. Effect of Prepayment.**

Notice having been given as aforesaid, and the moneys for the prepayment, including interest to the applicable prepayment date of the Certificates to be prepaid, having been set aside in the Prepayment Account, the portion of Certificates to be prepaid shall become due and payable on said prepayment date, and, upon presentation and surrender thereof at the office or offices specified in said notice, said Certificates shall be paid at the unpaid principal amount and premium, if any, with respect thereto, plus any unpaid and accrued interest to said prepayment date.

If, on said prepayment date, moneys sufficient for the prepayment of all the Certificates to be prepaid, together with interest to said prepayment date, shall be held by the Trustee so as to be available therefor on such prepayment date, and, if notice of prepayment thereof shall have been given as aforesaid, then, from and after said prepayment date, interest with respect to the portion of Certificates to be prepaid shall cease to accrue and become payable. If said moneys shall not be so available on said prepayment date, interest with respect to such portion of Certificates shall continue to be payable until paid at the same rates as they would have been payable had they not been called for prepayment.

**ARTICLE V  
COVENANTS OF THE DISTRICT AND THE CORPORATION**

**Section 5.01. Compliance with Trust Agreement.**

The Corporation and the District will not suffer or permit any default by them to occur hereunder, but will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms hereof required to be complied with, kept, observed and performed by them.

**Section 5.02. Compliance with Installment Purchase Agreement.**

The District and the Corporation will faithfully comply with, keep, observe and perform all the agreements, conditions, covenants and terms contained in the Installment Purchase Agreement required to be complied with, kept, observed and performed by them and will enforce the Installment Purchase Agreement against the other party thereto in accordance with its terms.

**Section 5.03. Observance of Laws and Regulations.**

The Corporation and the District will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

#### **Section 5.04. Other Liens.**

The District will keep the Project and all parts thereof free from judgments and materialmen's and mechanics' liens and free from all claims, demands, encumbrances and other liens of whatever nature or character, and free from any claim or liability which may hamper the District in conducting its business or utilizing the Project, and the District shall defend against any and all actions or proceedings in which the validity hereof is or might be questioned, or may pay or compromise any claim or demand asserted in any such actions or proceedings. So long as any Certificates are Outstanding, neither the Corporation nor the District will create or suffer to be created any pledge of or lien on the Installment Payments and the Net Revenues other than as permitted hereunder or under the Installment Purchase Agreement.

#### **Section 5.05. Prosecution and Defense of Suits.**

The District will promptly, upon request of the Trustee or any Owner, take such action from time to time as may be necessary or proper to remedy or cure any cloud upon or defect in the title to the Project or any part thereof, whether now existing or hereafter developing, will prosecute all actions, suits or other proceedings as may be appropriate for such purpose and will indemnify and save the Trustee and every Owner harmless from all cost, damage, expense or loss, including attorneys' fees, which they or any of them may incur by reason of any such cloud, defect, action, suit or other proceeding.

#### **Section 5.06. Accounting Records and Statements.**

The Trustee will keep proper accounting records in which complete and correct entries shall be made of all transactions made by the Trustee relating to the receipt, deposit and disbursement of the Installment Payments, and such accounting records shall be available for inspection by the Corporation, the District or any Owner or his agent duly authorized in writing on any Business Day upon reasonable notice at reasonable hours and under reasonable conditions prescribed by the Trustee. Not later than the fifteenth day of each month commencing December 15, 2008, and continuing so long as any Certificates are Outstanding, the Trustee will furnish to the Corporation, the District and any Owner who may so request in writing (at the expense of such Owner) a statement covering the receipts, deposits and disbursements of the Installment Payments for the preceding monthly period.

#### **Section 5.07. Further Assurances.**

Whenever and so often as requested to do so by the Trustee or any Owner, the Corporation and the District will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all advantages, benefits, interests, powers, privileges and rights conferred or intended to be conferred upon them by this Trust Agreement, the Installment Purchase Agreement or the Assignment Agreement.

**ARTICLE VI  
DEFAULT AND LIMITATIONS OF LIABILITY**

**Section 6.01. Action on Default or Acceleration.**

If an Event of Default under Section 7.01 of the Installment Purchase Agreement or Section 5.01 of the Master Agreement shall happen, then such Event of Default shall constitute an Event of Default hereunder. In determining if such Event of Default has occurred, no consideration shall be given to payments made under the Insurance Policy. In each and every such case during the continuance of such Event of Default the Trustee or, subject to the provisions of Section 6.08 hereof, the Owners of not less than a majority in aggregate principal amount represented by the Certificates at the time Outstanding upon notice given in writing to the District and the Trustee may, with the prior written consent of the Insurer and shall, upon being indemnified to its satisfaction, at the direction of the Insurer, exercise the remedies provided to the Corporation in Section 7.01 of the Installment Purchase Agreement and in the Master Agreement.

The Trustee shall provide written notice to the Insurer within five (5) Business Days after its actual knowledge thereof of any Event of Default occurring under Section 7.01 of the Installment Purchase Agreement. Upon its actual knowledge thereof of any Event of Default, the Trustee shall provide the Insurer and its designated agents with access to the Certificate register, and shall allow such parties to copy the register. The Insurer shall have the right to advance any payment required to be made by the District in order to prevent an Event of Default hereunder, and the Trustee shall be obligated to accept any such payment. Such advance shall be reimbursed pursuant to Section 10.01 hereof.

Upon the occurrence of an Event of Default hereunder, the Trustee may, with the prior written consent of the Insurer and shall, at the direction of the Insurer, declare the principal and interest with respect to all such Certificates immediately due and payable and such principal and interest shall thereupon be due and payable immediately. The Trustee shall apply amounts on deposit in the funds and accounts created under the Installment Purchase Agreement and the Trust Agreement in accordance with Section 6.09 hereof. In the event the maturity of the Certificates is accelerated, the Insurer may elect, in its sole discretion, to pay accelerated principal and interest accrued on such principal to the date of acceleration (to the extent unpaid by the District) and the Trustee shall accept such amounts. Upon payment of such accelerated principal and interest accrued to the acceleration date as provided above, the Insurer's obligations under the Insurance Policy shall be fully discharged.

**Section 6.02. Other Remedies of the Trustee.**

The Trustee and, subject to the provisions of Section 6.08 hereof, the Owners of not less than a majority in aggregate principal amount represented by the Certificates at the time Outstanding may, with the prior written consent of the Insurer and shall, upon being indemnified to its satisfaction, at the direction of the Insurer:

(a) by mandamus or other action or proceeding or suit at law or in equity enforce its rights against the Corporation or the District or any board member, officer or

employee thereof, and compel the Corporation or the District or any such board member, officer or employee to perform or carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained herein; or

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

(c) intervene in judicial proceedings that affect the Certificates or the security therefor; or

(d) with the consent or at the direction of the Insurer, to seek the appointment of a receiver or other third party to operate the facilities of the District and collect Revenues.

### **Section 6.03. Non-Waiver.**

The Trustee shall not waive any default without the prior written consent of the Insurer. A waiver of any default or breach of duty or contract by the Trustee, the Insurer or the Owners shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee, the Insurer or the Owners to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Trustee, the Insurer or the Owners by law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Insurer.

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

### **Section 6.04. Remedies Not Exclusive.**

No remedy herein conferred upon or reserved to the Trustee or the Insurer is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by any law.

### **Section 6.05. No Liability by the Corporation to the Owners.**

The Corporation shall not have any obligation or liability to the Owners with respect to the payment when due of the Installment Payments by the District, or with respect to the performance by the District of the other agreements and covenants required to be performed by it contained in the Installment Purchase Agreement or herein, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained herein.

**Section 6.06. No Liability by the District to the Owners.**

Except for the payment when due of the Installment Payments and the interest thereon, and the performance of the other agreements and covenants required to be performed by it contained in the Installment Purchase Agreement or herein, the District will not have any obligation or liability to the Owners with respect to this Trust Agreement or the preparation, execution, delivery or transfer of the Certificates or the disbursement of the Installment Payments, and the interest thereon, by the Trustee, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained herein.

**Section 6.07. No Liability by the Trustee to the Owners.**

Except for the duty of the Trustee to make payments of principal, prepayment premiums and interest with respect to the Certificates from moneys received from the District, the Trustee will not have any obligation or liability to the Owners with respect to the payment when due of the Installment Payments and the interest thereon by the District, or with respect to the performance by the District of the other agreements and covenants required to be performed by it contained in the Installment Purchase Agreement or herein.

**Section 6.08. Limitation on Owners' Right to Bring Suit.**

No Owner of any Certificate shall have any right to institute any proceeding, judicial or otherwise, under or with respect to this Trust Agreement, or for the appointment of a receiver or trustee or for any other remedy hereunder, at law or in equity, unless:

- (1) such Owner has previously given written notice to the Trustee of a continuing event of default;
- (2) the owners of not less than a majority in principal amount of the Certificates Outstanding shall have obtained the prior written consent of the Insurer and shall have made written request to the Trustee to institute proceedings in respect of such event of default in its own name as Trustee hereunder;
- (3) such Owner or Owners have offered to the Trustee reasonable indemnity, satisfactory to the Trustee, against the costs, expenses and liabilities to be incurred in compliance with such request; and
- (4) the Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding.

It being understood and intended that no one or more Owners shall have any right in any manner whatever by virtue of, or by availing of, any provision of this Trust Agreement to affect, disturb or prejudice the lien of this Trust Agreement or the rights of any other Owners or to obtain or to seek to obtain priority or preference over any other Owners or to enforce any right under this Trust Agreement, except in the manner herein provided and for the equal and ratable benefit of all Certificates. Notwithstanding the foregoing, the Owner of any Certificate shall have the right which is absolute and unconditional to receive payment of interest on such Certificate when due in accordance with the terms thereof and hereof and the principal of such Certificate at the stated

maturity thereof and to institute suit for the enforcement of any such payment in accordance with the provisions of this Trust Agreement and such rights shall not be impaired without the consent of such Owner.

### **Section 6.09. Application of Funds Upon Default.**

All monies received by the Trustee or by any receiver pursuant to any right given or action taken under the provisions of this Article VI or under the provisions of Article VII of the Installment Purchase Agreement shall, after payment of the reasonable costs and fees of, and the reasonable expenses, liabilities and advances incurred or made by the Trustee in and about the performance of its powers and duties hereunder, be deposited in the Installment Payment Fund and all moneys so deposited during the continuance of an Event of Default (other than moneys for the payment of Certificates which have previously matured or otherwise become payable prior to such Event of Default or for the payment of interest due prior to such Event of Default), together with all moneys in the Funds maintained by the Trustee under Article III hereof, shall be applied as follows:

(a) Unless the principal of all Certificates shall have become or shall have been declared due and payable pursuant to the Master Agreement, all such moneys shall be applied:

First: To the payment to the Persons entitled thereto of all installments of interest then due on the Certificates, with interest on overdue installments, if lawful, at the rate per annum borne by the Certificates, in the order of the maturity of the installments of such interest, and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably according to the amounts due on such installment, to the Persons entitled thereto without any discrimination or privilege;

Second: To the payment to the Persons entitled thereto of the unpaid principal of any of the Certificates which shall have become due (other than Certificates called for prepayment for the payment of which moneys are held pursuant to the provisions of this Trust Agreement), with interest on such Certificates at their rate from the respective dates upon which they became due, in the order of their due dates, and, if the amount available shall not be sufficient to pay in full Certificates due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, to the Persons entitled thereto without any discrimination or privilege;

Third: To the payment to the Insurer of all amounts payable to the Insurer hereunder and under the Installment Purchase Agreement not paid pursuant to First and Second above; and

Fourth: To the payment of amounts, if any, payable to the United States Treasury in respect of rebate.

(b) If the principal of all the Certificates shall have become due or shall have been declared due and payable under the Master Agreement, all such moneys shall be applied:

First: To the payment of the principal and interest then due and unpaid upon the Certificates, with interest on overdue interest and principal, as aforesaid, without preference or priority over interest or of interest over principal or of any installment of interest over any other installment of interest, or of any Certificates over any other Certificates, ratably, according to the amounts due respectively for principal and interest, to the Persons entitled thereto without any discrimination or privilege;

Second: To the payment to the Insurer of all amounts payable to the Insurer hereunder and under the Installment Purchase Agreement not paid pursuant to First above; and

Third: To the payment of amounts, if any, payable to the United States Treasury in respect of rebate.

Whenever the Trustee shall apply such moneys (which shall not include the application of moneys upon the occurrence of any acceleration pursuant to the provisions hereof), it shall fix the date (which shall be an Interest Payment Date unless it shall deem another date more suitable) upon which date such application is to commence and upon such date interest on the amounts of principal and interest to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date and of the special record date in accordance with Article II hereof. The Trustee shall not be required to make payment to the holder of any unpaid Certificate until such Certificate shall be presented to the Trustee for appropriate endorsement or for cancellation if fully paid.

#### **Section 6.10. Insurer's Right to Control Proceedings.**

So long as the Insurer is providing the Insurance Policy, the Insurer shall be deemed to be the sole Owner of the Outstanding Certificates for purposes of exercising any voting right or privilege, or for purposes of giving any consent or directing or taking any action, that the Owners are entitled to under this Article or Article VII.

### **ARTICLE VII THE TRUSTEE**

#### **Section 7.01. Trustee; Duties, Removal and Resignation.**

By executing and delivering the Trust Agreement, the Trustee accepts the duties and obligations of the Trustee provided in the Trust Agreement, but only upon the terms and conditions set forth in the Trust Agreement.

The District (so long as an Event of Default has not occurred) or, with the prior written consent of the Insurer, the Owners of a majority in aggregate principal amount of all Certificates Outstanding may, by thirty (30) days prior written request, remove the Trustee

initially a party hereto, and any successor thereto, and in such event, or in the event the Trustee resigns, the District shall appoint a successor Trustee, but any such successor shall be a bank, corporation or trust company in good standing doing business and having an office in Los Angeles or San Francisco, California, having a combined capital (exclusive of borrowed capital) and surplus of at least fifty million dollars (\$50,000,000) and subject to supervision or examination by federal or state authority. If such bank, corporation or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section the combined capital and surplus of such bank or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of conditions so published. The Insurer may remove the Trustee at any time upon 30 days' written notice to the Trustee and the District.

The Trustee may at any time resign by giving written notice to the District and by giving to the Certificate Owners notice by mailing a notice of such resignation to their addresses appearing in the Certificate register. Upon receiving any such notice of resignation, the District shall promptly appoint a successor Trustee by an instrument in writing; provided, however, that in the event that the District does not appoint a successor Trustee within thirty (30) days following receipt of such notice of resignation, the resigning Trustee may petition an appropriate court having jurisdiction to appoint a successor Trustee. Any resignation or removal of the Trustee shall not become effective until written acceptance of appointment by the successor Trustee under the Trust Agreement.

Any Trustee which shall resign or be removed pursuant to this Section shall be entitled to compensation in accordance with Section 7.02 and to reimbursement for all reasonable and proper expenses and advances incurred and not previously reimbursed for its activities in connection with the Trust Agreement and the Installment Purchase Agreement and for any indemnification due pursuant to the Trust Agreement or the Installment Purchase Agreement and not previously paid. Any Trustee which resigns or is removed, upon payment of its unpaid compensation and expenses hereunder, shall fully discharge all the right, title and interest of the retiring Trustee and the accounts and funds hereunder shall vest in said successor Trustee, and such retiring Trustee shall promptly pay over, assign and deliver to the successor Trustee any money or other property then held by such Trustee hereunder, and deliver any and all records, or copies thereof, in respect of the funds and accounts held hereunder which it may have.

The District shall provide written notice to the Insurer of any resignation or removal of the Trustee and of any appointment of, and acceptance of duties by, any successor thereto.

### **Section 7.02. Compensation of the Trustee.**

The District shall pay from time to time, upon receipt of a statement, to the Trustee reasonable compensation for the Trustee's services and shall reimburse the Trustee for all its reasonable advances and expenditures, including but not limited to advances to and fees and expenses of independent appraisers, accountants, consultants, counsel, agents and attorneys-at-law or other experts employed by it in the exercise and performance of its powers and duties under the Trust Agreement. Such compensation and reimbursement shall be paid promptly by

the District. The lien of the Trustee on amounts held by it under the Trust Agreement for its services rendered under the Trust Agreement shall be superior to the rights of the Certificate Owners to receive scheduled payments of principal and interest with respect to their Certificates; provided that the Trustee shall have no lien on moneys in the Prepayment Account or the Rebate Fund.

The District shall, under the Installment Purchase Agreement, hold harmless and indemnify the Trustee for all costs, claims, expenses and liabilities incurred by or asserted against the Trustee in the performance of its duties under this Trust Agreement or any related document, including any such reasonable costs, claims, expenses and liabilities, including legal fees and expenses, incurred in the course of defending itself against any claims or actions or enforcing any remedies under this Trust Agreement or any related document. Any such indemnity shall not extend to any costs, claims, expenses or liabilities adjudicated to have been caused by the negligence or willful misconduct of the Trustee. The indemnification of the Trustee under this Trust Agreement shall extend to its directors, officers, employees and agents. The obligations of the Corporation and the District under this Section shall survive the payment of the Certificates and the discharge of this Trust Agreement and the removal or resignation of the Trustee.

### **Section 7.03. Protection to Trustee.**

The District shall indemnify, protect and hold the Trustee harmless and the Trustee shall incur no liability for acting upon any notice, resolution, consent, order, certificate, report or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee, in its discretion, may consult with counsel, who may be counsel to the District or the Corporation, with regard to legal questions, and the opinion or advice of such counsel, shall be full and complete authorization and protection in respect of any action taken or suffered by it under the Trust Agreement in good faith in accordance therewith.

Whenever in the administration of its duties under the Trust Agreement, the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action under the Trust Agreement, such matter (unless other evidence in respect thereof be specifically prescribed in the Trust Agreement) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by the certificate of an Authorized Officer of the District and such certificate shall be full warranty to the Trustee for any action taken or suffered under the provisions of the Trust Agreement upon the faith thereof, but in its discretion the Trustee may, in lieu thereof (but shall not be obligated to), accept other evidence of such matter.

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

The recitals, statements and representations contained in this Trust Agreement or in the Certificates, save only the Trustee's execution of the Certificates, shall be taken and construed as made by and on the part of the District, and not by the Trustee, and the Trustee does not assume, and shall not have, any responsibility or obligation for the correctness of any thereof. The Trustee shall not be deemed to make any representations with respect to the security afforded by this Trust Agreement, the Installment Purchase Agreement or the Assignment Agreement.

The Trustee may execute any of the trusts or powers hereof and perform the duties required of it under the Trust Agreement by or through attorneys, agents, or receivers, and shall be entitled to advice of counsel concerning all matters of trust and its duty under the Trust Agreement. The Trustee shall be fully reimbursed by the District for reasonable expenses incurred in hiring attorneys, agents or receivers in connection with the performance of its obligations under the Trust Agreement.

Before taking any remedial action hereunder the Trustee may require that a satisfactory indemnity bond or other indemnity satisfactory to the Trustee be furnished for the reimbursement of all reasonable expenses to which it may be put and to protect it against all liability which may be incurred in connection with the taking of such action, except liability which is adjudicated to have resulted from its negligence or willful misconduct; provided, however, the Trustee shall not seek such indemnity prior to making payments on the Certificates.

The Trustee, prior to the occurrence of an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, undertakes to perform only such duties as are specifically set forth in this Trust Agreement. The Trustee shall, during the existence of any Event of Default (which has not been cured or waived), exercise such of the rights and powers vested in it by this Trust Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use in the conduct of such person's own affairs.

The Trustee shall not be deemed to have knowledge of an event of default under the Installment Purchase Agreement (except in connection with a failure of the District to make Installment Payments when due) until it has actual knowledge thereof, or until notified in writing of such event of default.

Every provision of this Trust Agreement, the Installment Purchase Agreement and the Assignment Agreement relating to the conduct or liability of the Trustee shall be subject to the provisions of this Trust Agreement, including without limitation, this Article.

In acting as Trustee hereunder, the Trustee acts solely in its capacity as Trustee hereunder and not in its individual or personal capacity, and all persons, including without limitation the Owners, the District and the Corporation, having any claim against the Trustee shall look only to the funds and accounts held by the Trustee hereunder for payment, except as otherwise provided herein. Under no circumstances shall the Trustee be liable in its individual or personal capacity for the obligations evidenced by the Certificates.

The Trustee is authorized and directed to execute in its capacity as Trustee the Assignment Agreement. The Trustee shall not be liable with respect to any action taken or not taken by it in accordance with the direction of the Owners of a majority (or other percentage provided for herein) in aggregate principal amount of Certificates at the time Outstanding relating to the exercise of any right or remedy available to the Trustee hereunder or under the Installment Purchase Agreement or any other trust or power conferred upon the Trustee.

The Trustee makes no representation or warranty, 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 or the Corporation of the Project or any portion thereof, or any other representation or warranty with respect to the Project or any portion thereof. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with this Trust Agreement or the Installment Purchase Agreement or the existence, furnishing or functioning of the Project or the District's use of the Project.

The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Certificates. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct. The Trustee may rely upon a facsimile transmission with regard to any instruction for any transfer, disbursement or investment of funds held by the Trustee. The District shall confirm such transmission promptly in writing by mail. No provision of the Trust Agreement and the Installment Purchase Agreement shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder.

**Section 7.04. Payment from Trust Estate Only.**

All payments to be made by the Trustee under and pursuant to this Trust Agreement shall be made only from the corpus, income and proceeds of the funds and accounts hereunder and only to the extent that the Trustee shall have received sufficient contribution, income and proceeds in accordance with the terms of this Trust Agreement.

**Section 7.05. Merger or Consolidation.**

Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall be eligible under Section 7.01 hereof, shall be the successor to the Trustee without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

**ARTICLE VIII  
AMENDMENT OF OR SUPPLEMENT TO TRUST AGREEMENT**

**Section 8.01. Amendment or Supplement by Consent of Owners.**

The Trust Agreement may be amended in writing by agreement among all of the parties, but no such amendment (except as provided below) shall become effective as to the Owners of the Certificates then Outstanding, unless and until approved by the Owners of a majority in aggregate principal amount of Certificates Outstanding and the Insurer; provided that no such amendment shall impair the right of any Owner to receive his proportionate share of any Installment Payments in accordance with his Certificate of Participation unless consented to by the applicable Certificate Owner and the Insurer. Notwithstanding the foregoing, the Trust Agreement and the rights and obligations provided thereby may also be modified or amended at any time without the consent of any Owners of the Certificates but with the consent of the Insurer, which consent shall not be unreasonably withheld, but only (1) for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in the Trust Agreement, or (2) in regard to questions arising under the Trust Agreement which the District may deem necessary or desirable and not inconsistent with the Trust Agreement and which shall not materially adversely affect the interests of the Owners; provided that the Corporation, the District and the Trustee may rely in entering into any such amendment of the Trust Agreement upon the opinion of nationally recognized bond counsel stating that the requirements of this sentence shall have been met with respect to such amendment.

In the event of any such amendment or supplement, copies of such amendment or supplement and any other documents relating thereto shall be provided by the District to Moody's (to the extent Moody's maintains a rating on the Certificates), S&P (to the extent S&P maintains a rating on the Certificates) and the Insurer at least fifteen (15) days prior to the effective date thereof.

**Section 8.02. Disqualified Certificates.**

Certificates owned or held by or for the account of the District shall not be deemed outstanding for the purpose of any consent or other action or any calculation of Outstanding Certificates provided in this Article VIII, and shall not be entitled to consent to or take any other action provided in this Article VIII, and the Trustee may adopt appropriate regulations to require each Owner, before his consent provided for herein shall be deemed effective, to reveal if the Certificates as to which such consent is given are disqualified as provided in this Section 8.02.

## **ARTICLE IX DEFEASANCE**

### **Section 9.01. Defeasance.**

Any Outstanding Certificates shall be paid and discharged in any one or more of the following ways:

(a) by paying or causing to be paid the principal and interest with respect to the Certificates Outstanding to be defeased, as and when the same become due and payable;

(b) by depositing with the Trustee, in trust, before maturity, money which, together with the amounts which are then on deposit in the Installment Payment Fund and the Reserve Fund, is fully sufficient to pay such Certificates Outstanding, including all principal and interest relating thereto;

(c) by depositing with the Trustee, in trust under an escrow deposit and trust agreement, non-callable Federal Securities (the "Defeasance Obligations") in such amount as a nationally recognized certified public accountant shall determine will, together with the interest to accrue thereon and moneys then on deposit in the Installment Payment Fund and Reserve Fund to be applied to such defeasance together with the interest to accrue thereon, be fully sufficient to pay and discharge such Certificates (including all principal and interest) at or before their respective maturity dates;

(d) by depositing with the Trustee, under an escrow deposit and trust agreement, cash, or Defeasance Obligations for the payment of a portion of Installment Payments as more particularly described in Section 5.03 of the Installment Purchase Agreement, said Defeasance Obligations to be held by the Trustee, as agent for District and to be applied by the Trustee to pay Installment Payments representing the obligation of the District under the Installment Purchase Agreement, as described in Section 5.03 of the Installment Purchase Agreement.

In the event of an advance refunding as described in paragraphs (c) and (d) above (i) the District shall cause to be delivered, on the deposit date and upon any reinvestment of the defeasance amount, a report of an independent firm of nationally recognized certified public accountants ("Accountant") verifying the sufficiency of the escrow established to pay such Certificates in full on the maturity or prepayment date ("Verification"), (ii) the escrow agreement shall provide that no (A) substitution of a Defeasance Obligation shall be permitted except with another Defeasance Obligation and upon delivery of a new Verification and (B) reinvestment of a Defeasance Obligation shall not be permitted except as contemplated by the original Verification or upon delivery of a new Verification, and (iii) there shall be delivered an opinion of nationally recognized bond counsel to the effect that such Certificates are no longer "Outstanding" under the Trust Agreement. Each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the District and the Insurer. Certificates shall be deemed "Outstanding" under the Trust Agreement unless and until they are in fact paid and retired or the above criteria are met. In the event a forward purchase agreement will be employed in the refunding, such agreement shall be subject to the approval of the Insurer and

shall be accompanied by such opinions of counsel as may be required by the Insurer. The Insurer shall be provided with final drafts of the above-referenced documentation not less than five (5) Business Days prior to the funding of the escrow.

Any defeasance hereunder shall also comply with the provisions of Section 10.01 hereof. In the event of a conflict between Section 9.01 and Section 10.01, the latter shall prevail.

Notwithstanding that some Certificates may not have been surrendered for payment, all obligations of the Corporation, the Trustee and the District under the Trust Agreement with respect to all defeased Certificates shall cease and terminate, except only the obligation of the Trustee to pay or cause to be paid to the Owners of the Certificates all sums due thereon and the obligation of the District to indemnify and pay the Trustee and the Insurer in accordance with Sections 7.02, and 7.03 and 10.01 hereof.

Upon the defeasance of all Outstanding Certificates, any funds held by the Trustee, at the time of one of the events described above in subsections (a), (b), (c) or (d), which are not required for the payment to be made to Owners, or for payments to be made to the Trustee and the Insurer by the District, shall be paid over to the District upon delivery of a certificate of a certified public accountant that such funds are not required to be paid to the Owners.

#### **Section 9.02. Unclaimed Moneys.**

Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or principal evidenced and represented by any of the Certificates other than amounts in the Policy Payment Account (as defined in Section 10.01 hereof) which remains unclaimed for two (2) years after the date when the payments evidenced and represented by such Certificates have become payable, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and principal evidenced and represented by such Certificates have become payable, the Trustee shall pay such amounts to the District as its absolute property free from trust, and the Trustee and the Insurer shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for interest and principal represented by such Certificates; provided, however, that before being required to make any such payment to the District, the Trustee shall, at the expense and written request of the District, cause to be published once a week for two (2) successive weeks in a financial newspaper a notice that such money remains unclaimed and that after a date named in such notice, which date shall not be less than thirty (30) days after the date of the first publication of such notice, the balance of such money then unclaimed will be returned to the District.

**ARTICLE X  
CERTIFICATE INSURANCE PROVISIONS**

**Section 10.01. Payments Under the Insurance Policy.**

(a) So long as the Insurance Policy shall be in full force and effect, the District and the Trustee hereby agree to comply with the provisions of this Article, notwithstanding any other provision of this Trust Agreement.

(b) [TO COME]

**Section 10.02. Deposits to Policy Payments Account; Payments Under the Insurance Policy.**

(a) So long as the Insurance Policy shall be in full force and effect, the District and the Trustee hereby agree to comply with the provisions of this Section.

(b) [TO COME]

**Section 10.03. Reporting Requirements.**

The Insurer shall be provided with the following information by the Issuer or Trustee, as the case may be:

(a) Copies of any notices required to be given by the District or the Trustee under this Trust Agreement, the Installment Purchase Agreement or the Master Agreement;

(b) Notice of any draw upon the Reserve Fund within two Business Days after knowledge thereof other than (i) withdrawals of amounts in excess of the Reserve Requirement, and (ii) withdrawals in connection with a refunding of Certificates;

(c) Notice of any default known to the Trustee or District within five Business Days after knowledge thereof;

(d) Notice of the resignation or removal of the Trustee and Certificate Registrar and the appointment of, and acceptance of duties by, any successor thereto;

(e) An official statement relating to the issuance of Senior Obligations by the District, within thirty (30) days after the occurrence thereof; and

(f) A full original transcript of all proceedings relating to the execution of any amendment, supplement, or waiver to the Related Documents.

**Section 10.04. When Consent of Insurer is Required.**

No provision of the Trust Agreement or Installment Purchase Agreement which expressly recognizes or grants rights in or to the Insurer may be amended in any manner which affects the rights of the Insurer hereunder without the prior written consent of the Insurer. No action requiring the consent of the Owners may be initiated or approved without obtaining the

consent of the Insurer. No action under the Trust Agreement or Installment Purchase Agreement which requires the consent of Certificate Owners may become effective except upon obtaining the prior written consent of the Insurer.

**Section 10.05. Amendments.**

The District shall not amend or supplement this Trust Agreement, the Master Agreement or the Installment Purchase Agreement without the prior written consent of the Insurer.

**ARTICLE XI  
MISCELLANEOUS**

**Section 11.01. Benefits of Trust Agreement Limited to Parties.**

Nothing contained herein, expressed or implied, is intended to give to any person other than the Corporation, the District, the Insurer, the Trustee and the Owners any claim, remedy or right under or pursuant hereto, and any agreement, condition, covenant or term contained herein required to be observed or performed by or on behalf of the Corporation or the District shall be for the sole and exclusive benefit of the Trustee, the Insurer and the Owners. The Insurer shall be a third party beneficiary to this Trust Agreement.

**Section 11.02. Successor Deemed Included in all References to Predecessor.**

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

**Section 11.03. Execution of Documents by Owners.**

Any declaration, consent, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his or her attorney of any declaration, consent, request or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act, that the person signing such declaration, consent, request or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer, or by such other proof as the Trustee or the paying agent, as the case may be, may accept which it may deem sufficient. Any declaration, consent, request or other instrument in writing of the Owner of any Certificate shall bind all future owners of such Certificate with

respect to anything done or suffered to be done by the Corporation, the District or the Trustee in good faith and in accordance therewith.

**Section 11.04. Waiver of Personal Liability.**

No board member, officer or employee of the Corporation or the District shall be individually or personally liable for the payment of the interest or principal evidenced and represented by the Certificates, but nothing contained herein shall relieve any board member, officer or employee of the District or the Corporation from the performance of any official duty provided by any applicable provisions of law or by the Installment Purchase Agreement or hereby.

**Section 11.05. Acquisition of Certificates by District.**

All Certificates acquired by the District, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation.

**Section 11.06. Content of Certificates.**

Every Certificate of the District with respect to compliance with any agreement, condition, covenant or term contained herein (other than a Certificate of the District filed with the Trustee in connection with a disbursement from the Delivery Costs Fund and the Acquisition Fund, the contents of which certificate shall be as set forth in Section 3.03 and Section 3.11, respectively, hereof) shall include (a) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or term and the definitions herein relating thereto; (b) a statement that, in the opinion of the signers they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or term has been complied with; and (c) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term has been complied with.

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

**Section 11.07. Notice by Mail.**

Any notice required to be given hereunder by mail to any Owners of Certificates shall be given by mailing a copy of such notice, first class postage prepaid, to the Owners of such Certificates at their addresses appearing in the books required to be kept by the Trustee pursuant to the provisions of Section 2.07 not less than thirty (30) days nor more than sixty (60) days

following the action or prior to the event concerning which notice thereof is required to be given unless this Trust Agreement expressly provides a different provision; provided, that receipt of any such notice shall not be a condition precedent to the effect of such notice and failure to receive any such notice shall not affect the validity of the proceedings taken in connection with the action or the event concerning which such notice was given.

#### **Section 11.08. Funds.**

Any fund or account required to be established and maintained herein by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such funds shall at all times be maintained in accordance with sound accounting practice and with due regard for the protection of the security of the Certificates and the rights of the owners.

#### **Section 11.09. Investments.**

(a) Amounts on deposit in any fund or account created pursuant to the Installment Purchase Agreement or this Trust Agreement (except the Reserve Fund) shall be invested in Permitted Investments which will, as nearly as practicable, mature on or before the dates when such money is anticipated to be needed for disbursement hereunder, in accordance with such written directions as the District may from time to time provide to the Trustee. Amounts on deposit in the Reserve Fund shall be invested by the Trustee, in accordance with written directions from the District, in Permitted Investments (i) having an average aggregate weighted term to maturity not greater than five (5) years, or (ii) of any maturity, but callable at par for any purpose required by this Trust Agreement. Investment directions shall be received at least two (2) Business Days prior to the date of making the investment. If no such direction has been received by the Trustee in sufficient time, the Trustee shall invest such amounts in Permitted Investments of the type described in paragraph (\_\_\_\_\_) of the definition thereof. The Trustee may act as principal or agent in the acquisition or disposition of any such investment. The Trustee shall not be liable or responsible for any loss suffered in connection with any such investment made by it under the terms of and in accordance with this Section 11.09. The Trustee may sell or present for prepayment any obligations so purchased whenever it shall be necessary in order to provide moneys to meet any payment of the funds so invested, and the Trustee shall not be liable or responsible for any losses resulting from any such investment sold or presented for prepayment. Interest or profit received on such investments shall be deposited to the Reserve Fund to the extent the amount on deposit therein is less than the Reserve Requirement, and thereafter to the Acquisition Fund until the Project is Acquired, and thereafter to the Installment Payment Fund.

The Trustee may exclusively rely that any investment directed by the District hereunder is a Permitted Investment as required by this Trust Agreement. The Trustee may act as depository, manager, advisor or sponsor with regard to any Permitted Investment.

(b) In computing the amount in any fund or account, Permitted Investments shall be valued at fair market value, marked to market, exclusive of accrued interest. The

Trustee shall perform such valuation (i) as frequently as requested by the Insurer, but in no event less often than once a year or more frequently than monthly, and (ii) upon any draw on the Reserve Fund. In making any valuations hereunder, the Trustee may utilize any securities pricing services that may be available to it, including those within its regular accounting system, and conclusively rely thereon. If amounts on deposit in the Reserve Fund shall, at the time of valuation, be less than the applicable Reserve Requirement the Trustee shall notify the District within five (5) Business Days and such deficiency shall be immediately made up by the District from Net Revenues and such Reserve Fund shall be valued monthly until amounts on deposit therein equal the Reserve Requirement.

(c) If at any time after investment therein a Permitted Investment ceases to meet the criteria set forth in the definition of Permitted Investments and such obligation, aggregated with other non-conforming investments, exceeds ten percent (10%) of invested funds, such Permitted Investment shall be sold or liquidated unless otherwise approved by the Insurer. The Trustee shall terminate any repurchase agreement upon a failure of the counterparty thereto to maintain the requisite collateral percentage after the restoration period and, if not paid by the counterparty in federal funds against transfer of the repurchase securities, liquidate the collateral. The Trustee shall, upon actual knowledge of a default under a repurchase or investment agreement or the withdrawal or suspension of either of the ratings of a repurchase or investment agreement provider or a drop in the ratings thereon below “AA” or “Aa”, as appropriate, or “AAA” or “Aaa”, as appropriate, in the case of a foreign bank, so notify the Insurer and, if so directed by the Insurer, shall demand further collateralization of the agreement or termination thereof and liquidation of the collateral. In the event any funds or accounts are invested in an investment agreement described in clause (10) of the definition of Permitted Investments, the Trustee shall give notice to the provider of such investment agreement in accordance with the terms of such investment agreement to receive funds thereunder with no penalty or premium.

(d) The District acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grants to the District the right to receive brokerage confirmations of security transactions as they occur, the District specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the District periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

#### **Section 11.10. Article and Section Headings, Gender and References.**

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

**Section 11.11. Partial Invalidity.**

If any one or more of the agreements, conditions, covenants or terms contained herein required to be observed or performed by or on the part of the Corporation, the District or the Trustee shall be contrary to law, then such agreement or agreements, such condition or conditions such covenant or covenants or such term or terms shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants and terms hereof and shall in no way affect the validity hereof or of the Certificates, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law.

**Section 11.12. California Law.**

This Trust Agreement shall be construed and governed in accordance with the laws of the State of California.

**Section 11.13. Notices.**

All written notices to be given hereunder shall be given by certified mail to the party entitled thereto at its address set forth in the Installment Purchase Agreement, or at such other address as such party may provide to the other parties in writing from time to time.

**Section 11.14. Effective Date.**

This Trust Agreement shall become effective upon its execution and delivery.

**Section 11.15. Execution in Counterparts.**

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

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

**WATER REPLENISHMENT DISTRICT OF  
SOUTHERN CALIFORNIA**

By: \_\_\_\_\_  
President of the Board of Directors

By: \_\_\_\_\_  
Secretary of the Board of Directors

**SOUTHERN CALIFORNIA WATER  
REPLENISHMENT FINANCING  
CORPORATION**

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

**U.S. BANK NATIONAL ASSOCIATION, as  
Trustee**

By: \_\_\_\_\_  
Authorized Signatory

**APPENDIX A**

**FORM OF CERTIFICATE OF PARTICIPATION**

NO. \_\_\_\_\_ \$ \_\_\_\_\_

**WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA  
2008 REVENUE CERTIFICATE OF PARTICIPATION**

Evidencing the Direct, Undivided Fractional Interest  
of the Owner hereof in Installment Payments

to be Made to the Southern California Water Replenishment Financing Corporation by the  
**WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA**

Rate of Interest

Maturity Date

Dated Date

CUSIP

REGISTERED OWNER: CEDE & CO.  
PRINCIPAL AMOUNT

DOLLARS

THIS IS TO CERTIFY that the Owner specified above of this Certificate of Participation (the "Certificate"), is the Owner of an undivided interest in the rights to receive certain installment payments (the "Installment Payments") and the interest thereon under and pursuant to that certain Installment Purchase Agreement, dated as of October 1, 2008, (the "Installment Purchase Agreement"), between the Water Replenishment District of Southern California, duly organized and validly existing under the laws of the State of California (the "District") and the Southern California Water Replenishment Financing Corporation, a nonprofit corporation duly organized and validly existing under the laws of the State of California (the "Corporation"), all of which rights to receive such Installment Payments and the interest thereon, together with certain other rights, have been assigned by the Corporation to U.S. Bank National Association, as trustee (the "Trustee"), a national banking association duly organized and validly existing under the laws of the United States and having a principal corporate trust office in Los Angeles, California, or in such other place as designated by the Trustee or any other bank or trust company which may at any time be substituted in its place as provided in the Trust Agreement hereinafter mentioned.

This Certificate is one of the duly authorized certificates of participation designated "Water Replenishment District of Southern California 2008 Revenue Certificates of Participation" aggregating \$ \_\_\_\_\_ in principal amount which have been executed by the Trustee under and pursuant to the terms of a Trust Agreement, dated as of October 1, 2008 (the "Trust Agreement"), by and among the Trustee, the Corporation and the District, and all capitalized terms used herein not otherwise defined shall have the definitions for such terms contained in the Trust Agreement or the Installment Purchase Agreement.

The District has executed and delivered the Master Agreement for District Obligations (the "Master Agreement"), dated as of November 1, 2004, between the District and the Corporation, pursuant to which the District has established and declared the conditions and

terms upon which obligations such as the Installment Purchase Agreement, and the Installment Payments and interest thereon, will be incurred and secured.

The Owner of this Certificate is entitled to receive, subject to the terms of the Installment Purchase Agreement and any right of prepayment prior thereto hereinafter provided for, on the date set forth on the front hereof (the "Maturity Date"), upon surrender of this Certificate on the Maturity Date or on the date of prepayment prior thereto at the principal corporate trust office of the Trustee in Los Angeles, California, or such other place as designated by the Trustee, the Principal Amount specified above representing the Owner's share of the Installment Payments becoming due and payable on the Maturity Date, and to receive on August 1 and February 1 of each year, commencing February 1, 2009 (each, an "Interest Payment Date") to and including the Maturity Date or the date of prepayment prior thereto, whichever is earlier, by check mailed via first class mail on the Interest Payment Date to the owner at the address shown on the registration books for the Certificates on the fifteenth day of the calendar month prior to an Interest Payment Date, or, upon the written request from any Owner of any Certificate in a denomination of, or Certificates aggregating, at least \$1,000,000, received on or prior to the fifteenth day of the month preceding the applicable Interest Payment Date, by wire in Federal Reserve funds, the Owner's share of the interest on the Installment Payments at the rate set forth on the front hereof. All such amounts are payable in lawful money of the United States of America.

Interest on the principal components shall be at a rate equal to the rate set forth on the front hereof.

Copies of the Trust Agreement, the Master Agreement and the Installment Purchase Agreement are on file at the principal corporate trust office of the Trustee in Los Angeles, California and reference is hereby made to the Trust Agreement, the Master Agreement and the Installment Purchase Agreement and to any and all amendments thereof and supplements thereto for a description of the agreements, conditions, covenants and terms securing the Certificates, for the nature, extent and manner of enforcement of such agreements, conditions, covenants and terms, for the rights and remedies of the Owners of the Certificates with respect thereto and for the other agreements, conditions, covenants and terms upon which the Certificates are executed and delivered thereunder.

The Installment Payments relating to the Certificates are a special obligation of the District, payable solely from (i) Net Revenues (as defined in the Master Agreement), and (ii) moneys on deposit in the funds and accounts established under the Trust Agreement, the Master Agreement and the Installment Purchase Agreement. The Installment Payments do not constitute a debt of the District or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction. The Installment Purchase Agreement constitutes a Senior Obligation under the Master Agreement, and, as such, shall be subject to the provisions of the Master Agreement, and shall be afforded all of the advantages, benefits, interests and security afforded Senior Obligations under the Master Agreement.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended or supplemented in writing by the parties thereto (in certain instances without the consent of the Owners of Certificates), but no such amendment or supplement shall (i) reduce the rate of interest evidenced hereby or extend the time of payment of such interest or reduce the amount of principal evidenced hereby or extend the Maturity Date hereof without the prior written consent of the Owner hereof, or (ii) reduce the percentage of Owners of Certificates whose consent is required for the execution of any amendment of or supplement to the Trust Agreement, or (iii) modify any rights or obligations of the Trustee without its prior written consent thereto.

The Certificates are authorized to be executed and delivered in the form of fully registered Certificates in denominations of five thousand dollars (\$5,000) or any integral multiple thereof.

This Certificate is transferable or exchangeable by the Owner hereof in person or by the Owner's attorney duly authorized in writing, at the principal corporate trust office of the Trustee in Los Angeles, California, or such other place as designated by the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Trust Agreement, and upon surrender of this Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer or exchange in a form approved by the Trustee. Upon such transfer or exchange, a new Certificate or certificates of authorized denominations of the same Maturity Date and interest rate representing the same aggregate principal amount hereof will be executed and delivered by the Trustee to the owner thereof in exchange therefor. The Trustee shall require the payment by the Owner requesting such transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange. The Trustee may treat the Owner hereof as the absolute owner hereof for all purposes, whether or not this Certificate shall be overdue, and the Trustee shall not be affected by any knowledge or notice to the contrary; and payment of the interest and principal and prepayment premium, if any, evidenced by this Certificate shall be made only to such Owner, which payments shall be valid and effectual to satisfy and discharge liability evidenced by this Certificate to the extent of the sum or sums so paid.

The Trustee shall not be obligated to make any such registration of transfer or exchange of Certificates during the fifteen (15) day period prior to the date on which notice of prepayment must be mailed pursuant to the Trust Agreement, or with respect to any Certificate which has been selected for prepayment pursuant to the Trust Agreement.

[PREPAYMENT PROVISIONS TO COME]

As provided in the Trust Agreement, notice of prepayment hereof shall be mailed, first class postage prepaid, not less than thirty (30) nor more than sixty (60) days prior to the prepayment date, to the Owner of this Certificate at such Owner's address as it appears in the registration books maintained by the Trustee, but failure to give any such notice or any defect therein shall not affect the validity of the proceedings for the prepayment of this Certificate. If this Certificate is called for prepayment and payment is duly provided therefor as specified in the

Trust Agreement, the interest evidenced hereby shall cease to accrue from and after the date fixed for prepayment.

The Trustee has no obligation or liability to the Owners of the Certificates for the payment of the interest or principal or prepayment premiums, if any, evidenced by the Certificates; but rather the Trustee's sole obligations are to administer, for the benefit of the District and the Corporation and the Owners of the Certificates, the various funds established under the Trust Agreement and Installment Purchase Agreement. The Trustee has executed this Certificate solely in its capacity as Trustee under the Trust Agreement and not in its individual or personal capacity. The Trustee is not liable for the obligations evidenced by the Certificates except from amounts held by it in its capacity as Trustee under the Trust Agreement. The Corporation has no obligation or liability whatsoever to the Owners of the Certificates.

### **STATEMENT OF INSURANCE**

[TO COME]

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

IN WITNESS WHEREOF, this Certificate has been executed by the manual signature of an authorized officer of the Trustee.

Dated:

**U.S. BANK NATIONAL ASSOCIATION**, as Trustee

By: \_\_\_\_\_  
Authorized Signatory

**ASSIGNMENT**

For value received, the undersigned does hereby sell, assign and transfer unto \_\_\_\_\_ the within Certificates and does) hereby irrevocably constitute and appoint \_\_\_\_\_ attorney to transfer such Certificate on the register of the Trustee, with full power of substitution in the premises.

Dated: \_\_\_\_\_

Signature: \_\_\_\_\_

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

Signature Guaranteed by: \_\_\_\_\_

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

## APPENDIX B

### FORM OF CERTIFICATE OF THE DISTRICT

U.S. Bank National Association  
633 W. Fifth Street, 24<sup>th</sup> Floor  
Los Angeles, CA 90071

RE: Disbursement from the Acquisition Fund pursuant to Section 3.10 of the Trust Agreement, dated as of October 1, 2008 (the "Agreement"), among U.S. BANK NATIONAL ASSOCIATION, as Trustee (the "Trustee"), the SOUTHERN CALIFORNIA WATER REPLENISHMENT FINANCING CORPORATION (the "Corporation") and the WATER REPLENISHMENT DISTRICT OF SOUTHERN CALIFORNIA (the "District")

NOTICE NO. \_\_\_\_\_

You are hereby instructed to pay to the parties listed on Exhibit A hereto the sum listed opposite such parties names as a payment of the cost of the Acquisition of the Project for the items listed on the Schedule attached hereto and the expenses incidental thereto (including reimbursement to the District for certain of such costs or expenses) from the Acquisition Fund as provided in Section 3.10 of the Trust Agreement. This cost has been properly incurred, is a proper charge under the Agreement against payment of the costs of the Acquisition of the Project and has not been the basis of any previous disbursements. The amount remaining in the Acquisition Fund, together with interest earnings thereon will, after payment of the amount set forth in this requisition, be sufficient to pay all remaining costs of the Acquisition of the Project as presently estimated.

I hereby certify that:

(i) the District is authorized to act as agent for the Corporation with respect to this Certificate and the undersigned is duly authorized by the District to deliver this Certificate;

(ii) an obligation in the stated amount has been properly incurred under and pursuant to the Installment Purchase Agreement and each such obligation is a proper charge against the Acquisition Fund and has not been subject of any previous Certificate of the District;

(iii) there has not been filed with or served upon the Corporation or the District a stop notice or any other notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable to the person named in this Certificate which has not been released or will not be released with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of laws;

(iv) in the case of each payment made under any contract for installation or construction, insofar as such obligation was incurred for work, materials, equipment or supplies, such work was actually performed on behalf of the District or such materials, equipment or supplies were actually installed in furtherance of the Project or delivered at the site for that purpose or delivered for storage or fabrication at a place or places approved by the District;

(v) in the case of increased costs of the Acquisition of the Project, the amount of such increase has been or is herewith being deposited with the Trustee, or otherwise made available by the District; and

(vi) no event of default has occurred and is continuing.

Very truly yours,

---

District Representative

**EXHIBIT A**

Name and address  
of Payee

Purpose

Amount