
TRUST AGREEMENT

**by and among the
COUNTY OF SAN LUIS OBISPO,**

the

SLO COUNTY FINANCING AUTHORITY

and the

**AUDITOR-CONTROLLER OF THE
COUNTY OF SAN LUIS OBISPO,
as Trustee**

Dated as of June 1, 2013

**relating to the
CSA 10A Water System Improvement Project**

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TRUST AGREEMENT

Water System Improvement Project

This Trust Agreement is entered into as of June 1, 2013, by and among the COUNTY OF SAN LUIS OBISPO (the “**County**”), a public body, corporate and politic, duly organized and existing under the laws of the State and acting on behalf of County Service Area No. 10 Zone of Benefit A (“**CSA 10A**”), the SLO COUNTY FINANCING AUTHORITY (the “**Authority**”), a California joint powers authority, and the AUDITOR-CONTROLLER OF THE COUNTY OF SAN LUIS OBISPO, as trustee (the “**Trustee**”);

NOW THEREFORE, in the joint and mutual exercise of their powers, in consideration of the mutual covenants herein contained, and for other valuable consideration, the parties hereto recite and agree as follows:

ARTICLE I

RECITALS

1.01. Installment Sale Agreement. The County, acting on behalf of CSA 10A, and the Authority have entered into an Installment Sale Agreement, whereby the Authority has agreed to implement an improvement project (the “**Project**”) to the existing water system of CSA 10A (the “**Existing System**”), and upon completion of the Project, to sell the Existing System, as improved by the Project (the “**Water System**”), to the County and the County, acting on behalf of CSA 10A, has agreed to purchase the Water System from the Authority and to make Installment Payments therefor.

1.02. Assignment Agreement. For the purpose of assisting in obtaining moneys required to be deposited with the Trustee, the Authority has assigned and transferred all of its rights and interests in the Installment Sale Agreement to the Trustee, pursuant to an Assignment Agreement, and in consideration of such assignment and the execution of this Trust Agreement, the Trustee has agreed to execute and deliver Certificates of Participation, each evidencing an interest in the Installment Payments, as set forth in the Certificates.

1.03. Purchase Agreement. The County and the Authority have entered into a Purchase Agreement, whereby the Authority has purchased the Existing System from the County.

1.04. Agency Appointment. The County and the Authority have entered into an agreement, as part of the Installment Sale Agreement, whereby the Authority has appointed the County as its agent to accomplish the acquisition and construction of the Project, and the County, acting on behalf of CSA 10A, has accepted such appointment.

1.05. Conditions Precedent Satisfied. All things, conditions and acts required by law to exist, happen and be performed precedent to and in connection with the execution and entering into of this Trust Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law and the parties hereto are now duly empowered to execute and enter into this Trust Agreement.

ARTICLE II

DEFINITIONS AND RULES OF CONSTRUCTION

2.01. Definitions. The terms defined herein shall have the meanings, for the purpose of this Trust Agreement, ascribed to them below unless the context clearly requires some other meaning. The term “**this Agreement**” as used herein means this Trust Agreement unless the context clearly requires some other meaning.

“Acquisition and Construction Account” means the account by that name established under Section 5.03 hereof, from which account the amounts will be disbursed to pay the authorized costs and expenses of acquiring and constructing the Project, and otherwise paying the Acquisition and Construction Costs and Delivery Costs.

“Acquisition and Construction Costs” means all costs of or reimbursement for acquisition and construction of the Project, including but not limited to, engineering costs and costs of feasibility, environmental and other reports, inspection costs, permit fees, filing and recording costs, and sales and use taxes.

“Annual Reserve Contribution” means an amount equal to one-tenth of the Reserve Requirement.

“Annual Operating” and “Capital Reserve Contribution” means an amount equal to the Annual Reserve Contribution.

“Assignment Agreement” means the Assignment Agreement, dated as of June 1, 2013, by and between the Authority and the Trustee, as executed or hereafter amended.

“Auditor-Controller” means the person who is the duly appointed and acting Auditor-Controller of the County.

“Authority” means the SLO County Financing Authority, a joint exercise of powers authority duly organized and existing by virtue of the laws of the State.

“Authorized Officer,” when used with respect to the Authority means the Chairperson or the Auditor of the Authority. “Authorized Officer,” when used with respect to the County, means the County Administrator or assistants or any other officer or employee of the County who is designated by the County Board of Supervisors as an Authorized Officer for purposes of the Installment Sale Agreement and/or this Agreement.

“Average Annual Debt Service” means the sum of (1) all of the principal installments for Outstanding Certificates falling due by their terms and (2) all of the interest accruing on all Outstanding Certificates until paid by their terms or prepaid, divided by the total number of Fiscal Years from the date of issuance of the Certificates to and including the final maturity of the Certificates.

“Board of Supervisors” means the legislative body of the County.

“Business Day” means any day on which banks in Los Angeles, California, are open for business, except Saturday and Sunday.

“Certificate Register” means the books for registration of the Certificates maintained by the Trustee pursuant to Section 3.09 of this Trust Agreement.

“Certificates” means the Certificates of Participation prepared and delivered by the Trustee, pursuant to Section 3.01 hereof, to the original purchaser thereof and to any subsequent Owner thereof, pursuant to Sections 3.07 and 3.08 of this Trust Agreement.

“Code” means the Internal Revenue Code of 1986 and the regulations issued thereunder.

“County” means the County of San Luis Obispo, a public body, corporate and politic, duly organized and existing under the laws of the State.

“County Administrator” means the person who is the duly appointed and acting County Administrator of the County.

“CSA 10A” means the zone of benefit A within county service area bearing the number ten (10), organized by the County, and functioning in accordance with the County Service Area Law (Sections 25210 and following, California Government Code).

“Delivery Costs” means all costs of payment of or reimbursement for execution, sale and delivery of the Installment Sale Agreement and the Certificates, including, but not limited to, costs paid or incurred by the County, the Authority or the Trustee for filing costs, printing costs, reproduction and binding costs, initial fees and charges of the Trustee and its counsel, financing discounts, legal fees and charges and reimbursements, financial and other professional ratings, fees for execution, registration, transportation and safekeeping of Certificates, municipal Certificate insurance premiums, initial premiums for insurance required by Section 4.09 of the Installment Sale Agreement, and other charges and fees in connection with the foregoing.

“Event of Default” means an event of default under the Installment Sale Agreement as set forth in Section 5.01 of the Installment Sale Agreement.

“Existing System” means the existing real property and water system capital facilities which comprise the operating water system of CSA 10A as of the date of this Agreement.

“Federal Securities” means United States Treasury notes, bonds, bills or certificates of indebtedness or obligations for which the full faith and credit of the United States are pledged for the payment of principal and interest.

“Fiscal Year” means the period beginning on July 1 in any calendar year and ending on June 30 of the following calendar year.

“Installment Payment Account” means the account by that name established under, and held by the Trustee pursuant to, Section 5.02 of this Trust Agreement.

“Installment Payment Dates” means June 1 and December 1 of each year commencing with June 1, 2014.

“Installment Payments” means payments payable by County for the purchase of the Project pursuant to the Installment Sale Agreement.

“Installment Sale Agreement” means the Installment Sale Agreement Relating to the Water System Improvement Project, dated as of June 1, 2013, by and between the Authority and the County, as executed or hereafter amended.

“Net Proceeds” shall have the meaning set forth in the Installment Sale Agreement.

“Operating and Capital Replacement Reserve Fund” means the fund by that name established under, and held by the Trustee pursuant to, Section 5.05 of this Trust Agreement.

“Outstanding” when used with reference to the Certificates and as of any particular date means all Certificates theretofore delivered except: (a) any Certificate cancelled by the Trustee at or before said date; (b) any Certificate in lieu of or in substitution for which another Certificate shall have been delivered pursuant to this Trust Agreement; and (c) Certificates which have been defeased under Section 9.02 of this Trust Agreement.

“Owner” or “Certificate Owner” or “Owner of Certificates” or any similar term, when used in either the singular or the plural with respect to the Certificates, means any person who shall be the registered owner of any Outstanding Certificate as shown on the Certificate Register.

“Payment Dates” means June 1 and December 1 of each year commencing with June 1, 2014.

“Permitted Investments” means:

(i) Federal Securities and any investment fund, including money market funds or other investment policy arrangement which purchases and holds exclusively Federal Securities;

(ii) Obligations issued by federal land banks or federal home loan banks; or obligations, participations, or other instruments issued by, or fully guaranteed as to principal and interest by, the Federal National Mortgage Association; or obligations, participations, or other instruments issued by a federal agency or a United States government-sponsored enterprise;

(iii) Investments in repurchase agreements under the terms of which the underlying collateral is transferred to the possession of the Trustee of any securities authorized by paragraphs (i) and (ii) above which have a fair market value (valued at cost) at least equal to 103% of the amount invested in the repurchase agreement and are free of third party claims;

(iv) Nonnegotiable certificates of deposit issued by a nationally chartered bank, a bank chartered by the State of California or a foreign banking corporation, authorized pursuant to Section 1756 of the California Financial Code to transact business in the State of California by accepting deposits, or a State of California or federal savings and loan association, provided that

such certificates of deposit are fully collateralized in the manner required for collateralization of trust funds; and

(v) Any investment agreement, guarantee or other investment vehicle or security issued by, secured by or otherwise representing the general obligations of a financial institution whose long-term unsecured, uninsured and unguaranteed obligation or claims-paying ability is rated AA or better by any Rating Agency at the time of its issuance, provided that: (a) the agreement is not subordinated to any other obligations of such financial institution; and (b) if the financial institution fails to maintain a rating of AA or better (without regard to gradations), the County shall have the right to demand collateral in the form of securities authorized by paragraphs (i) and (ii) above pledged to secure the investment agreement. Such collateral shall be pledged through the Trustee and shall have a fair market value (valued at cost) of at least 103% of the value of funds remaining in the investment agreement. Further, the County shall have the right to withdraw all funds without penalty should the financial institution fail to provide collateral as required under this paragraph;

(vi) Investments otherwise defined in Section 53601 of the California Government Code, as amended from time to time; provided that the Trustee shall not be obligated to invest in any form of investment pursuant to this subparagraph (vi) except upon receipt of a certificate of an Authorized Officer of the County that any directed investment to be made pursuant to this subparagraph (vi) meets this definition as set forth in this subparagraph (vi).

“Prepayment Account” means the fund by that name established under, and held by the Trustee pursuant to Section 4.02 of the Trust Agreement.

“Principal Payment Date” means June 1 of each year, commencing with June 1, 2014, and ending on June 1, 2053.

“Principal Trust Office” means the office of the Trustee which is located in San Luis Obispo, California, which at the time of execution of this Trust Agreement is 1055 Monterey Street, San Luis Obispo, California 93408.

“Project” or “Water System Improvement Project” mean the additions, betterments and improvements to the Existing System of CSA 10A, as more fully described in Exhibit A to the Installment Sale Agreement, including any substitutions therefor or additions thereto made in accordance with the provisions of the Installment Sale Agreement.

“Purchase Agreement” means the Purchase Agreement, dated as of June 1, 2013, by and between the County and the Authority whereby the Authority purchases the Site from the County.

“Record Date” means the close of business on the fifteenth day of the month preceding any Payment Date, whether or not such fifteenth day is a Business Day.

“Reserve Fund” means the fund by that name established under, and held by the Trustee pursuant to, Section 5.04 of this Trust Agreement.

“Reserve Requirement” means, as of any date of calculation after June 1, 2023, an amount equal to the Average Annual Debt Service, as accumulated pursuant to Section 5.04 hereof.

“Special Counsel” means an attorney or a firm of attorneys, acceptable to the County, of nationally recognized standing in matters pertaining to the tax-exempt nature of interest on Certificates of Participation issued by states and their political subdivisions, duly admitted to the practice of law before the highest court of any state of the United States of America.

“State” means the State of California.

“Trust Agreement” means this Trust Agreement, dated as of June 1, 2013, by and among the Trustee, the County and the Authority, as executed or hereafter amended.

“Trustee” means the Auditor-Controller, together with any co-trustee, if any, appointed and acting pursuant to this Trust Agreement, or any successor in interest acting as Trustee under this Trust Agreement.

“Water System Improvement Project Trust Fund” means the fund established pursuant to Section 5.02 of this Trust Agreement.

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

ARTICLE III

THE CERTIFICATES

3.01. Preparation and Delivery of Certificates. The Trustee is hereby authorized to prepare an initial series of certificates designated “County of San Luis Obispo Certificates of Participation (Water System Improvement Project)” in an aggregate principal amount of not-to-exceed One Million Six Hundred Twenty-One Thousand Dollars (\$1,621,000). The Trustee is hereby directed, upon written request from the County and from the Authority, to execute and deliver to the original purchaser thereof said Certificates in said aggregate principal amount, evidencing direct, undivided fractional ownership interests in the Installment Payments to be paid by the County under the Installment Sale Agreement, as set forth in such Certificates. The County and the Authority hereby certify, recite and declare that all things, conditions and acts required by the constitution and statutes of the State and the Installment Sale Agreement and this Trust Agreement to exist, to have happened and to have been performed precedent to and in the delivery of the Certificates, exist, have happened and have been performed in due time, form and manner as required by law.

3.02. Form; Denomination; Medium of Payment. The Certificates shall be delivered in the form of fully registered Certificates in the denomination of \$1,000 each or any whole multiple thereof (which form shall be substantially in the form set forth in Exhibit A hereto

attached and by this reference herein incorporated). The Certificates may be numbered by such method as shall be determined by the Trustee. The Certificates may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Trust Agreement as may be necessary or desirable to comply with custom, or otherwise, as may be determined by the County prior to the delivery thereof.

The Certificates shall be payable in lawful money of the United States of America, which at the time of payment is legal tender for the payment of public and private debts.

In the event the Certificates are purchased by the USDA Rural Development, acting on behalf of the United States of America, the Trustee is authorized to issue the Certificates as a single, fully-registered Certificate in the face amount of not-to-exceed \$1,621,000. Thereafter, and upon not less than thirty (30) days written notice to the County, the single, fully-registered Certificate may be exchanged at the expense of the County for serial Certificates in denominations of \$1,000 each, or any whole multiple thereof, and with principal maturities reflecting the schedule set forth on the face of said single, fully-registered Certificate under the column heading "Principal Amount Payable," as amended from time to time in accordance with the Installment Sale Agreement and this Trust Agreement.

3.03. Date of Certificates. The Certificates shall be dated as of the date of authentication thereof (except that the Certificates delivered to the original purchaser shall be dated as of the date of delivery), and interest with respect thereto shall be payable from the Payment Date next preceding the date of authentication thereof, unless: (i) it is authenticated as of a Payment Date, in which event interest represented thereby shall be payable from such Payment Date; or (ii) it is authenticated after the Record Date preceding a Payment Date and before such Payment Date, in which event interest represented thereby shall be payable from such Payment Date; or (iii) it is authenticated on or before May 15, 2014, in which event interest represented thereby shall be payable from the date of delivery; provided, however, that if, as of the date of any Certificate, interest is in default with respect to any Outstanding Certificates, interest with respect to such Certificate shall be payable from the Payment Date to which interest has previously been paid or made available for payment with respect to the Outstanding Certificates.

3.04. Payment of Principal and Interest with Respect to Certificates.

The Certificates shall be in serial form, and the principal thereof shall be payable from the principal component of Installment Payments on June 1 in each of the years and in the amounts set forth in the Installment Payment Schedule as Exhibit B of the Installment Sale Agreement.

Interest with respect to the Certificates shall be payable on June 1, 2014, and semiannually thereafter on June 1 and December 1 of each year to and including the date of principal payment or prepayment, whichever is earlier. Said interest shall be computed on the basis of a 365-day year and shall be computed at the rate of two and 75 one hundredths percent (2.75%) per annum.

Notwithstanding the foregoing, with respect to both the principal and interest components of Installment Payments, the amounts thereof shall be subject to modification in the event that the eventual aggregate amount of installments paid to the Trustee on account of the purchase price of the Certificates is less than \$1,621,000, with the modifications to reflect approximately equal annual amount of the Installment Payments; and provided further that, with respect to the interest components of Installment Payments for the period during which installments on account of the purchase price of the Certificates are being paid, the interest components for each semi-annual period during which such installments are being paid shall be reduced as appropriate to reflect the fact that interest accrues on each such component of the purchase price only from the date of receipt of such component by the Trustee from USDA Rural Development, acting on behalf of the United States of America.

3.05. Place of Payment. The principal and premium, if any, with respect to all Certificates shall be payable at the Principal Trust Office of the Trustee. Interest with respect to the Certificates shall be payable by check mailed first class to the Owners thereof on the Payment Date; provided, however, that the Owners of the Certificates shown on the Certificate Register on the Record Date preceding the Payment Date shall be deemed to be the Owners of the Certificates on said Payment Date for the purpose of the paying of interest; and provided further that for the period during which the United States of America is the registered Owner of the Certificates, payment shall be made in the manner specified in writing by the USDA Rural Development, an agency of the United States Department of Agriculture.

3.06. Execution. The Certificates shall be executed in the name of the Trustee, as trustee under this Trust Agreement, by the manual signature of the Trustee.

3.07. Transfer and Exchange of Certificates.

(a) The registration of each Certificate shall be transferable only upon the Certificate Register, which shall be kept for that purpose at the Principal Trust Office of the Trustee, 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 registration of the transfer, and the surrender, of any such Certificate, the Trustee shall prepare, in the name of the transferee, a new Certificate or Certificates, of the same aggregate principal amount, Principal Payment Date and interest rate as the surrendered Certificate.

(b) Certificates may be exchanged at the Principal Trust Office of the Trustee for a like aggregate principal amount of Certificates of other authorized denominations payable as to principal on the same Principal Payment Date and at the same interest rate as the principal of the exchanged Certificates. Upon the written request for exchange, and the surrender, of any Certificates, the Trustee shall prepare in the name of the Owner requesting exchange a new Certificate or Certificates of the same aggregate principal amount, Principal Payment Date, and interest rate as the Certificates being exchanged.

3.08. Regulation with Respect to Exchange and Transfers. In all cases of registration of transfer or exchange of Certificates, the Trustee shall execute and deliver Certificates in accordance with the provisions of this Article. All Certificates surrendered in any transfer or exchange shall forthwith be cancelled and delivered upon the written order of the County by the

Trustee. Notwithstanding any other provision of this Trust Agreement, the cost of preparing each new Certificate upon the registration of transfer or exchange following delivery pursuant to Section 3.01 hereof, and any other expenses of the County or the Trustee incurred in connection therewith (except any applicable tax, fee or other governmental charge other than one imposed by the County) shall be paid by the County.

3.09. Certificate Register.

(a) The Trustee shall keep or cause to be kept at its Principal Trust Office a Certificate Register, which shall upon reasonable notice and at reasonable times during normal business hours on any Business Day be open to inspection by the County and Owners of Certificates, and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register the transfer on the Certificate Register of Certificates as hereinbefore provided.

(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 and interest payments with respect to 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 County nor the Trustee shall be affected by any notice to the contrary. The County agrees to indemnify the Trustee or cause the Trustee to be indemnified against any and all loss, cost, charge, expense, judgment or liability incurred by it, while acting in good faith and without negligence hereunder.

3.10. Temporary Certificates. Pending preparation of the definitive Certificates, any Certificates delivered under this 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 County, shall be without coupons and may contain such reference to any of the provisions of this Trust Agreement 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 Trust Office of the Trustee, and the Trustee shall deliver in exchange for such temporary Certificates an equal aggregate principal amount of definitive Certificates of authorized denominations and of the same Principal Payment Date and interest rate or rates. Until so exchanged, the temporary Certificates shall be entitled to the same benefits under this Trust Agreement as definitive Certificates delivered pursuant hereto.

3.11. Certificates Mutilated, Lost, Destroyed 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, Principal Payment Date, and interest rate, 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 cancelled by it and delivered upon the order of the County.

If any Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and, if such evidence is satisfactory to the Trustee and if an indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Certificate Owner, shall execute and deliver a new Certificate of like tenor, Principal Payment Date, and interest rate, 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 an appropriate fee for each new Certificate delivered under this Section and of the expenses which may be incurred by the Trustee in carrying out the duties under this Section 3.11. Any Certificate delivered under the provisions of this Section in lieu of any Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other Certificates delivered under this Trust Agreement. The Trustee shall not be required to treat both the original Certificate and any duplicate Certificate as being Outstanding for the purpose of determining the principal amount of Certificates which may be delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and duplicate Certificate shall be treated as one and the same.

Notwithstanding any other provision of this Section 3.11, in lieu of delivering a new Certificate for which principal has or is about to become due for a Certificate which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Certificate in accordance with its terms.

3.12. Evidence of Signatures of Certificate Owners and Ownership of Certificates. Any request, consent, revocation of consent, or other instrument in writing required or permitted by this Trust Agreement to be signed or executed by Certificate Owners may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such 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 ownership of Certificates shall be sufficient for any purpose of this Trust Agreement (except as otherwise herein provided), if made in the following manner:

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

(b) The fact of the ownership of Certificates by any Certificate Owner and the amount, the Principal Payment Date, and interest rate and the numbers of such Certificates and

the date of his ownership of the same shall be proved by the Certificate Register held by the Trustee under the provisions of this Trust Agreement.

Nothing contained in this Section 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 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 County or the Trustee in pursuance of such request or consent.

ARTICLE IV

PREPAYMENT

4.01. Prepayment.

(a) The Certificates are subject to mandatory prepayment without premium, in whole or in part, on any Payment Date in inverse order of Principal Payment Date and by lot as to any Payment Date, from (i) the Net Proceeds in an amount of \$1,000 or more deposited with the Trustee pursuant to the provisions of Section 3.03 of the Installment Sale Agreement, (ii) amounts transferred by the Trustee from the Acquisition and Construction Account to the Installment Payment Account pursuant to Section 5.03(b) of this Trust Agreement, and (iii) amounts received by the Trustee upon an Event of Default and termination of the Installment Sale Agreement.

(b) In addition to prepayment pursuant to subsection (a) hereof, the Certificates are subject to prepayment, in whole or in part (but not in a total prepayment amount of less than \$1,000), on any Payment Date in inverse order of Principal Payment Date and by lot as to any Principal Payment Date on any Payment Date at the principal amount thereof, together with accrued interest to the date fixed for prepayment from the proceeds of optional prepayments of Installment Payments made by the County pursuant to Section 3.03 of the Installment Sale Agreement and deposited in the Installment Payment Account by the Trustee pursuant to Section 5.01 hereof.

(c) Prepayment by lot shall be in such manner as the Trustee shall determine; provided, however, that the portion of any Certificate to be prepaid shall be in the principal amount of \$1,000 or any multiple thereof, and that in selecting portions of Certificates for prepayment, the Trustee shall treat each such Certificate as representing that number of Certificates which is obtained by dividing the principal amount with respect to such Certificate by \$1,000.

(d) The prepayment amount shall be the principal amount of the Certificates to be prepaid plus the interest with respect thereto to the date of prepayment without premium.

(e) Upon prepayment pursuant to this Section, the County shall provide the Trustee with a revised schedule of Installment Payments, which schedule shall take into account such prepayment and shall be and become for all purposes thereafter “Amended Exhibit B to the Installment Sale Agreement.”

4.02. Prepayment Account. Moneys to be used for prepayment of Certificates shall be transferred by the Trustee from the Installment Payment Account and deposited in a Prepayment Account, which shall be a special fund to be held in trust by the Trustee separate and apart from all other funds. Said moneys shall be set aside in the Prepayment Account solely for the purpose of prepaying the Certificates in advance of their Principal Payment Date, and shall be applied on or after the Payment Date designated for prepayment to the payment of principal of and interest (from the last Payment Date) on the Certificates to be prepaid upon presentation and surrender of such Certificates, together with any applicable premium.

4.03. Notice of Prepayment. When prepayment is authorized or required pursuant to the provisions hereof, the Trustee shall give to the Certificate Owners notice at the expense of the County of the prepayment of the Certificates. Such notice shall specify: (a) that the whole or a designated portion of the Certificates is to be prepaid (b) the date of prepayment, (c) the place or places where the prepayment will be made, (d) the prepayment price, (e) the numbers of the Certificates to be prepaid (if in part) and (f) the interest component and stated Principal Payment Date of each Certificate to be prepaid in whole or in part. Such notice shall further state that on the specified date of prepayment there shall become due and payable with respect to each Certificate or portion thereof to be prepaid, the principal with respect thereto and premium, if any, together with interest accrued from the next preceding Payment Date to which interest has been paid and that from and after such date of prepayment interest with respect thereto shall cease to accrue.

Notice of prepayment shall be given by mail, postage prepaid, not less than thirty (30) days prior but not more than sixty (60) days to the date of prepayment, to the Owners of any Certificates, which Certificates are to be redeemed. Such mailing shall not be a condition precedent to such prepayment, and failure to mail any such notice, or any defect in such notice as mailed, shall not affect the validity of the proceedings for the prepayment of the Certificates.

4.04. Payment on Prepayment of Certificates. Notice having been given as aforesaid, and the moneys for the prepayment, including interest accrued from the next preceding Payment Date to the applicable date of prepayment, having been set aside in the Prepayment Account, the Certificates to be prepaid shall become due and payable on said date of prepayment, and, upon presentation and surrender thereof at the Principal Trust Office of the Trustee, said Certificates shall be paid at the unpaid principal amount with respect thereto, plus any such unpaid and accrued interest to said date of prepayment, said interest to be paid in accordance with Section 4.01.

If, on said date of prepayment, moneys for the prepayment of all the Certificates to be prepaid, together with interest to said date of prepayment, shall be held by the Trustee so as to be available therefor on such Payment Date, and, if notice of prepayment thereof shall have been given as aforesaid, then from and after said Payment Date, interest with respect to the Certificates to be redeemed shall cease to accrue. If said moneys shall not be so available on said Payment Date, interest with respect to such Certificates shall continue to accrue, until paid, at the same rates as it would have been payable had the Certificates not been called for prepayment. All moneys held by or on behalf of the Trustee for the prepayment of particular Certificates shall be held in trust for the account of the Owners of the Certificates to be prepaid.

4.05. Partial Prepayment of Certificate. Upon surrender of any Certificate prepaid in part only, the Trustee shall execute and deliver to the Owner thereof, at the expense of the County, a new Certificate or Certificates of authorized denomination equal in aggregate principal amount to the unpaid portion of the Certificate surrendered and of the same interest rate and the same Principal Payment Date. Such partial prepayment shall be valid upon payment of the amount thereby required to be paid to such Owner, and the County, the Authority and the Trustee shall be released and discharged from all liability to the extent of such payment.

4.06. Non-Presentment of Certificates. In the event any Certificate shall not be presented for payment when the principal with respect thereto becomes due, either at maturity or at the date fixed for prepayment thereof, if moneys sufficient to pay such Certificate shall have been deposited in the Installment Payment Account or the Prepayment Account, all liability of the County to the Owner thereof for the payment of such Certificate shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Trustee to hold such moneys in a separate account, without liability for interest thereon to any person or entity, for the benefit of the Owner of such Certificate, who shall thereafter be restricted exclusively to such moneys for any claim of whatever nature on his or her part under this Trust Agreement or on, or with respect to, said Certificate. Subject to applicable escheat laws, two (2) years after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or two (2) years after the date of deposit of such money, if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Certificates have become payable, such moneys shall be paid by the Trustee to the County free from the trusts created by this Trust Agreement, and thereafter Owners shall be entitled to look only to the County for payment and then only to the extent of the amount so repaid by the Trustee. The County shall not be liable for any interest on the sums paid to it pursuant to this Section 4.06 and shall not be regarded as a trustee of such money.

ARTICLE V

APPLICATION OF PROCEEDS; ESTABLISHMENT AND APPLICATION OF FUNDS AND ACCOUNTS

5.01. Application of Proceeds of Certificates. The proceeds received from the sale of the Certificates shall be deposited in trust with the Trustee, who shall forthwith set aside and deposit such proceeds in the Acquisition and Construction Account.

5.02. Project Trust Fund; Establishment and Application of Installment Payment Account. There is hereby established with the Trustee a special trust fund to be designated the "Water System Improvement Project Trust Fund." The Trustee shall keep said Water System Improvement Project Trust Fund separate and apart from all other funds and moneys held by it.

Within the Water System Improvement Project Trust Fund, there is hereby established a separate account to be designated the "Installment Payment Account." The Trustee shall maintain such account until the Installment Payments are paid in full pursuant to the terms of the Installment Sale Agreement. Installment Payments paid to the Trustee as assignee of Authority, pursuant to the Installment Sale Agreement and the Assignment Agreement, respectively, shall be deposited by the Trustee in the Installment Payment Account.

(a) The Trustee shall withdraw from the Installment Payment Account, on each Payment Date, an amount equal to the Installment Payment due on or before such Payment Date, and shall cause the same to be applied to the payment of principal and interest payments due with respect to the Certificates on such Payment Date.

(b) The Trustee shall withdraw from the Installment Payment Account on or before each Payment Date on which Certificates are to be prepaid, amounts required to be deposited in the Prepayment Account pursuant to Section 4.02 hereof.

5.03. Establishment and Application of Acquisition and Construction Account.

There is hereby established a special account to be designated the “Acquisition and Construction Account.” The Trustee shall keep the Acquisition and Construction Account separate and apart from all other funds and accounts held by it and shall administer the Acquisition and Construction Account as provided in this Section 5.03.

(a) Amounts in the Acquisition and Construction Account shall be disbursed by the Trustee, upon direction from the County, solely for Delivery Costs and for Acquisition and Construction Costs.

(b) Upon receipt of a certificate executed by an Authorized Officer of the County stating that the entire sum of the Delivery Costs and Acquisition and Construction Costs have been paid or June 1, 2015, whichever occurs earlier, the Acquisition and Construction Account shall be closed and excess amounts, if any, then remaining in the Acquisition and Construction Account shall be paid transferred and deposited into the Reserve Fund.

5.04. Establishment and Application of Reserve Fund. There is hereby established with the Trustee a special trust fund to be designated the “Reserve Fund.” The Trustee shall keep said Reserve Fund separate and apart from all other funds and monies held by it. All amounts in the Reserve Fund shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or principal of or prepayment premiums, if any, on the Certificates or for the retirement of all the Certificates then Outstanding.

(a) Not later than June 1, 2023, the amount on deposit in the Reserve Fund shall equal the Reserve Requirement. Not less than one-tenth of the Reserve Requirement (the “Annual Reserve Contribution”) shall be deposited in the Reserve Fund each Fiscal Year, commencing Fiscal Year 2013-2014, until the Reserve Requirement is satisfied. The Annual Reserve Contribution and any amount necessary to restore the Reserve Fund to an amount equal to the Reserve Fund Requirement after June 1, 2023, shall be paid by the County as a part of its Installment Payment in accordance with Section 3.02 of the Installment Sale Agreement.

(b) So long as the County is not in default hereunder, any cash amounts in the Reserve Fund in excess of the Reserve Requirement, as required by subsection (a) of this Section 5.04, to be on deposit therein shall be withdrawn from the Reserve Fund on each June 1, beginning June 1, 2024 and deposited in the Installment Payment Account.

5.05. Establishment and Application of Operating and Capital Replacement Reserve Fund. There is hereby established with the Trustee a special trust fund to be designated the

“Operating and Capital Replacement Reserve Fund.” Annually, commencing on May 25, 2014, and continuing to and including May 25, 2052, an amount to be established in accordance with Section 3.02(c) of the Installment Sale Agreement shall be deposited in the Operating and Capital Replacement Reserve Fund. All amounts deposited in the Operating and Capital Replacement Reserve Fund may be expended for Maintenance and Operation Costs, as said term is defined in the Installment Sale Agreement, and for the costs of repair and replacement of any capital facilities of the Water System, including short-lived assets.

5.06. No Unauthorized Transfers. No amount shall be withdrawn or transferred from or paid out of any fund or account except as expressly provided in this Trust Agreement.

5.07. Deposit and Investment of Moneys in Accounts. Subject to Section 6.06 hereof, all money held by the Trustee in any of the accounts or funds established pursuant hereto shall be invested and reinvested in Permitted Investments at the written request of the County received not less than two (2) Business Days prior to the date of making such investment. In the absence of any such request, the Trustee shall invest all such funds and accounts for which such instruction have not been received in money market funds as described in clause (i) of the definition of Permitted Investments. All money held in the Reserve Fund shall be invested and reinvested in Permitted Investments with a term to maturity not exceeding five years, and all such Permitted Investments shall be valued by the Trustee not less frequently than semi-annually on each June 1 and December 1, beginning June 1, 2014, at the lower of the cost or market value thereof. All interest or profits received on any money so invested shall be deposited in the Installment Payment Account and applied as provided in Section 5.02 hereof. The Trustee may act as a principal or agent in making or disposing of any investment.

5.08. Credit Against Installment Payments. On or prior to June 1 and December 1 of each year, the Trustee shall report to the County the amount of the credit against Installment Payments available to the County under the Installment Sale Agreement. Such credit shall be an amount equal to the sum of (i) from and after the date of transfer of amounts in the Acquisition and Construction Account to the Installment Payment Account pursuant to Section 5.02(b), the amount of interest and other income earned on the funds and accounts established hereunder since the date of the previous report made by the Trustee pursuant to this Section 5.08, plus (ii) the amount, if any, then on deposit in the Installment Payment Account (other than amounts to be applied as prepayments of principal as described in Section 5.02(b) hereof).

5.09. Security Provisions.

(a) The Authority has, pursuant to the Assignment Agreement, assigned to the Trustee certain of its rights under the Purchase Agreement and the Installment Sale Agreement, including but not limited to all of the Authority’s rights to receive and collect all of the Installment Payments (including prepayments thereof) and all other amounts required to be deposited in the Installment Payment Account pursuant hereto or to the Installment Sale Agreement. All Installment Payments and such other amounts to which the Authority may at any time be entitled shall be paid directly to the Trustee, and all of the Installment Payments and other amounts collected or received by the Authority shall be deemed to be held and to have been collected and received by the Authority as the agent of the Trustee, and if received by the Authority at any time shall be deposited by the Authority with the Trustee within one (1)

Business Day after the receipt thereof, and all such Installment Payments and such other amounts shall be forthwith deposited by the Trustee upon the receipt thereof in the Installment Payment Account.

(b) The Authority and the County, as their interests may appear, hereby grant to the Trustee for the benefit of the Owners a lien upon and a security interest in all moneys in the respective funds and accounts held by the Trustee under this Trust Agreement, including without limitation the Installment Payment Account, the Acquisition and Construction Account and the Reserve Fund, and all such moneys shall be held by the Trustee in trust and shall be applied to the respective purposes specified herein and in the Installment Sale Agreement.

(c) The Installment Payments are hereby irrevocably pledged to and shall be used for the punctual payment of the interest and principal represented by the Certificates, and Installment Payments shall not be used for any other purpose while any of the Certificates remain Outstanding, subject to the lien of the Trustee pursuant to Section 8.02 hereof. This pledge shall constitute a first and exclusive lien upon the Installment Payments in accordance with the terms hereof.

(d) In consideration of the acceptance of the Certificates by the Owners, the Trust Agreement shall be deemed to be and shall constitute a contract between the Trustee and the Owners to secure the full and final payment of the interest and principal 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 VI

COVENANTS

6.01. County to Perform Installment Sale Agreement. (a) The County covenants and agrees with the Owners of the Certificates, to perform all obligations and duties imposed on it under the Installment Sale Agreement to the extent so imposed; and (b) in accordance with Section 4.06 of the Installment Sale Agreement and subject to the exception provided therein, the County will provide the Trustee with a copy of its annual budget not later than October 1 of each year, commencing October 1, 2013. If the County fails to include all such Installment Payments in such adopted budget, the Trustee shall promptly provide the County written notice specifying that the County has failed to observe and perform its covenant in said Section 4.06 of the Installment Sale Agreement and requesting that such failure be remedied within thirty (30) days, or such failure constitutes an Event of Default under Section 5.01 of the Installment Sale Agreement. Upon receipt of such notice, the County shall forthwith notify the Trustee of the proceedings proposed to be taken by the County and shall keep the Trustee advised of all such proceedings thereafter taken by the County to cure such Event of Default. Notwithstanding the foregoing provisions of this Section 6.01, for the period during which the Auditor-Controller is

acting as Trustee, the requirement of the County to provide the Trustee with the County's annual budget shall not apply.

6.02. Observance of Laws and Regulations. The Authority and the County will faithfully observe and perform all lawful and valid obligations or regulations now or hereafter imposed on them by contract, or prescribed by any state or national law, 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 be abandoned, forfeited or in any manner impaired.

6.03. Accounting Records and Statements. The Trustee shall keep proper books of record and account in accordance with trust accounting standards in which complete and correct entries shall be made of all transactions relating to the receipt, investment, disbursement, allocation and application of the Installment Payments and the proceeds of the Certificates or the obligations which they represent. Such records shall specify, among other things, the account or fund to which each investment (or portion thereof) is to be allocated and shall set forth, in the case of each investment; (a) its purchase price, (b) identifying information, including par amount, coupon rate, and payment dates, (c) the amount received at maturity or its sale price, as the case may be, (d) the amounts and dates of any payments made with respect thereto, and (e) such documentation as is required to be obtained by the Trustee as evidence to establish that all investments have been purchased in arms'-length transactions with no amounts paid to reduce the yield on the investments.

Such records of the Trustee shall be open to inspection by any Owner at any reasonable time during regular business hours of the Trustee on reasonable notice.

6.04. Recordation and Filing. The County will file, record, register, renew, refile and rerecord all such documents, including financing statements (or continuation statements in connection therewith), as may be required by law in order to maintain at all times a security interest in the Installment Payments granted pursuant to, and the assignment of the Installment Sale Agreement made pursuant to, the Assignment Agreement and the Trust Agreement, all in such manner, at such times and in such places as may be required in order to fully perfect, preserve and protect the benefit, protection and security of the Owners and the rights and security interests of the Authority. The County will do whatever else may be necessary or be reasonably required in order to perfect and continue the pledge of and lien on the Installment Payments and the assignment of the Installment Sale Agreement.

6.05. Further Assurances. Whenever and so often as requested to do so by the Trustee, the County and the Authority 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 the benefit, protection and security conferred, or intended to be conferred, upon them hereby.

6.06. Certain Tax Covenants. The County shall not directly or indirectly use or permit the use of any proceeds of the Certificates or other funds of the County or take or omit to take any action that would cause the obligations that the Certificates evidence and represent to be “arbitrage bonds” within the meaning of Section 148 of the Code (“**Section 148**”). To that end, the County shall comply with all requirements of Section 148 to the extent applicable to such obligations. In the event that at any time the County is of the opinion that for purposes of this Section 6.06 it is necessary to restrict or to limit the yield on the investment of any moneys held by the Trustee under this Trust Agreement, the County shall so instruct the Trustee in writing, and the Trustee shall take such action as may be necessary in accordance with such instructions.

The County specifically covenants that it will pay or cause to be paid the Rebate Requirement (as defined in the Tax Certificate) as provided in the Tax Certificate. For purposes of the foregoing, capitalized terms have the meanings ascribed to them in the Tax Certificate which is incorporated herein by reference.

In further satisfaction of the Rebate Requirement, but only to the extent specified by the Tax Certificate, the Trustee shall establish and maintain a fund separate from any other fund established and maintained hereunder designated the Rebate Fund. The County shall cause to be deposited in the Rebate Fund the Rebate Requirement as provided in the Tax Certificate. Subject to the provisions of this Section 6.06, moneys held in the Rebate Fund are hereby pledged to secure payments to the United States government, and the County, the Authority and the Owners shall have no rights in or claim to such moneys. The Trustee shall invest all amounts held in the Rebate Fund pursuant to the written directions of the County.

The Trustee shall conclusively be deemed to have complied with the provisions of this Section 6.06 if it follows the directions of the County and shall not be required to take any actions thereunder in the absence of instructions from the County. The Trustee shall have no responsibility to make the rebate calculations or to independently verify or review such calculations.

Notwithstanding any provision of this Section 6.06, if the County shall provide to the Trustee any Opinion of Counsel that any specified action required under this Section 6.06 is no longer required or that some further or different action is required to maintain the exclusion of the interest evidenced and represented by the Certificates from gross income for federal income tax purposes, the Trustee and the County may conclusively rely on such opinion in complying with the requirements of this Section 6.06, and the covenants hereunder shall be deemed to be modified to that extent.

ARTICLE VII

DEFAULT; LIMITATIONS OF LIABILITY

7.01. Action on Default. Upon the occurrence of an Event of Default by the County under Section 5.01 of the Installment Sale Agreement, and in each and every such case during the continuance of such Event of Default, the Trustee shall, with respect to any Event of Default other than an Event of Default pursuant to subsection (2) of Section 5.01 of the Installment Sale Agreement, and may, with respect to an Event of Default pursuant to said subsection (2) of

Section 5.01 of the Installment Sale Agreement (or shall, in the event of a request therefor by the Owners of not less than twenty-five percent (25%) in aggregate principal amount with respect to Certificates at the time Outstanding), upon notice in writing to the County exercise the remedies provided in the Installment Sale Agreement, which remedies have been assigned to the Trustee pursuant to the Assignment Agreement.

Subject to the provisions of Section 7.08 herein, the Trustee shall notify the Authority of the occurrence of an Event of Default within five (5) Business Days of the Trustee's acquiring actual knowledge of such Event of Default.

All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article VII or Article V of the Installment Sale Agreement shall be applied by the Trustee in the order following upon presentation of the several Certificates, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the costs and expenses of the Trustee and of the Certificate Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel; and then

Second, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Certificates then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, without the consent of a majority in aggregate principal amount of the Certificates Outstanding.

Before taking the action referred to in this Section 7.01, the Trustee may require that a satisfactory indemnity bond be furnished by the Owners of the Outstanding Certificates, or any of them, for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its gross negligence or willful misconduct in connection with any such action.

No Owner of any Certificate issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Agreement, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default hereunder; (b) the Owners of at least twenty-five percent (25%) in aggregate principal amount of all the Certificates then Outstanding shall have made written request upon

the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity satisfactory to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

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

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

7.02. Non-Waiver. Nothing in this Article VII or in any other provision of this Trust Agreement shall affect or impair the obligation of the County to pay the Installment Payments, as provided in the Installment Sale Agreement. No delay or omission of the Trustee to exercise any right or power arising upon the happening of any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or any acquiescence therein, and every power and remedy given by this Article VII to the Trustee may be exercised from time to time and as often as shall be deemed expedient by the Trustee.

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

7.04. Status Quo Ante. In case any suit, action or proceeding to enforce any right or exercise any remedy shall be brought or taken and then discontinued or abandoned, then, and in every such case, the Trustee, the County, and the Authority shall be restored to its and their former position and rights and remedies as if no such suit, action or proceedings had been brought or taken.

7.05. No Obligation by County to Owners. Except for the payment of Installment Payments when due in accordance with the Installment Sale Agreement and the performance of the other covenants and agreements of the County contained in this Trust Agreement and in said Installment Sale Agreement, the County shall have no obligation or liability to any of the other parties or to the Owners of the Certificates with respect to this Trust Agreement or the terms, execution, delivery or transfer of the Certificates, or the distribution of Installment Payments to the Owners by the Trustee.

7.06. No Obligation with Respect to Performance by Trustee. The County shall have no obligation nor liability to any of the other parties or to the Owners of the Certificates with respect to the performance by the Trustee of any duty imposed upon it under this Trust Agreement.

7.07. No Liability to Owners for Payment. Except as provided in this Trust Agreement, the Trustee shall have no obligation nor liability to the Owners of the Certificates with respect to the payment of the Installment Payments by the County when due, or with respect to the performance by the County of any other covenants made by it in the Installment Sale Agreement.

7.08. No Notice of Default Other than Failure to Make Payments. The Trustee shall not be required to take notice or be deemed to have taken notice of any Event of Default under the Installment Sale Agreement except failure by the County to cause to be made any of the payments to the Trustee required to be made by the Installment Sale Agreement, unless the Trustee shall be specifically notified in writing of such default by the Authority or the owners of at least twenty-five (25%) in aggregate principal amount of all Certificates then Outstanding.

ARTICLE VIII

THE TRUSTEE

8.01. The Trustee. The Trustee is hereby appointed and shall serve as the Trustee for the Certificates for the purpose of receiving all money, including the Installment Payments, which the County is required to deposit with the Trustee hereunder and under the Installment Sale Agreement and for the purpose of allocating, applying and using such money as provided herein and therein and for the purpose of paying the interest on and principal of and prepayment premiums, if any, on the Certificates presented for payment in San Luis Obispo, California, with the rights and obligations provided herein. The County agrees that it will at all times maintain a Trustee having a principal office in San Luis Obispo or San Francisco, California.

The County may at any time, unless there exists any Event of Default, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any such successor shall be a bank or trust company doing business and having a principal 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 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 purpose 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 condition so published. The Trustee may at any time resign by giving written notice of such resignation to the County and by mailing first class to the Owners notice of such resignation. Upon receiving such notice of resignation, the County shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have

accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required hereby.

The Trustee is hereby authorized to pay the Certificates when duly presented for payment at maturity or for prepayment prior to maturity. The Trustee shall cancel all Certificates upon payment thereof or upon the surrender thereof by the County and shall destroy such Certificates and a certificate of destruction shall be delivered to the County. The Trustee shall keep accurate records of all Certificates paid and discharged and canceled by it.

The County shall from time to time, subject to any agreement between the County and the Trustee then in force, pay to the Trustee compensation for its services, reimburse the Trustee for all its advances and expenditures including but not limited to advances to and fees and expenses of independent accountants and in-house and other counsel or other experts employed by it and reasonably required in the exercise and performance of its rights and obligations hereunder, and, to the extent permitted by law, indemnify and hold the Trustee and its officers, directors, employees and agents harmless against any claim, loss, liability, damages, expenses (including legal fees and expenses) or advances not arising from the Trustee's own active or passive negligence, willful misconduct or breach of fiduciary duty, which the Trustee may incur in the exercise and performance of its rights and obligations hereunder. The obligations of the County under this paragraph to compensate, indemnify, reimburse and hold the Trustee harmless shall constitute additional indebtedness hereunder, and such indebtedness shall have priority over the Certificates in respect of all property and funds held or collected by the Trustee as such, except funds held in trust by the Trustee for the benefit of the Owners of particular Certificates, including, without limitation, funds held by the Trustee in trust to redeem all or a portion of Outstanding Certificates prior to their respective maturities for which a notice of prepayment has been sent as provided herein.

8.02. Liability of Trustee. The recitals of facts, agreements and covenants herein and in the Certificates shall be taken as recitals of facts, agreements and covenants of the Certificates, and the Trustee assumes no responsibility for the use of any proceeds of the Certificates, the correctness of the same, or the collection of the Revenues, nor does it make any representation as to the sufficiency or validity hereof, of the Certificates or any security therefor and shall not incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it herein, in the Certificates or in law or equity. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence, willful misconduct or breach of fiduciary duty.

Whenever the Trustee shall deem it necessary or desirable that a factual or legal matter be established or proved prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a certificate conforming to the requirements herein or an opinion of counsel, which certificate or opinion shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Trustee may in lieu thereof accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

In accepting the trust hereby created, the Trustee acts solely as Trustee for the Owners and not in its individual capacity and all persons, including without limitation the Owners, the Authority, and the County, having any claim against the Trustee arising from this Trust Agreement not attributable to the Trustee's negligence or willful misconduct shall look only to the funds and accounts held by the Trustee hereunder for payment except as otherwise provided herein. The duties and obligations of the Trustee shall be determined solely by the express provisions of this Trust Agreement, the Trustee shall not be liable except for the performance of such duties and obligations as are specifically set forth in this Trust Agreement, and no implied covenants or obligations (fiduciary or otherwise) shall be read into this Trust Agreement against the Trustee. The Trustee shall not be liable with respect to any action taken or not taken hereunder in good faith in accordance with the direction of the Owners of not less than sixty percent (60%) in aggregate principal amount of the Certificates at the time Outstanding. The Trustee shall, during the existence of any event of default (which has not been cured), 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 of use under the circumstances in the conduct of its own affairs. The permissive right of the Trustee to do things enumerated in this Trust Agreement shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents and such immunities and exceptions and its right to payment of its fees and expenses shall survive its resignation or removal and the final payment and discharge of the Certificates and this Trust Agreement. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Certificates. The Trustee, in its individual or any other capacity, may become the Owner of any Certificates or other obligations of any party hereto with the same rights which it would have if not the Trustee. The Trustee shall not be required to give any bond or surety in respect of the execution of said trusts and powers or otherwise in respect of the premises. Before taking or refraining from any action hereunder at the request or direction of the Owners, the Trustee may require that an indemnity bond satisfactory to the Trustee be furnished to it and be in full force and effect.

None of the provisions contained herein or in the Installment Sale Agreement shall require the Trustee to expend for risk its own funds or continue to do so or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if it shall reasonably believe that repayment of such funds or adequate indemnity against such risk or liability is not assured to it. The Trustee may rely and shall be protected in acting or failing to act upon any paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the County to make any Installment Payment when due, unless the Trustee shall be specifically notified in writing at its Principal Trust Office of such default by the Authority, the County or the Owners of not less than twenty-five (25%) of the aggregate principal amount of Certificates then Outstanding. Notwithstanding any other provision hereof, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or official action or evidence thereof, in addition so that by the terms hereof required as a condition of such action, by the Trustee deemed desirable for the purpose of establishing the rights of the Trustee with respect to the authentication of any Certificates, the

withdrawal of any cash, the release of any property or the taking of any other action by the Trustee.

8.03. Appointment of Agent; Appointment of Co-Trustee. The Trustee may appoint an agent to exercise any of the powers, rights or remedies granted to the Trustee under this Trust Agreement, and to hold title to property or to take any other action which may be desirable or necessary. Without limiting the generality of the foregoing, upon the occurrence of an event of default as defined in Section 7.01 hereof, it is the intention of the Trustee to appoint an agent or co-trustee pursuant to this Section 8.03, for the purpose of selecting and implementing one or more of the available remedies on default.

At any time for the purpose of meeting any legal requirements of any jurisdiction in which any part of the trust estate may at any time be located, the Trustee shall have the power to appoint an additional institution or individual as a separate or co-trustee, without the consent of the County, which shall join with the Trustee in the execution, delivery, and performance of all instruments and agreements necessary or proper to appoint such institution or individual to act as co-trustee jointly with the Trustee or as a separate trustee of all or any part of the trust estate, and to vest in such person or institution, in such capacity, such title to the trust estate, or any part thereof, and such rights, powers, trusts, duties or obligations as the Trustee may consider necessary or desirable, subject to the provisions of this Section 8.03.

The Trustee, the County and the Authority shall execute and deliver all such instruments as may be reasonably required by such co-trustee or separate trustee for more fully confirming such title, rights, powers, trusts, duties and obligations to such co-trustee or separate trustee.

Every co-trustee or separate trustee shall be appointed subject to the following terms:

(a) All rights, powers, trusts, duties and obligations conferred upon the Trustee may be conferred or imposed upon or exercised or performed by the Trustee, by the Trustee and such co-trustee, or by the separate trustee, either jointly or severally, individually or together, as shall be provided in the instrument appointing such separate or co-trustee, except to the extent the Trustee shall be incompetent, unqualified or otherwise unable to perform such act or acts, in which event such separate or co-trustee shall perform such act or acts.

(b) No trustee shall be liable for the acts or omissions of any other trustee hereunder.

(c) The Trustee may, at any time, by an instrument in writing, accept the resignation of and/or remove any co-trustee or separate trustee, and a successor to any co-trustee or separate trustee may be appointed in the manner provided in this Section 8.03.

(d) Any co-trustee or separate trustee shall be entitled to the provisions of this Article affording compensation, protections, indemnification and limitations from liability to the Trustee.

ARTICLE IX

AMENDMENTS; DEFEASANCE

9.01. Amendment. This Trust Agreement may be amended in writing by agreement among all of the parties, but no such amendment shall become effective as to the Owners of Certificates then Outstanding unless and until approved by a majority in aggregate principal amount with respect to Certificates Outstanding; provided that no such amendment shall adversely affect the interests of the Owners. Notwithstanding the foregoing, this 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 only (1) for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Trust Agreement, (2) in regard to questions arising under this Trust Agreement which the County may deem necessary or desirable and not inconsistent with this Trust Agreement, or (3) to add to the rights and privileges of the Trustee; provided that the County and the Trustee may rely in entering into any such amendment hereof upon the opinion of Special Counsel stating that the requirements of this sentence shall have been met with respect to such amendment, and further stating that such amendment shall not cause the interest component of the Installment Payments to become subject to Federal income taxes or State of California personal income taxes.

9.02. Defeasance. All Outstanding Certificates shall be deemed paid and discharged if:

(a) the County pays or causes to be paid the principal of and interest on all Certificates Outstanding, as and when the same become due and payable; or

(b) by prepayment all Certificates Outstanding are paid pursuant to Article IV hereof and Section 3.03 and 6.01 of the Installment Sale Agreement.

ARTICLE X

ADMINISTRATIVE PROVISIONS

10.01. Funds. Any fund required to be established and maintained herein by the County may be established and maintained in the accounting records of the County either as an account or a fund, and may, for the purpose 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 any such fund 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 of such Certificates.

10.02. Notices. All written notices, certificates, reports or statements to be given under this Trust Agreement shall be given by mail or personal delivery to the party entitled thereto, with a copy to each of the other parties to this Trust Agreement, at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective upon deposit in the United States mail, postage prepaid, or, in the case of personal delivery, upon delivery, to the address set forth below.

If to the County:

County of San Luis Obispo
1055 Monterey Street
San Luis Obispo, CA 93408
Attention: County Administrator

If to the Authority:

San Luis Obispo County Public Facilities Authority
1055 Monterey Street
San Luis Obispo, CA 93408
Attention: Chairperson

If to the Trustee:

Auditor-Controller
County of San Luis Obispo
1055 Monterey Street
San Luis Obispo, CA 93408

10.03. Business Days. Any act or thing required to be done or to exist on any date set forth herein which does not constitute a Business Day in any year shall be deemed to be done or to exist on such date if such act or thing is done or exists on the next date which constitutes a Business Day.

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

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

10.06. Severability. Any provision of this Trust Agreement found to be prohibited by law shall be ineffective only to the extent of such prohibition, and shall not invalidate the remainder of this Trust Agreement.

10.07. Binding on Successors. This Trust Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns.

10.08. 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 one and the same instrument.

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

COUNTY OF SAN LUIS OBISPO
a public body, corporate and politic

By: _____
County Administrator

SLO COUNTY FINANCING AUTHORITY
a California joint powers authority

By: _____
Chairperson

AUDITOR-CONTROLLER OF THE COUNTY
OF SAN LUIS OBISPO, as trustee

By: _____
Auditor-Controller

EXHIBIT A

FORM OF CERTIFICATE OF PARTICIPATION

Number R-1

Not-To-Exceed \$1,621,000

COUNTY OF SAN LUIS OBISPO
CERTIFICATE OF PARTICIPATION
Water System Improvement Project

Evidencing a Direct, Undivided Fractional Interest of the Owner Hereof in Installment Payments to be Made by the County of San Luis Obispo, California, acting on behalf of County Service Area No. 10A.

<u>Rate of Interest</u>	<u>Dated Date</u>	<u>Maturity Date</u>
2.75%	June 1, 2013	June 1, in each of the years specified below

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

PRINCIPAL AMOUNT: ONE MILLION SIX HUNDRED TWENTY-ONE THOUSAND DOLLARS

THIS IS TO CERTIFY that, subject to the provisions set forth below relating to principal installment advances and to mandatory and optional prepayment without premium, the registered owner identified above or registered assigns (the "Owner"), as the registered owner of this Certificate of Participation (the "Certificate") is entitled to receive on the principal payment dates specified the principal amount specified as follows:

<u>Principal Payment Date</u>	<u>Principal Amount Payable</u>	<u>Principal Payment Date</u>	<u>Principal Amount Payable</u>
(June 1) 2014		(June 1)	

2053

This Certificate is issued in lieu of and represents the certificates above designated, all of like date, tenor and effect, but differing in amounts and maturities. This Certificate may be

exchanged at the expense of the County for serial certificates of like denominations and maturities, and in the manner provided in the Trust Agreement (as hereinafter defined) upon thirty (30) days' notice.

The Owner is also entitled to receive, subject to the terms of the Installment Sale Agreement, on June 1, 2014, and semiannually thereafter on June 1 and December 1 of each year (hereinafter referred to as the "Payment Dates") to and including the Principal Payment Date or the date of prepayment, whichever is earlier, the Owner's proportionate share of the Installment Payments designated as interest coming due with respect to each of the Payment Dates. Said share is the result of the multiplication of the unpaid principal amount hereof by the rate of interest specified above, divided by two, and in circumstances involving less than a full one-year period, said interest share shall be calculated on the basis of a 365-day year.

Said amounts are payable in lawful money of the United States of America, which at the time of payment is legal tender for the payment of public and private debts. The amounts representing principal are payable at the office of the Trustee in San Luis Obispo, California (the "Principal Trust Office") and the amounts representing interest are payable by check mailed first class on each Payment Date to the Owner of record on the fifteenth day of the month preceding any Payment Date (the "Record Date"); provided that so long as the United States of America remains the registered Owner of the Certificates, payment of interest shall be made on each Payment Date in accordance with the pre-authorized debit procedure prescribed by the USDA Rural Development, an agency of the United States Department of Agriculture.

This Certificate evidences a direct, undivided fractional interest in the right to receive certain Installment Payments (as defined in the Installment Sale Agreement, hereinafter defined) payable by the County of San Luis Obispo, a general law County of the State of California duly organized and existing by virtue of the Constitution and laws of the State of California (the "County"), under that certain Installment Sale Agreement, dated as of June 1, 2013 (the "Installment Sale Agreement"), by and between the County and the San Luis Obispo County Public Facilities Authority, a California joint exercise of powers authority (the "Authority"). Pursuant to an Assignment Agreement, dated as of June 1, 2013 (the "Assignment Agreement"), by and between Authority and the Auditor-Controller of the County, as trustee (the "Trustee") under that certain Trust Agreement, dated as of June 1, 2013 (the "Trust Agreement"), by and among the County, the Authority and the Trustee, pursuant to which the Certificates were executed and delivered, the Authority has assigned its rights to the Installment Payments to the Trustee.

This Certificate has been executed by the Trustee pursuant to the terms of the Trust Agreement. Copies of the Installment Sale Agreement, the Assignment Agreement and the Trust Agreement are on file in the office of the County and at the Principal Trust Office of the Trustee, and reference to the Installment Sale Agreement, the Assignment Agreement and the Trust Agreement and any and all amendments to said agreements is made for a description of the pledges and covenants of the County securing the Installment Payments, the nature, extent and manner of enforcement of such pledges and covenants, the rights and remedies of the Owners of the Certificates with respect thereto and the terms and conditions upon which the Certificates are delivered thereunder. To the extent and in the manner permitted by the terms thereof, the provisions of the Installment Sale Agreement and the Trust Agreement may be amended by the

parties thereto with the written consent of the Owners of at least a majority in principal amount with respect to the Certificates then outstanding, or without such consent with respect to an amendment not adversely affecting the interests of the Owners of the Certificates.

The registration of this Certificate shall be transferable only upon the Certificate register, which shall be kept for that purpose at the Principal Trust Office of the Trustee, upon surrender hereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the Owner of this Certificate or his duly authorized attorney. Upon the registration of the transfer and the surrender of this Certificate, the Trustee shall provide, in the name of the transferee, a new fully registered Certificate or Certificates of the same aggregate principal amount, Principal Payment Date, and interest rate as the surrendered Certificate.

The Certificates are being delivered initially in the form of a single, fully registered Certificate in the principal amount of not-to-exceed \$1,621,000, with the principal payable in installments as set forth on the face of this Certificate; provided that in the event that the final principal amount of the Certificate, as established in accordance with Trust Agreement, is less than \$1,621,000, the principal installments shall be reduced correspondingly. Upon surrender thereof at the Principal Trust Office of the Trustee with a written request of exchange satisfactory to the Trustee duly executed by the Owner or his attorney duly authorized in writing, may, at the option of the Owner thereof, be exchanged for an equal aggregate principal amount of Certificates of \$1,000 denominations or integral multiples thereof, with Principal Payment Dates corresponding to the principal installments as set forth on the face of this Certificate, and with the same interest rate as the surrendered Certificate.

The Certificates are subject to prepayment in accordance with Article IV of the Trust Agreement, summarized as follows:

(a) The Certificates are subject to mandatory prepayment without premium, in whole or in part, on any Payment Date, in inverse order of Principal Payment Date and by lot as to any Principal Payment Date, from (i) the Net Proceeds (as defined in the Trust Agreement) in an amount of \$1,000 or more deposited with the Trustee in the Installment Payment Account pursuant to the provisions of Section 3.03 of the Installment Sale Agreement, (ii) amounts transferred by the Trustee from the Acquisition and Construction Account to the Installment Payment Account pursuant to Section 5.03(b) of the Trust Agreement, and (iii) amounts received by the Trustee upon an Event of Default and termination of the Installment Sale Agreement.

(b) In addition to prepayment pursuant to subparagraph (a) hereof, the Certificates are subject to optional prepayment without premium, in whole or in part (but not in a total prepayment amount of less than \$1,000), on any Payment Date, in inverse order of Principal Payment Date, and by lot as to any Principal Payment Date, at the principal amount thereof, together with accrued interest to the date fixed for prepayment from the proceeds of optional prepayments of Installment Payments made by the County pursuant to Section 3.03 of the Installment Sale Agreement and deposited in the Installment Payment Account by the Trustee pursuant to the Trust Agreement.

(c) Prepayment by lot shall be in such manner as the Trustee shall determine; provided, however, that the portion of any Certificate to be prepaid shall be in the principal

amount of \$1,000 or any multiple thereof, and that in selecting portions of Certificates for prepayment, the Trustee shall treat each such Certificate as representing that number of Certificates which is obtained by dividing the principal amount with respect to such Certificate by \$1,000.

When prepayment is authorized or required, the Trustee shall give to the Owner notice, at the expense of the County, of the prepayment of the Certificates. Such notice shall specify: (i) that the whole or a designated portion of the Certificates is to be prepaid, (ii) the date of prepayment, and (iii) the place or places where the prepayment will be made. Such notice shall further state that on the specified date of prepayment there shall become due and payable with respect to each Certificate or portion thereof to be prepaid, the principal with respect thereto, together with interest accrued from the next preceding Payment Date to which interest has been paid to said date of prepayment, and that from and after such date of prepayment interest shall cease to accrue.

Notice of such prepayment shall be mailed, postage prepaid, not less than thirty (30) days nor more than sixty (60) days prior to said date of prepayment, to the Owner of any Certificates whose Certificates are to be prepaid. Such mailings shall not be a condition precedent to such prepayment, and failure so to mail any such notice, or any defect in such notice as mailed, shall not affect the validity of the proceedings for the prepayment of the Certificates.

The obligation of the County to make Installment Payments under the Installment Sale Agreement is a special obligation, subject to annual appropriations of the County which appropriations the County has covenanted to make in the Installment Sale Agreement. The obligation of the County under the Installment Sale Agreement does not constitute a debt of the Authority, the Trustee, the County, the State of California or of any other political subdivision thereof, or a pledge of the faith and credit of the County or of the Authority, the Trustee, the State of California or of any other political subdivision thereof, except to the extent of the pledge of the County set forth in the Installment Sale Agreement.

This Certificate is issued as evidence of a loan made by the USDA Rural Development and shall be subject to the present and future regulations of said lender to the extent they are not in conflict with the express provisions hereof or the Trust Agreement authorizing its issuance.

The Trustee has no obligation or liability to the Owner to make payments of principal or interest with respect to the Certificates. The Trustee's sole obligations are to administer, for the benefit of the Owner, the various funds and accounts established under the Trust Agreement.

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

IN WITNESS WHEREOF, this Certificate is hereby executed and authenticated by the manual signature of the Trustee all as of the date set forth below.

Dated: _____

AUDITOR-CONTROLLER OF THE COUNTY
OF SAN LUIS OBISPO, as Trustee

By: _____
Auditor-Controller

REGISTRATION

This Certificate has been initially registered on the date first herein set forth in the name of the person first herein set forth, and both the principal of and interest on this Certificate are payable solely to such registered owner; provided that this Certificate may be transferred on the registration books kept by the Trustee by such registered owner or agent duly authorized in writing or by any successor registered owner, whereupon the prior registration noted hereon shall be cancelled by said Trustee and the name of the new registered owner shall be inserted hereon, and thereafter both the principal of and interest on this Certificate shall be payable solely to such registered owner.

NOTE: There must be no writing in the space below except by the Trustee.

<u>Date of Registration</u>	<u>Name and Address of Registered Owner</u>	<u>Signature of Trustee</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

INSTALLMENT ADVANCES

<u>Installment Number</u>	<u>Date Disbursed by USDA-RD</u>	<u>Amount of Installment</u>	<u>Signature of Trustee</u>
One			
Two			
Three			
Four			
Five			
Six			
Seven			
Eight			

**RECORD OF REDEMPTION IN ADVANCE OF MATURITY
OF CERTIFICATES REPRESENTED BY THIS SINGLE CERTIFICATE**

<u>Principal Payment Date</u>	<u>Principal Amount</u>	<u>Date Redeemed</u>	<u>Signature of Trustee</u>

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned do(es), hereby sell, assign, and transfer unto _____ the within registered certificate, together with accrued interest thereon, and hereby irrevocably constitute(s) and appoint(s) _____ as attorney to transfer the same on the registry books kept for that purpose by the Trustee, with full power of substitution in the premises.

Dated: _____
