
INSTALLMENT SALE AGREEMENT

by and between the

**SLO COUNTY FINANCING AUTHORITY
as Seller**

and the

**COUNTY OF SAN LUIS OBISPO,
as Purchaser**

Dated as of June 1, 2013

relating to the

CSA 10A Water System Improvement Project

TABLE OF CONTENTS

ARTICLE I DEFINITIONS 1

 Section 1.01. Definitions 1

ARTICLE II THE PROJECT 5

 Section 2.01. Acquisition and Construction of the Project 5

 Section 2.02. Sale of the Water System 5

ARTICLE III INSTALLMENT PAYMENTS 6

 Section 3.01. Purchase Price 6

 Section 3.02. Payment of Installment Payments 6

 Section 3.03. Prepayment of Installment Payments 8

ARTICLE IV COVENANTS OF THE COUNTY 9

 Section 4.01. Compliance with Installment Sale Agreement and Trust Agreement 9

 Section 4.02. Use of Proceeds of the Certificates 9

 Section 4.03. Against Encumbrances 9

 Section 4.04. Against Sale or Other Disposition of Property 10

 Section 4.05. Tax Covenants 10

 Section 4.06. Maintenance and Operation of the Water System; Budgets 10

 Section 4.07. Compliance with Contracts 10

 Section 4.08. Payment of Claims 11

 Section 4.09. Insurance 11

 Section 4.10. Accounting Records and Financial Statements 11

 Section 4.11. Protection of Security and Rights of the Authority and the Trustee 11

 Section 4.12. Payment of Taxes and Compliance with Governmental Regulations 11

 Section 4.13. Amount of Rates, Fees and Charges 12

 Section 4.14. Collection of Rates, Fees and Charges 12

 Section 4.15. Limitations on Future Obligations Secured by Net Water System Revenues... 12

Section 4.16. Eminent Domain and Insurance Proceeds	14
Section 4.17. Further Assurances	15
ARTICLE V EVENTS OF DEFAULT AND REMEDIES	15
Section 5.01. Events of Default and Acceleration of Principal.....	15
Section 5.02. Application of Net Water System Revenues Upon Acceleration.....	16
Section 5.03. Other Remedies	16
Section 5.04. Non-Waiver	16
Section 5.05. Remedies Not Exclusive	17
ARTICLE VI DISCHARGE OF OBLIGATIONS.....	17
Section 6.01. Discharge of Obligations.....	17
ARTICLE VII MISCELLANEOUS.....	18
Section 7.01. Liability of County Limited to Net Water System Revenues	18
Section 7.02. Benefits of Installment Sale Agreement.....	18
Section 7.03. Waiver of Personal Liability	18
Section 7.04. Successor Is Deemed Included in all References to Predecessor.....	19
Section 7.05. Article and Section Headings, Gender and References.....	19
Section 7.06. Partial Invalidity.....	19
Section 7.07. Assignment.....	19
Section 7.08. Net Contract	19
Section 7.09. California Law.....	19
Section 7.10. Indemnification	19
Section 7.11. Funds	20
Section 7.12. Notices.....	20
Section 7.13. Effective Date.....	21
Section 7.14. Execution in Counterparts	21

INSTALLMENT SALE AGREEMENT

Water System Improvement Project

This Installment Sale Agreement is entered into as of June 1, 2013, by and between the SLO COUNTY FINANCING AUTHORITY, a California joint powers authority (the “**Authority**”), and the COUNTY OF SAN LUIS OBISPO (the “**County**”), a public body, corporate and politic and political subdivision of the State and acting on behalf of County Service Area No. 10, Zone of Benefit A (“**CSA 10A**”);

RECITALS

WHEREAS, the County, acting on behalf of CSA 10A, has determined that the acquisition and construction of certain additions, betterments, extensions and improvements (the “**Project**”) to the CSA 10A Water System (the “**Water System**”) are necessary and proper for public purposes and uses under the terms of applicable law and are for the common benefit of the inhabitants of CSA 10A as a whole; and

WHEREAS, the Authority has determined to acquire the Water System, including the site on which the existing facilities are situated and with all existing improvements constituting the Water System, from the County, action on behalf of CSA 10A, and to then acquire and construct the Project and sell the Water System, as improved by the Project, to the County, acting on behalf of CSA 10A; and

WHEREAS, the County, acting on behalf of CSA 10A, has determined to make installment sale payments as hereinafter described to the Authority for the repayment of the costs of the acquisition and construction of the Project and the incidental costs and expenses related thereto paid by the Authority; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Installment Sale Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the Installment Sale Agreement;

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

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any opinion or report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural

forms of any of the terms defined herein. Unless the context otherwise requires, capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Trust Agreement (as hereafter defined).

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

“Acquisition and Construction Account” means the fund by that name established pursuant to Section 5.03 of the Trust Agreement.

“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.

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

“Certificate” means the certificates of participation executed and delivered pursuant to the Trust Agreement, evidencing a proportionate interest of the Owners thereof in Installment Payments to be made by the County pursuant to this Installment Sale Agreement.

“County” means the County of San Luis Obispo.

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

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

“CSA 10A” means County Service Area No. 10, Zone of Benefit A.

“Event of Default” means an event described in Section 5.01 hereof.

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

“Generally Accepted Accounting Principles” means the uniform accounting and reporting procedures set forth in publications of the Financial Accounting Standards Board or its successor, or by any other generally accepted Authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

“Governmental Loan” means a loan from the State or the United States of America, acting through any of its agencies, to finance improvements to the Water System, and the obligation of the District to make payments to the State or the United States of America under the loan agreement memorializing said loan on a parity basis with the payment of Installment Payments.

“Independent Certified Public Accountant” means any firm of certified public

accountants appointed by the County which is independent pursuant to the Statement on Auditing Standards No. 1 of the American Institute of Certified Public Accountants.

“Independent Engineer” means any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to Water Systems, appointed and paid by the County, and who or each of whom (1) is in fact independent and not under the domination of the County, (2) does not have a substantial financial interest, direct or indirect, in the operations of the County, and (3) is not connected with the County as a Board of Supervisors member, officer or employee of the County, but may be regularly retained to make reports to the County.

“Installment Payments” means the Installment Payments scheduled to be paid by the County, acting on behalf of CSA 10A, under and pursuant to this Installment Sale Agreement, as set forth in Exhibit B hereto.

“Installment Payment Date” means any date on which Installment Payments are scheduled to be paid by the County under and pursuant hereto.

“Installment Payment Year” means the twelve-month period ending on June 1 of each year, commencing with June 1, 2014; provided that the first Installment Payment Year shall be deemed to commence on the date of delivery of the Certificates to the original purchaser thereof and end on June 1, 2014.

“Installment Sale Agreement” means this Installment Sale Agreement by and between the County and the Authority, dated as of June 1, 2013, as originally executed and as it may from time to time be amended or supplemented in accordance herewith and with the terms of the Trust Agreement.

“Insurance Consultant” means (a) the Risk Manager for the County or (b) any insurance consultant or firm of insurance consultants generally recognized to be well qualified in insurance consulting matters relating to water and other municipal systems, appointed and paid by the County, and who or each of whom (1) is in fact independent and not under the domination of the County, (2) does not have a substantial financial interest, direct or indirect, in the operations of the County, and (3) is not connected with the County as a Board of Supervisors member or as an officer or employee of the County, but may be regularly retained to make reports to the County.

“Interest Payment Date” means a date on which an interest installment of the Installment Payment is due and payable, being June 1 and December 1 of each year to which reference is made, commencing on June 1, 2014.

“Maintenance and Operation Costs” means the reasonable and necessary costs paid or incurred by the County, acting on behalf of CSA 10A, or by CSA 10A directly, for maintaining and operating the Water System, determined in accordance with Generally Accepted Accounting Principles, including all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water System in good repair and working order, and including all administrative costs of the County or CSA 10A that are charged directly or apportioned to the operation of the Water System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and including all other reasonable and

necessary costs of the County or CSA 10A or charges required to be paid by it to comply with the terms hereof, such as fees and expenses of Independent Certified Public Accountants, Independent Engineers and Insurance Consultants, but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor, amortization of intangibles and intergovernmental transfers by the County which are not reimbursements or payments for overhead or other administrative expenses incurred by the County.

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

“Net Water System Revenues” means, for any Fiscal Year, the Water System Revenues during such Fiscal Year less the Maintenance and Operation Costs during such Fiscal Year and less debt service on any Prior Obligation or Prior Obligations, if any, during such Fiscal Year.

“Opinion of Counsel” means a written opinion of counsel of national representation generally recognized to be well qualified in the field of law relating to municipal bonds, retained by the County and satisfactory to the Trustee (who shall be under no liability by reason of such approval).

“Owner” has the meaning set forth in the Trust Agreement.

“Parity Obligation” means any payment obligation of the County, if any, or CSA 10A, if any, which is payable from and secured by a pledge of the Water System Revenues on parity to the pledge contained hereunder. The County is representing and warranting herein that there are no Parity Obligations as of the date of this Installment Sale Agreement.

“Prior Obligation” means any previous payment obligation of the County, if any, or CSA 10A, if any, which is payable from and secured by a pledge of the Water System Revenues senior to the pledge contained hereunder, which previous payment obligation predates June 1, 2013. The County is representing and warranting herein that there are no Prior Obligations.

“Project” or “Water Improvement Project” means the set of additions, betterments and improvements to the Water System more fully described in Exhibit A to this Installment Sale Agreement.

“Purchase Price” means the principal amount plus the interest thereon owed by the County, acting on behalf of CSA 10A, to the Authority under the conditions and terms hereof for the repayment of the costs of the acquisition and construction of the Project and the incidental costs and expenses related thereto paid by the Authority.

“Reserve Fund” means the fund by that name established pursuant to Section 5.05 of the Trust Agreement.

“Reserve Fund Requirement” has the same meaning as set forth in the Trust Agreement.

“Water Service” means the water supply, storage, treatment and distribution service

furnished, made available or provided by the Water System.

“Water System Enterprise Fund” means the Water System enterprise fund of CSA 10A, by that name, as described in Section 3.02 hereof.

“Water System Revenues” means all gross income and revenue received or receivable by CSA 10A from the ownership or operation of the Water System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including connection fees and charges) received by the County, acting on behalf of CSA 10A, for the Water Service and the other services of the Water System and all other income and revenue howsoever derived by the County, acting on behalf of CSA 10A, or by CSA 10A directly from the ownership or operation of the Water System or arising from the Water System, and also including all income from the deposit or investment of any money in the Water System Enterprise Fund but excluding in all cases any proceeds of taxes and any refundable deposits made to establish credit and advances or contributions in aid of construction.

“Water System” means all facilities for the supply, storage, treatment and distribution of water now owned by CSA 10A and administered as the system of CSA 10A, together with all other properties, structures or works hereafter acquired and constructed by CSA 10A or by the County, acting on behalf of CSA 10A, and determined to be a part of the Water System, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed, including but not limited to the Project.

ARTICLE II

THE PROJECT

Section 2.01. Acquisition and Construction of the Project. The Authority hereby agrees to acquire and construct the Project for, and to sell the Water System, as improved by the Project, to the County, acting on behalf of CSA 10A. In order to implement this provision, the Authority hereby appoints the County, acting on behalf of CSA 10A, as its agent to carry out all phases of the design, acquisition and construction of the Project, and the County, acting on behalf of CSA 10A, has agreed to enter into such agreements, contracts and purchase orders as may be necessary, as agent for the Authority, to provide for the design, acquisition and construction of the Project.

Section 2.02. Sale of the Water System. The Authority hereby agrees to sell, and hereby sells, the Water System, as improved by the Project, to the County, acting on behalf of CSA 10A. The County, acting on behalf of CSA 10A, hereby agrees to purchase, and hereby purchases, the Water System, as improved by the Project, from the Authority. Notwithstanding the foregoing, it is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any costs or expenses incurred by the County (whether as agent for the Authority or otherwise) for the acquisition and construction of the Project and that all such costs and expenses shall be paid by the County, regardless of whether the funds deposited in the Acquisition and Construction Account are sufficient to cover all such costs.

ARTICLE III

INSTALLMENT PAYMENTS

Section 3.01. Purchase Price.

(a) The Purchase Price to be paid by the County, acting on behalf of CSA 10A, to the Authority hereunder is the sum of the principal amount of the County's obligation hereunder plus the interest to accrue on the unpaid balance of such principal amount from the date hereof over the term hereof, subject to prepayment as provided in Section 3.03 hereof.

(b) The principal amount of the Purchase Price to be paid by the County to the Authority hereunder is the aggregate principal amount of proceeds received from the United States of America on account of the purchase of the Certificates in the amount of not to exceed One Million Six Hundred Twenty-One Thousand Dollars (\$1,621,000).

(c) The interest to accrue on the unpaid balance of such principal amount shall be paid by the County and shall constitute interest paid on the principal amount of the County's Purchase Price obligation hereunder.

Section 3.02. Payment of Installment Payments. The County, acting on behalf of CSA 10A, shall, subject to prepayment as provided in Section 3.03, pay the Authority the Purchase Price, without offset or deduction of any kind, by paying the principal installments of the Installment Payments annually on June 1, commencing on June 1, 2014, in each of the years and in the amounts set forth in Exhibit B attached hereto and incorporated herein, together with interest installments of the Installment Payments, which interest installments shall be paid semiannually on June 1 and December 1, commencing on June 1, 2014, in the amounts and on the Interest Payment Dates in accordance with such Exhibit B; provided that the amount of the respective Installment Payments shall remain subject to modification to reflect the facts that (a) the corresponding proceeds received from the United States of America on account of the purchase of the Certificates will be received in installments, with the result that interest installments of the Installment Payments will be less than shown in Exhibit B for the period during which such proceeds are being received from the United States of America, and (b) the aggregate principal amount of the proceeds received from the United States of America may ultimately be less than \$1,621,000, in which case both the principal installments and the interest installments shown in Exhibit B will be modified to correspond to the actual aggregate principal amount received.

The obligation of the County, acting on behalf of CSA 10A, to pay the Purchase Price by paying the Installment Payments is, subject to Section 7.01 hereof, absolute and unconditional, and until such time as the Installment Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Section 6.01), the County will not discontinue or suspend any Installment Payments required to be paid by it under this section when due, whether or not the Water System or any part thereof is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

In order to carry out and effectuate the obligation of the County contained herein to pay the Purchase Price by paying the Installment Payments, the County, acting on behalf of CSA 10A, agrees and covenants that all Water System Revenues received by it shall be deposited when and as received in the County's Water System Enterprise Fund which fund the County has heretofore established and holds, and which fund the County agrees and covenants to maintain so long as any Installment Payments remain unpaid. All money on deposit in the Water System Enterprise Fund shall be applied and used only as provided herein. The County shall first pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) and debt service on all Prior Obligations, if any, from the Water System Enterprise Fund as they become due and payable, and all remaining money on deposit in the Water System Enterprise Fund shall be set aside and deposited by the County at the following times in the following order of priority:

(a) Installment Payment Account Deposit. On or before the twenty-fifth (25th) day of each May and November, beginning with May 25, 2014, the County shall, from the money in the Water System Enterprise Fund, transfer to the Trustee for deposit in the Installment Payment Account established under the Trust Agreement, a sum equal to the amount of interest becoming due and payable hereunder on the next succeeding June 1 or December 1, as the case may be, plus, beginning with May 25, 2014, the amount of principal becoming due and payable hereunder on the next succeeding June 1, except that no such deposit need be made if the Trustee then holds money in the Installment Payment Account equal to the amount of interest becoming due and payable hereunder on the next succeeding June 1 or December 1, as the case may be, plus the amount of principal becoming due and payable hereunder on the next succeeding June 1. All money on deposit in the Installment Payment Account on each Installment Payment Date shall be used to make and satisfy the Installment Payment due on such date and such payments shall be deposited or used by the Trustee in accordance with the terms of the Trust Agreement.

Notwithstanding the foregoing requirements of this subsection (a), for the period that the Certificates are registered to the United States of America, the County shall make the semiannual Installment Payments, whether on account of interest or on account of principal or both, as the case may be, directly to the party and in accordance with the pre-authorized debit procedure on the June 1 and December 1 payment dates, respectively, as specified in writing by the USDA Rural Development, an agency of the United States Department of Agriculture, or its successor agency.

(b) Reserve Fund Deposit. On or before the twenty-fifth (25th) day of each May, beginning on May 25, 2014, and continuing until the Reserve Requirement is satisfied, the County shall, in accordance with and subject to the terms of Section 5.04 of the Trust Agreement, transfer to the Trustee, from the money in the Water System Enterprise Fund, for deposit in the Reserve Fund, an amount equal to the Annual Reserve Contribution (as defined in the Trust Agreement). After the County has satisfied the Reserve Requirement, on or before the twenty-fifth (25th) day of each May, the County shall, from the remaining money on deposit in the Water System Enterprise Fund, transfer to the Trustee for deposit in the Reserve Fund that sum, if any, necessary to restore the Reserve Fund to an amount equal to the Reserve Fund Requirement. All money in the Reserve Fund shall be used and withdrawn by the Trustee for the purposes specified in Section 5.04 of the Trust Agreement.

As provided in the foregoing subsection (a) with respect to the Installment Payments, the deposit to the Reserve Fund required by this subsection (b) may be made on June 1 of each year for the period in which the Certificates are registered to the United States of America.

(c) Operating and Capital Replacement Reserve Deposit. On or before the twenty-fifth (25th) day of each May, beginning on May 25, 2014, and continuing to and including May 25, 2052, the County shall, in accordance with and subject to the terms of Section 5.05 of the Trust Agreement, transfer to the Trustee, from the money in the Water System Enterprise Fund, for deposit in the Operating and Capital Replacement Reserve Fund, an amount of \$5,000; provided that said amount shall be evaluated each year and budgeted for based on the need to provide for timely replacement of short-lived assets. This transfer shall continue until all Installment Payments have been made to the Trustee. All money in the Operating and Capital Replacement Reserve Fund shall be used and withdrawn by the Trustee for the purposes specified in Section 5.05 of the Trust Agreement.

After making the deposits to the Installment Payment Account, the Reserve Fund and the Operating and Capital Replacement Reserve Fund hereinabove required to be made in each Installment Payment Year, the County may expend in such Installment Payment Year any remaining money in the Water System Enterprise Fund for any lawful purpose of the County.

It is expressly provided and acknowledged by the parties hereto that payment of debt service on all Prior Obligations, if any, shall be provided for and made before any moneys in the Water System Enterprise Fund are applied to payments in accordance with paragraphs (a) and (b) above, it being the express intention of the parties hereto that the obligations of the County represented by this Installment Sale Agreement shall be subordinate and junior to the Prior Obligations, if any. Without limiting the generality of the foregoing sentence, the County, acting on behalf of CSA 10A, hereby represents and warrants that there are no Prior Obligations.

It is further expressly provided and acknowledged by the parties hereto that payment of debt service on all Parity Obligations shall be provided for and made concurrently to and on a parity with the application of any moneys in the Water System Enterprise Fund to payments in accordance with paragraphs (a) and (b) above, it being the express intention of the parties hereto that the obligations of the County represented by this Installment Sale Agreement shall be on a parity with the Parity Obligations.

Section 3.03. Prepayment of Installment Payments.

(a) The County may prepay from any source of available funds, including the Net Proceeds, on any date all or any part of the principal amount of the unpaid Installment Payments within each principal payment date in integral multiples of one thousand dollars (\$1,000) so that the aggregate annual amounts of principal which shall be payable hereunder after such prepayment date shall be as nearly proportional as practicable to the aggregate annual amounts of the principal then payable hereunder, at a prepayment price equal to the sum of the principal amount prepaid plus accrued interest thereon to the date of prepayment, without premium.

Before making any prepayment pursuant to this Section, the County shall give written notice to the Authority and the Trustee describing such event and specifying the date on which

the prepayment will be paid and the order thereof, which date shall be not less than thirty (30) days nor more than sixty (60) days from the date such notice is given; provided, that notwithstanding any such prepayment, the County shall not be relieved of its obligations hereunder, including specifically its obligations under this article, until the Purchase Price shall have been fully paid (or provision for payment thereof shall have been made pursuant to Article VI).

ARTICLE IV

COVENANTS OF THE COUNTY

Section 4.01. Compliance with Installment Sale Agreement and Trust Agreement. The County will punctually pay the Installment Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate the Installment Sale Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Project or the Water System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State of California or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including Acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

The Authority will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Trust Agreement required to be observed and performed by it, and it is expressly understood and agreed by and among the parties to the Installment Sale Agreement and the Trust Agreement that each of the agreements, conditions, covenants and terms contained in each such agreement is an essential and material term of the obligation of the County to repay the costs of the acquisition and construction of the Project and the costs and expenses incidental thereto paid by the Authority pursuant to, and in accordance with, and as authorized under law and the Installment Sale Agreement.

Section 4.02. Use of Proceeds of the Certificates. The Authority and the County agree that the proceeds of the Certificates will be used by the County, as agent for the Authority, to pay the costs of the acquisition and construction of the Project and to pay the incidental costs and expenses related thereto as provided herein and in the Trust Agreement.

Section 4.03. Against Encumbrances. The County will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the County in, upon, about or relating to the Water System and will keep the Water System free of any and all liens against any portion of the Water System. In the event any such lien attaches to or is filed against any portion of the Water System, the County will cause each such lien to be

fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the County desires to contest any such lien it may do so. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the County will forthwith pay and discharge or cause to be paid and discharged such judgment. The County will, to the maximum extent permitted by law, indemnify and hold the Authority and the Trustee harmless from, and defend each of them against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against any portion of the Water System.

The County may pledge, encumber or otherwise secure its obligations with the Net Water System Revenues, provided that in all instances any such pledge, lien or security is wholly subordinate and junior to the obligations of the County contained herein, particularly Section 3.02.

Section 4.04. Against Sale or Other Disposition of Property. The County will not sell, lease or otherwise dispose of the Water System or any part thereof essential to the proper operation of the Water System or to the maintenance of the Net Water System Revenues, and will not enter into any agreement or lease which would impair the operation of the Water System or any part thereof necessary to secure adequate Net Water System Revenues for the payment of the Installment Payments, or which would otherwise impair the rights of the Authority with respect to the Net Water System Revenues or the operation of the Water System; provided, that any real or personal property which has become inoperative or which is not needed for the efficient and proper operation of the Water System, or any material or equipment which has become worn out, may be sold if such sale will not reduce the Net Water System Revenues below the requirements to be maintained under Section 4.13.

Section 4.05. Tax Covenants. The County shall not take any action, or fail to take any action, if such action or failure to take action would adversely affect the exclusion from gross income, for federal income tax purposes under Section 103 of the Code, of the interest component payable with respect to Certificates. This covenant shall survive payment in full or defeasance of the Installment Payments and the Certificates.

Section 4.06. Maintenance and Operation of the Water System; Budgets. The County will maintain and preserve the Water System in good repair and working order at all times and will operate the Water System in an efficient and economical manner and will pay all Maintenance and Operation Costs as they become due and payable.

Not later than October 1 of each year, the County will adopt and, if requested, make available to the Authority and the Trustee, a budget approved by the County Board of Supervisors setting forth the estimated Maintenance and Operation Costs and the estimated Installment Payments for the then current Fiscal Year; provided, that any such budget may be amended at any time during any Fiscal Year and, if requested, such amended budget shall be made available to the Authority and the Trustee; and provided further that, for the period during which the Auditor-Controller is serving as Trustee, this requirement shall not apply.

Section 4.07. Compliance with Contracts. The County will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be

performed by it contained in all contracts for the use of the Water System and all other contracts affecting or involving the Water System to the extent that the County is a party thereto.

Section 4.08. Payment of Claims. The County will pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on the Net Water System Revenues or any part thereof prior or superior to the obligation to make the Installment Payments as provided herein or which might impair the security of the Installment Payments.

Section 4.09. Insurance. The County will procure and maintain such insurance relating to the Water System which it shall deem advisable or necessary to protect its interests and the interests of the Authority and the Trustee, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with municipal Water Systems similar to the Water System; provided, that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with municipal Water Systems similar to the Water System and is, in the opinion of an Insurance Consultant, financially sound. All policies of insurance required to be maintained herein shall provide that the Authority and the Trustee shall be given thirty (30) days written notice of any intended cancellation thereof or reduction of coverage provided thereby.

The County shall promptly advise the Authority and the Trustee, in writing, if any change in the insurance coverage occurs and, no later than July 31 of each year beginning July 31, 2013, provide to the Authority and the Trustee a report as to all insurance policies maintained and self-insurance programs maintained by the County with respect to the Water System, including the names of the insurers which have issued the policies and the amounts thereof and the property or risks covered thereby; provided that, for the period during which the Auditor-Controller is serving as Trustee, this requirement shall not apply.

Section 4.10. Accounting Records and Financial Statements.

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

(b) The County will prepare and file with the Trustee annually within one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 2014) financial statements of the County for the preceding Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant's Report thereon; provided that, for the period during which the Auditor-Controller is serving as Trustee, this requirement shall not apply.

Section 4.11. Protection of Security and Rights of the Authority and the Trustee. The County will preserve and protect the security hereof and the rights of the Authority and the Trustee to the Installment Payments hereunder and will warrant and defend such rights against all claims and demands of all persons.

Section 4.12. Payment of Taxes and Compliance with Governmental Regulations. The

County will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water System or any part thereof when the same shall become due. The County will duly observe and conform with all valid regulations and requirements of any governmental Authority relative to the operation of the Water System or any part thereof, but the County shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 4.13. Amount of Rates, Fees and Charges. The County, acting on behalf of CSA 10A, will at all times fix, prescribe and collect rates, fees and charges for the Water Service which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield Net Water System Revenues during the next succeeding Fiscal Year of the County equal to one hundred ten percent (110%) of the Installment Payments for such Fiscal Year. The County may make adjustments from time to time in such rates, fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates, fees and charges then in effect unless the Net Water System Revenues from such reduced rates, fees and charges will at all times be sufficient to meet the requirements of this section.

Section 4.14. Collection of Rates, Fees and Charges. The County, acting on behalf of CSA 10A, will have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Water System to pay the rates, fees and charges applicable to the Water Service to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The County, acting on behalf of CSA 10A, will not permit any part of the Water System or any facility thereof to be used or taken advantage of free of charge by any Authority, firm or person, or by any public agency (including the United States of America, the State and any city, county, district, political subdivision, public Authority or agency of any thereof); provided, that the County may without charge use the Water Service.

Section 4.15. Limitations on Future Obligations Secured by Net Water System Revenues.

(a) No Obligations Superior to Installment Payments. In order to protect further the availability of the Net Water System Revenues and the security for the Installment Payments and any Parity Obligations, the County, acting on behalf of CSA 10A, hereby agrees that the County, acting on behalf of CSA 10A, shall not, so long as any Bonds are outstanding, issue or incur any obligations payable from Water System Revenues or Net Water System Revenues superior to the Installment Payments or such Parity Obligations. The County, acting on behalf of CSA 10A, may issue or incur Subordinate Debt as provided herein.

(b) Parity Obligations. The County, acting on behalf of CSA 10A, further covenants that, except for bonds issued to fully or partially refund the Bonds or Parity Obligations, the County, acting on behalf of CSA 10A, shall not issue or incur any Parity Obligations unless:

(i) The County, acting on behalf of CSA 10A, is not in default under the terms of this Installment Sale Agreement;

(ii) (Net Water System Revenues, calculated on sound accounting principles, as shown by the books of the County, acting on behalf of CSA 10A, for the latest Fiscal Year or any more recent twelve (12) month period selected by the County, acting on behalf of CSA 10A, ending not more than sixty (60) days prior to the adoption of the resolution pursuant to which instrument such Parity Obligation is issued or incurred, as shown by the books of the County, acting on behalf of CSA 10A, plus, at the option of the County, acting on behalf of CSA 10A, the additional allowance described below, shall have amounted to at least 1.10 times the sum of the Installment Payments coming due and payable in any future Fiscal Year and the annual debt service for such Fiscal Year on all Parity Obligations outstanding immediately subsequent to the incurring of such additional obligations in the Fiscal Year in which such sum is the greatest; and

(iii) Except with respect to Governmental Loans, there shall be established from the proceeds of such Parity Obligations a reserve fund for the security of such Parity Obligations, in an amount equal to the lesser of (i) the maximum amount of debt service required to be paid by the County, acting on behalf of CSA 10A, with respect to such Parity Obligations during any Fiscal Year, or (ii) the maximum amount then permitted under the Code, in either event as certified in writing by the County, acting on behalf of CSA 10A. With respect to Governmental Loans, the County, acting on behalf of CSA 10A, may, in its sole discretion, establish a reserve fund in an amount not to exceed the limits set forth herein.

(iv) The County, acting on behalf of CSA 10A, has obtained written consent from Owner, if Owner is the United States of America, acting through any one of its agencies.

Either or both of the following items may be added to such Net Water System Revenues for the purpose of applying the restriction contained in this subsection (b)(ii):

(A) an allowance for Net Water System Revenues from any additions to or improvements or extensions of the Water System to be constructed or acquired with the proceeds of such additional obligations, and also for Net Water System Revenues from any such additions, improvements or extensions which have been constructed or acquired from moneys from any source but which, during all or any part of such Fiscal Year or 12-month period, were not in service, all in an amount equal to the estimated additional annual Net Water System Revenues to be derived from such additions, improvements and extensions during the first full Fiscal Year following the completion thereof, all as shown by a certificate of the County, acting on behalf of CSA 10A, may be added to such Net Water System Revenues for the purpose of applying the restriction contained in this subsection (b)(ii);

(B) an allowance for earnings arising from any increase in the charges made for service from the Water System which has become effective prior to the incurring of such additional obligations but which, during all or any part of such Fiscal Year or 12-month period, was not in effect, in an amount equal to 100% of the amount by which the Net Water System Revenues would have been increased if such increase in charges had been in effect during the whole of such Fiscal Year or 12-month period, as shown by a certificate of the County, acting on behalf of CSA 10A.

The provisions of subsection (b)(ii) of this Section shall not apply to any Parity Obligations if all of the proceeds of which (other than proceeds applied to pay costs of issuing such Parity Obligations and to make the reserve fund deposit required pursuant to subsection (b)(iii) of this Section) shall be deposited in an irrevocable escrow held in cash or invested in Federal Securities for the purpose of paying the principal of and interest and premium (if any) on any Outstanding Bonds or on any outstanding Parity Obligations, if (i) at the time of the incurring of such Parity Obligations, the County, acting on behalf of CSA 10A, certifies in writing that maximum annual debt service on such Parity Obligations will not exceed Maximum Annual Debt Service on the Outstanding Bonds or Parity Obligations to be refunded, and (ii) the final maturity of such Parity Obligations is not later than the final maturity of the refunded Bonds or Parity Obligations.

In order to maintain the parity relationship of the Installment Payments to all Parity Obligations permitted hereunder, the County, acting on behalf of CSA 10A, covenants that all payments in the nature of principal and interest or reserve account replenishment with respect to any Parity Obligations, except with respect to Governmental Loans, will be structured to occur semi-annually on the Due Dates and in each year as such payments are due with respect to the Installment Payments, and reserve account replenishment with respect to any Parity Obligations, except with respect to Governmental Loans, will be structured to occur monthly, and to otherwise structure the terms of such Parity Obligations to ensure that they are in all respects payable on a parity with the Installment Payments and not prior thereto; provided that the County, acting on behalf of CSA 10A, shall not make a payment on such Governmental Loan to the extent it would have the effect of causing the County, acting on behalf of CSA 10A, to fail to pay Installment Payments on a timely basis. In such event, the County, acting on behalf of CSA 10A, shall make Installment Payments and payments on such Governmental Loan on a pro rata basis.

(c) Treatment or Reimbursements. If interest on any Parity Obligation is reasonably anticipated to be reimbursed to or on behalf of the County, acting on behalf of CSA 10A, by the United States of America, then interest payments with respect to such Parity Obligations shall be excluded by the amount of such interest reasonably anticipated to be paid or reimbursed by the United States of America, and such reimbursements will not be included as Water System Revenues for purposes of the coverage calculations required in subsection (b)(ii) above.

(d) Subordinate Obligations. The County, acting on behalf of CSA 10A, may issue bonds or other obligations secured by a lien on Water System Revenues or Net Water System Revenues which is subordinate to the lien established under this Installment Sale Agreement, upon such terms and in such principal amounts as the County, acting on behalf of CSA 10A, may determine.

Section 4.16. Eminent Domain and Insurance Proceeds. If all or any part of the Water System is taken by eminent domain proceedings, or if the County receives any insurance proceeds resulting from a casualty loss to the Water System, the Net Proceeds thereof, at the option of the County, shall be applied either to the prepayment of the Installment Payments as provided in Section 3.03 hereof or shall be used to substitute other components for the condemned or destroyed components of the Water System.

Section 4.17. Further Assurances. The County will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Authority of the rights and benefits provided to it herein.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

Section 5.01. Events of Default and Acceleration of Principal. Each of the following constitute an Event of Default under this Installment Sale Agreement:

(a) if the County defaults in the due and punctual payment of any Installment Payment when and as the Installment Payment becomes due and payable;

(b) if the County defaults in the performance of any of the agreements or covenants contained herein required to be performed by it, and such default shall have continued for a period of sixty (60) days after the County has been given notice in writing of such default by the Authority or the Trustee; or

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

then and in each and every such case during the continuance of such Event of Default specified in clause (1) above, the Trustee shall, and for any other such Event of Default the Trustee may, by notice in writing to the County, declare the entire principal amount of the unpaid Installment Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding. This Section is subject to the condition, however, that if at any time after the entire principal amount of the unpaid Installment Payments and the accrued interest thereon shall have been so declared due and payable, and before any judgment or decree for the payment of the money due shall have been obtained or entered, the County shall deposit with the Trustee a sum sufficient to pay the unpaid principal amount of the Installment Payments due and payable prior to such declaration and the accrued interest thereon, with interest on such overdue installments at the rate or rates applicable to such unpaid principal amounts of the Installment Payments if paid in accordance with their terms, and the reasonable expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of the entire principal amount of the unpaid Installment Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Trustee, by written notice to the County, may rescind and annul such declaration and its consequences; but no such rescission and annulment

shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

Section 5.02. Application of Net Water System Revenues Upon Acceleration. All Net Water System Revenues upon the date of the declaration of acceleration by the Trustee as provided in Section 5.01 and all Net Water System Revenues thereafter received shall be applied in the following order:

First, to the payment of the costs and expenses of the Trustee, if any, in carrying out the provisions of this Article, including reasonable compensation to its agents, accountants and counsel and including any indemnification expenses;

Second, to the payment of the interest then due and payable on the entire principal amount of the unpaid Installment Payments, and, if the amount available shall not be sufficient to pay in full all such interest then due and payable, then to the payment thereof ratably, according to the amounts due thereon without any discrimination or preference; and

Third, to the payment of the unpaid principal amount of the Installment Payments which has become due and payable, whether on the original due date or upon acceleration, with interest on the overdue principal and interest amounts of the unpaid Installment Payments at the rate or rates of interest then applicable to such Installment Payments if paid in accordance with their terms, and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to the Installment Payments on any date, together with such interest, then to the payment thereof ratably, according to the principal amount due on such date, without any discrimination or preference.

Section 5.03. Other Remedies. The Trustee shall have the right:

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

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

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

Section 5.04. Non-Waiver. Nothing in this Article or in any other provision hereof shall affect or impair the obligation of the County, which is absolute and unconditional, to pay the Installment Payments from the Net Water System Revenues to the Trustee at the respective due dates or upon prepayment, or shall affect or impair the right of the Trustee, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

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

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

Section 5.05. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

ARTICLE VI

DISCHARGE OF OBLIGATIONS

Section 6.01. Discharge of Obligations.

(a) If the County shall pay or cause to be paid all the Installment Payments at the times and in the manner provided herein, the right, title and interest of the Authority herein and the obligations of the County hereunder shall thereupon cease, terminate, become void and be completely discharged and satisfied.

(b) Any unpaid principal installment of the Installment Payments shall on its payment date or date of prepayment be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this Section if the County makes payment of such Installment Payments and the prepayment premium, if applicable, in the manner provided herein.

(c) All or any portion of unpaid principal installments of the Installment Payments shall, prior to their payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this Section if (i) notice is provided by the County to the Trustee as required by the Trust Agreement, (ii) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or Permitted Investments (as that term is defined in the Trust Agreement) of the type described in clause (1) of the definition of Permitted Investments and which are not subject to redemption prior to maturity (including any such Permitted Investments issued or held in book entry form on the books of the Treasury of the United States of America) or tax-exempt obligations of a state or a political subdivision thereof which have been defeased under irrevocable escrow instructions by the deposit of such money or Permitted Investments and which are then rated in the highest rating category by the Rating Agencies, the interest on and principal of which when paid will

provide money which, together with money, if any, deposited with the Trustee, shall be sufficient to pay when due the principal installments of such Installment Payments or such portions thereof on and prior to their payment dates or their dates of prepayment, as the case may be, the accrued interest thereon and the prepayment premiums, if any, applicable thereto, (iii) an Opinion of Counsel is filed with the Trustee to the effect that the action taken pursuant to this subsection will not cause the interest on the Certificates to be includable in gross income under the Code for federal income tax purposes and (iv) a report of a qualified firm selected by the Authority to the effect that such moneys or Permitted Investments and the interest thereon will be sufficient to pay all such interest, principal and prepayment premiums when due.

(d) After the payment of all Installment Payments and prepayment premiums, if any, as provided in this Section, and payment of all fees and expenses of the Trustee, the Trustee, upon request of the County, shall cause an accounting for such period or periods as may be requested by the County to be prepared and filed with the County and the Authority and shall execute and deliver to the County and the Authority all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of the Installment Sale Agreement, and the Trustee shall pay over and deliver to the County, as an overpayment of Installment Payments, all such money or investments held by it pursuant hereto other than such money and such investments as are required for the payment or prepayment of the Installment Payments, which money and investments shall continue to be held uninvested by the Trustee in trust for the payment of the Installment Payments and shall be applied by the Trustee pursuant to the Trust Agreement.

ARTICLE VII

MISCELLANEOUS

Section 7.01. Liability of County Limited to Net Water System Revenues. Notwithstanding anything contained herein, the County shall not be required to advance any moneys derived from any source of income other than the Net Water System Revenues for the payment of the Installment Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The County may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the County for such purpose.

The obligation of the County, acting on behalf of CSA 10A, to make the Installment Payments is a special obligation of the County payable solely from the Net Water System Revenues as provided herein, and does not constitute a debt of the County or of the State of California or of any political subdivision thereof within the meaning of any constitutional or statutory debt limitation or restriction.

Section 7.02. Benefits of Installment Sale Agreement. Nothing contained herein, expressed or implied, is intended to give to any person other than the Authority or the County or the Trustee any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the Authority or the County or the Trustee shall be for the sole and exclusive benefit of the other party.

Section 7.03. Waiver of Personal Liability. No Board of Supervisors member and no

officer or employee of the County shall be individually or personally liable for the payment of the Installment Payment, but nothing contained herein shall relieve any Board of Supervisors member or any officer or employee of the County from the performance of any official duty provided by any applicable provisions of law or hereby.

Section 7.04. Successor Is Deemed Included in all References to Predecessor. Whenever either the Authority or the County or the Trustee is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority or the County or the Trustee, and all agreements and covenants required hereby to be performed by or on behalf of the Authority or the County or the Trustee shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 7.05. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to “Articles,” “Sections,” “Exhibits” and other subdivisions or clauses are to the corresponding articles, sections, exhibits, subdivisions or clauses hereof; and the words “hereby,” “herein,” “hereof,” “hereto,” “herewith” and other words of similar import refer to the Installment Sale Agreement as a whole and not to any particular article, section, exhibit, subdivision or clause hereof.

Section 7.06. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority or the County shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The Authority and the County hereby declare that they would have executed the Installment Sale Agreement, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 7.07. Assignment. The Installment Sale Agreement and any rights hereunder shall be assigned by the Authority to the Trustee as provided in the Assignment Agreement; to which assignment the County hereby expressly acknowledges and consents.

Section 7.08. Net Contract. The Installment Sale Agreement shall be deemed and construed to be a net contract, and the County shall pay absolutely net during the term hereof the Installment Payments and all other payments required hereunder, free of any deductions and without abatement, diminution or set-off whatsoever.

Section 7.09. California Law. The Installment Sale Agreement shall be construed and governed in accordance with the laws of the State of California.

Section 7.10. Indemnification. The County, acting on behalf of CSA 10A, shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the

Authority and its directors, officers and employees and the Trustee and its directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of the entering into of the Installment Sale Agreement, the acquisition, construction, installation and use of the Water System and each portion thereof or any accident in connection with the operation, use, condition or possession of the Water System or any portion thereof resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the County or the Authority; any claim for patent, trademark or copyright infringement; and any claim arising out of strict liability in tort. The indemnification arising under this section shall continue in full force and effect notwithstanding the full payment of all obligations hereunder or the termination hereof for any reason. The County agrees not to withhold or abate any portion of the payments required pursuant hereto by reason of any defects, malfunctions, breakdowns or infirmities of the Project. The County and the Authority mutually agree to promptly give notice to each other of any claim or liability hereby indemnified against following either's learning thereof.

Section 7.11. 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.

Section 7.12. Notices. All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the County:

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

If to the Authority:

SLO County Financing Authority
c/o County of San Luis Obispo County
County Government Center
1055 Monterey Street
San Luis Obispo, CA 93408
Attention: Chairperson
c/o County Administrator

If to the Trustee:

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

Section 7.13. Effective Date. The Installment Sale Agreement will become effective upon its execution and delivery, and shall terminate when the Purchase Price shall have been fully paid (or provision for the payment thereof shall have been made pursuant to Article VI).

Section 7.14. Execution in Counterparts. The Installment Sale Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

SIGNATURES ON FOLLOWING PAGE

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

SLO COUNTY FINANCING AUTHORITY,
a California joint powers authority

By: _____
Chairperson

COUNTY OF SAN LUIS OBISPO,
a public body, corporate and politic and political
subdivision of the State of California

By: _____
County Administrator

EXHIBIT A

Description of the Project

Improvements to the water system of CSA 10A, as described in the Preliminary Engineering Report prepared by Tom Trott, County Public Works Department, as submitted to the USDA-RD in connection with the application of CSA 10A to USDA-RD for the financing of a portion of the cost and expense of said improvements, subject to such modifications to the subject improvement project as may be approved by USDA-RD during the course of construction.

EXHIBIT B

Installment Payments Schedule

<u>Period Ending</u>	<u>Principal Amount</u>	<u>Interest (2.75%)</u>	<u>Total Installment Payment</u>
12/1/2013		\$22,349.82	\$22,349.82
6/1/2014	\$23,000.00	\$22,288.75	\$45,288.75
12/1/2014		\$21,972.50	\$21,972.50
6/1/2015	\$23,000.00	\$21,972.50	\$44,972.50
12/1/2015		\$21,656.25	\$21,656.25
6/1/2016	\$24,000.00	\$21,656.25	\$45,656.25
12/1/2016		\$21,326.25	\$21,326.25
6/1/2017	\$25,000.00	\$21,326.25	\$46,326.25
12/1/2017		\$20,982.50	\$20,982.50
6/1/2018	\$25,000.00	\$20,982.50	\$45,982.50
12/1/2018		\$20,638.75	\$20,638.75
6/1/2019	\$26,000.00	\$20,638.75	\$46,638.75
12/1/2019		\$20,281.25	\$20,281.25
6/1/2020	\$27,000.00	\$20,281.25	\$47,281.25
12/1/2020		\$19,910.00	\$19,910.00
6/1/2021	\$28,000.00	\$19,910.00	\$47,910.00
12/1/2021		\$19,525.00	\$19,525.00
6/1/2022	\$28,000.00	\$19,525.00	\$47,525.00
12/1/2022		\$19,140.00	\$19,140.00
6/1/2023	\$29,000.00	\$19,140.00	\$48,140.00
12/1/2023		\$18,741.25	\$18,741.25
6/1/2024	\$30,000.00	\$18,741.25	\$48,741.25
12/1/2024		\$18,328.75	\$18,328.75
6/1/2025	\$31,000.00	\$18,328.75	\$49,328.75
12/1/2025		\$17,902.50	\$17,902.50
6/1/2026	\$32,000.00	\$17,902.50	\$49,902.50
12/1/2026		\$17,462.50	\$17,462.50
6/1/2027	\$32,000.00	\$17,462.50	\$49,462.50
12/1/2027		\$17,022.50	\$17,022.50
6/1/2028	\$33,000.00	\$17,022.50	\$50,022.50
12/1/2028		\$16,568.75	\$16,568.75
6/1/2029	\$34,000.00	\$16,568.75	\$50,568.75
12/1/2029		\$16,101.25	\$16,101.25
6/1/2030	\$35,000.00	\$16,101.25	\$51,101.25
12/1/2030		\$15,620.00	\$15,620.00
6/1/2031	\$36,000.00	\$15,620.00	\$51,620.00
12/1/2031		\$15,125.00	\$15,125.00
6/1/2032	\$37,000.00	\$15,125.00	\$52,125.00
12/1/2032		\$14,616.25	\$14,616.25

<u>Period Ending</u>	<u>Principal Amount</u>	<u>Interest (2.75%)</u>	<u>Total Installment Payment</u>
6/1/2033	\$38,000.00	\$14,616.25	\$52,616.25
12/1/2033		\$14,093.75	\$14,093.75
6/1/2034	\$39,000.00	\$14,093.75	\$53,093.75
12/1/2034		\$13,557.50	\$13,557.50
6/1/2035	\$40,000.00	\$13,557.50	\$53,557.50
12/1/2035		\$13,007.50	\$13,007.50
6/1/2036	\$41,000.00	\$13,007.50	\$54,007.50
12/1/2036		\$12,443.75	\$12,443.75
6/1/2037	\$42,000.00	\$12,443.75	\$54,443.75
12/1/2037		\$11,866.25	\$11,866.25
6/1/2038	\$44,000.00	\$11,866.25	\$55,866.25
12/1/2038		\$11,261.25	\$11,261.25
6/1/2039	\$45,000.00	\$11,261.25	\$56,261.25
12/1/2039		\$10,642.50	\$10,642.50
6/1/2040	\$46,000.00	\$10,642.50	\$56,642.50
12/1/2040		\$10,010.00	\$10,010.00
6/1/2041	\$47,000.00	\$10,010.00	\$57,010.00
12/1/2041		\$9,363.75	\$9,363.75
6/1/2042	\$49,000.00	\$9,363.75	\$58,363.75
12/1/2042		\$8,690.00	\$8,690.00
6/1/2043	\$50,000.00	\$8,690.00	\$58,690.00
12/1/2043		\$8,002.50	\$8,002.50
6/1/2044	\$51,000.00	\$8,002.50	\$59,002.50
12/1/2044		\$7,301.25	\$7,301.25
6/1/2045	\$53,000.00	\$7,301.25	\$60,301.25
12/1/2045		\$6,572.50	\$6,572.50
6/1/2046	\$54,000.00	\$6,572.50	\$60,572.50
12/1/2046		\$5,830.00	\$5,830.00
6/1/2047	\$56,000.00	\$5,830.00	\$61,830.00
12/1/2047		\$5,060.00	\$5,060.00
6/1/2048	\$57,000.00	\$5,060.00	\$62,060.00
12/1/2048		\$4,276.25	\$4,276.25
6/1/2049	\$59,000.00	\$4,276.25	\$63,276.25
12/1/2049		\$3,465.00	\$3,465.00
6/1/2050	\$60,000.00	\$3,465.00	\$63,465.00
12/1/2050		\$2,640.00	\$2,640.00
6/1/2051	\$62,000.00	\$2,640.00	\$64,640.00
12/1/2051		\$1,787.50	\$1,787.50
6/1/2052	\$64,000.00	\$1,787.50	\$65,787.50
12/1/2052		\$907.50	\$907.50
6/1/2053	\$66,000.00	\$907.50	\$66,907.50